RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2021

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ESSENTRA PLC
(the "Company")

A leading global provider of essential components and solutions

RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2021

Encouraging H1 performance, with a positive full year outlook, focused on delivering organic growth and accretive M&A

Summary:

- The Company delivered an encouraging H1 2021 results performance, demonstrating a continuously improving rebound from COVID-19 ("the pandemic"), driven by Essentra's strong market positions, balanced portfolio and agile operations
- Revenue increase of 7.5% vs H1 2020 on a like-for-like[1] (LFL) basis, with continued positive momentum resulting in a return to quarterly growth
    - Compared to H1 2019, H1 2021 revenue is down 1.9% on a LFL basis
    - Adjusted[2] operating profit up 34.0% vs H1 2020 (at constant FX) to £35.7m
    - Reported operating profit of £30.1m versus £15.6m in H1 2020
    - Adjusted[2] basic EPS higher by 39.9% (at constant FX) at 7.7p (H1 2020: 6.2p)
    - Reported basic EPS of 6.6p compares to 2.3p in H1 2020
    - Adjusted[2] operating cash flow of £22.4m in H1 2021
    - Reported net cash inflow from operating activities of £26.1m in H1 2021
- Well positioned for sustained growth in all divisions with clear and successful strategies based on innovation, sustainability and strong customer partnerships
    - Components - improving trend since the onset of the pandemic has led to a strong H1 2021 performance
    - Packaging - whilst the impact to the underlying market continued to affect H1 2021, customer relationships continue to strengthen and we are expecting to see the market return to moderate growth in H2 2021
    - Filters - strong performance seen in H1 2021, led by outsourcing contracts won
- Margin expansion in Q2 (vs Q2 2020 and Q1 2021) across all Divisions driven by self-help actions and operational leverage, despite cost inflation
    - Price increases being implemented to offset the impact of inflationary cost pressures
    - Progress made on strategic initiatives, underpinning future profitability and providing the platform for industry average margin delivery in Packaging towards the end of the year
- Value enhancing and strategic acquisition of Hengzhu announced in Components, 3C! integration on plan in Packaging
- Strong balance sheet maintained, providing strategic optionality
    - Net debt of £212.2m (H1 2020: £297.0m), with net debt / EBITDA at 1.7x (excluding lease liabilities, net debt / EBITDA ratio is 1.5x)
- Issue of $250m private placement debt in July, securing more long term funding
- Interim dividend of 2.0p per share declared, in line with our progressive policy

[1] Excludes the impact of acquisitions, disposals and foreign exchange
[2] Before amortisation of acquired intangible assets and adjusting items

Results at a glance:

	HY 2021	HY 2020	% change Actual FX	% change Constant FX
Revenue	£475m	£448m	+6	+12
Adjusted[1] operating profit	£36m	£29m	+23	+34
Adjusted[1] pre-tax profit	£29m	£21m	+35	+51
Adjusted[1] net income[2]	£24m	£17m	+39	+55
Adjusted[1] basic earnings per share	7.7p	6.2p	+24	+40
Dividend per share	2.0p	-	n/a	n/a
Net debt (including lease liabilities)	£212m	£297m	-29	n/a
Net debt (excluding lease liabilities)	£159m	£238m	-33	n/a
Net debt to EBITDA (including lease liabilities)	1.7x	2.5x	n/a	n/a
Net debt to EBITDA (excluding lease liabilities)	1.5x	2.3x	n/a	n/a
Free cash flow[3]	£5m	£12m	n/a	n/a
Reported operating profit	£30m	£16m	+93	+118
Reported pre-tax profit	£23m	£8m	+192	+273
Reported net income[2]	£21m	£7m	+194	+265
Reported basic earnings per share	6.6p	2.3p	+187	+266
Reported net cash inflow from operating activities	£26m	£38m	n/a	n/a

[1] Before amortisation of acquired intangible assets and adjusting items
[2] Net income is defined as profit after tax, before minority interests
[3] A reconciliation of free cash flow is set out in the Financial Review

Statutory to Adjusted Reconciliation:

30 June 2021	Reported	Acquisitions and disposals	Amortisation of acquired intangible assets	Adjusting items	Tax on adjustments	FX	LFL / Adjusted[1]
Revenue	£475m	£(17)m	-	-	-	-	£458m
Operating profit	£30m	-	£11m	£(5)m	-	-	£36m
Pre-tax profit	£23m	-	£11m	£(5)m	-	-	£29m
Net income	£21m	-	£11m	£(5)m	£(3)m	-	£24m

30 June 2020	Reported	Acquisitions and disposals	Amortisation of acquired intangible assets	Adjusting items	Tax on adjustments	FX	LFL[2] / Adjusted[1,2]
Revenue	£448m	-	-	-	-	£(22)m	£426m
Operating profit	£16m	-	£11m	£2m	-	£(2)m	£27m
Pre-tax profit	£8m	-	£11m	£2m	-	£(2)m	£19m
Net income	£7m	-	£11m	£2m	£(3)m	£(2)m	£15m

[1] Adjusted operating profit, adjusted pre-tax profit and adjusted net income relate to total Group
[2] 2020 Adjusted figures are presented at 2021 constant FX rates

Commenting on today's results, Paul Forman, Chief Executive, said:

"I am extremely pleased with the start to the year that we have had. The first half of 2021, much like the bulk of 2020, brought with it numerous challenges due to the ongoing pandemic, and I am very proud of how we have navigated through these difficult times, to deliver strong top and bottom line growth, with margin expansion across all divisions in Q2. Encouragingly, we are now trading ahead of 2019 levels with Q2 revenue up by 2.5% LFL.

In particular, I am profoundly grateful for the incredible energy, commitment and passion demonstrated by all of our employees in the face of continued pressures.

Components and Filters have had a particularly strong H1 2021, whilst Packaging has made good progress in margin initiatives and is coping well with continued difficult conditions within its underlying market. Whilst we remain mindful of external pressures in the current environment, we have been quick to take proactive actions to mitigate any headwinds, such as the pricing actions we have taken in Components and Packaging in order to protect margins.

The recent issuance of our private placement debt provides us with optimal long term funding. The strength of our balance sheet and liquidity position means we are well positioned to pursue attractive bolt-on acquisition opportunities, just like the one we will be completing on shortly in Components (Hengzhu) - which provides us with the ideal platform to take our fastest growing product range (access hardware) into our top target geographic market (China).

Whilst there is more for us still to do, our H1 2021 results demonstrate our ability to deliver financial progress despite a challenging market backdrop. We are well positioned for the remainder of 2021 and are on track to deliver full year adjusted operating profit in-line with the Board's expectations".

Outlook Statement

The Company has had an encouraging start to the year, but the pandemic continues to contribute to an uncertain macro-economic environment. The portfolio of end-markets served across the Group provides a degree of resilience against this uncertainty. The Company has dealt with some supply chain disruption in the year thus far - and this remains a risk that we must continue to monitor closely.

On a constant currency basis, revenue in our underlying business continues to improve, and the divisional outlook for the remainder of 2021 suggests that: both Components and Filters should see a continuation in growth (albeit the rate of growth may moderate as comparatives become tougher), whilst in Packaging we expect to see the market return to moderate growth in the second half of 2021 with global healthcare systems expected to start catching up on the significant backlog of prescriptions and elective surgeries.

The Company expects to deliver a FY 2021 operating profit in line with the Board's expectations. Our profit margin percentage target expectations for 2022 from a divisional perspective are: Components to return to pre-pandemic margin levels, as the division benefits from volume leverage and adjusts to operating in a new supply chain environment, notwithstanding continued reinvestment to support further growth; Packaging to achieve industry average margin of 8-10% by the end of 2021 (barring any major unforeseen macro-economic events or extended lockdowns), with full year delivery of this industry average margin being achieved in 2022, driven by volume leverage and the already executed strategic footprint initiatives; and finally Filters to return to pre-pandemic margin levels, as the division benefits from further progress in the delivery of its 'gamechangers' as well as expected improvement in NPI volume. Clearly this will be dependent on continued macroeconomic progress and some recovery in healthcare markets specifically.

Alternative Performance Measures

Constant foreign exchange rates. Movements in exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis ("constant FX") adjusts the comparative to exclude such movements, to show the underlying performance of the Company. The principal exchange rates for Essentra in HY 2021 were:

	-------- Average --------		-------- Closing --------	
	HY 2021	**HY 2020**	**HY 2021**	**HY 2020**
US$:£	1.39	1.27	1.38	1.23
€:£	1.15	1.14	1.17	1.10

Re-translating at HY 2021 average exchange rates decreases the prior year revenue and adjusted operating profit by £22.8m and £2.4m respectively.

Like-for-like ("LFL"). The term "like-for-like" describes the performance of the continuing business on a comparable basis, adjusting for the impact of acquisitions, disposals and foreign exchange. The HY 2021 LFL results (when compared to HY 2020) are adjusted for the acquisition of 3C! Packaging, Inc. on 17 September 2020. Additionally, when HY 2021 LFL performance is compared against HY 2019, then the following are also adjusted for: the acquisition of the Innovative Components business on 26 June 2019, the acquisition of Nekicesa Packaging on 6 September 2019, the divestment of the

Pipe Protection Technologies business on 14 January 2019, the divestment of the Extrusion business on 11 June 2019, the divestment of the Speciality Tapes business on 28 June 2019 and finally the divestment of the Card Solutions business on 23 July 2019.

Adjusted basis. The term "adjusted" excludes the impact of amortisation of acquired intangible assets and adjusting items, less any associated tax impact. In HY 2021, amortisation of acquired intangible assets was £11.1m (HY 2020: £10.9m), and there was a pre-tax credit for adjusting items of £5.5m (HY 2020: charge of £2.5m). The current half year net credit for adjusting items is driven mainly by the release of provisions relating to prior business disposals (£4.5m) and the gain made on the sale of the Moorestown facility (£4.3m), being netted off against costs incurred for strategic initiatives relating to footprint optimisation (£2.9m) as well as transaction costs associated with the proposed acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd (£0.5m). Further details on adjusting items are shown in note 3 to the condensed consolidated interim financial statements.

Constant FX, LFL and adjusted measures are provided to reflect the underlying financial performance of Essentra. For further details on the performance metrics used by Essentra, please refer to pages 27 to 30 of the 2020 Annual Report.

Adjusted operating cash flow. Adjusted operating cash flow is net cash flow from operating activities, excluding income tax paid, pensions adjustments, and cash flows relating to adjusting items, less net capital expenditure. It is a measure of the underlying cash generation of the business. Net capital expenditure is included in this measure as management regard investment in operational assets (tangible and intangible) as integral to the underlying cash generation capability of the Company.

Operating Review

The HY 2021 result for the Group was encouraging. Overall, compared to the prior period, HY 2021 revenue increased by 5.9% (11.6% at constant exchange) to £474.9m, whilst on a LFL basis, revenue increased by 7.5%. However, in order to fully appreciate LFL Group performance, progressive quarterly trading needs to be considered, as this gives more clarity on how, over time, the Company became increasingly proficient at dealing with the impacts and challenges of the pandemic. A trend of positive quarterly LFL revenue momentum has built up ever since the major onset of the pandemic - going from -9.8% in Q2 2020, to -6.7% in Q3 2020, to -1.0% in Q4 2020, and then marking a return to positive quarterly growth in 2021 with +1.4% in Q1 2021 and +13.7% in Q2 2021.

Direct comparisons with prior year are inevitably skewed due to the impact of the pandemic taking its full grip from April last year. Compared to H1 2019, H1 2021 revenue is down 1.9% on a LFL basis (though on quarterly basis vs 2019, Q1 was down 6.2% whilst Q2 rebounded being up by 2.5%).

On an adjusted basis, operating profit was up 23.1% (34.0% at constant FX) at £35.7m, which was driven mainly by the volume gearing effect from the revenue increase and cost savings emanating from the strategic initiatives, being partially offset by general inflationary costs pressure and increased costs pertaining to performance related pay incentives. Adjusted operating margin increased by 100bps (130bps at constant FX) to 7.5%. Q2 adjusted operating margin was 9.8%, with margin expansion being delivered by each of the divisions (in comparison to both Q2 2020 and Q1 2021).

Including amortisation of acquired intangible assets of £11.1m and a pre-tax credit from adjusting items of £5.5m, operating profit as reported was £30.1m (HY 2020: £15.6m); prior half year included an overall adjusting items charge of £2.5m, whilst HY 2021 has a total credit from adjusting items of £5.5m.

Net finance expense was below the prior year at £7.0m (2020: £7.7m), which was mainly driven by lower interest costs on a reduced level of net debt. The effective tax rate on underlying profit before tax (before amortisation of acquired intangible assets and adjusting items) was 16.7% (HY 2020: 19.2%). This reduced tax rate is primarily driven by a one-off non-cash benefit on the remeasurement of deferred tax assets as a result of the enacted change in UK Corporation Tax rates, being partially offset by a change in the geographical split of profits across the Group.

On an adjusted basis, net income of £23.9m was up 39.0% (55.4% at constant FX) and adjusted basic earnings per share increased by 24.2% (39.9% at constant FX) to 7.7p. On a total reported basis, net income of £20.6m and earnings per share of 6.6p compared to £7.0m and 2.3p respectively in 2020.

Adjusted operating cash flow was 1% higher than the previous half year at £22.4m (2020: £22.1m). The increase in adjusted operating cash flow was mainly driven by the improvement in adjusted operating profit against HY 2020 of £6.7m, offset by increased working capital outflows of £5.1m in order to support growth. Adjusted free cash flow was £4.7m (compared to £11.5m in 2020), after payments for tax, net interest and pensions. Reported net cash inflow from operating activities is £26.1m (2020: £37.7m).

Business Review

Summary growth in revenue by Division

% growth	LFL	Acquisitions / Disposals	Foreign Exchange	Total Reported
Components	+20.3	-	-5.9	+14.4
Packaging	-5.1	+9.7	-3.7	+0.9

Filters	+12.8	-	-8.2	+4.6
Total	**+7.5**	**+4.1**	**-5.7**	**+5.9**

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

Components

	HY 2021 £m	% growth Actual FX	% growth Constant FX
Revenue	148.4	+14.4	+20.3
Operating profit*	27.0	+13.0	+17.3
Operating margin*	18.2%	-20bps	-50bps

* Adjusted basis

The Components division delivered a strong performance in H1 2021, with revenue increasing by 20.3% to £148.4m. On a per day basis, adjusting for one less trading day in H1 2021, revenue was up by c21%.

Since the onset of the pandemic, the division has rebounded to deliver consistently improving quarterly trading performance, and the positive momentum seen in the second half of 2020 has carried across into 2021. In Q1, the business recorded revenue per day growth of c5% (adjusting for two less trading days during Q1 2021), which improved further as we moved in to Q2, where revenue per day growth of c38% was delivered (adjusting for one more trading day during Q2 2021). The pandemic took its full grip in April 2020, hence prior year comparatives for Q2 are somewhat skewed due to this reason. However, when compared to Q2 2019, current year Q2 is up by c7% on a LFL revenue per day basis.

Consistent with the commitment to providing customers with a "hassle-free" experience, the division has made further progress on its 'digital journey' - including the continued roll out and enhancement of our new digital platform, which has proven to be a critical tool in upgrading the division's online presence and has continued to differentiate us from our competitors. During the half year, the Asian roll-out of the new digital platform commenced, with our Singaporean and Malaysian websites going live in May. We are taking this platform to our remaining Asian markets in H2 2021 (Europe and North America went live in prior years). This platform has given the division the stage on which to promote an expanding range of products that have both been organically introduced and added from acquisitions. Further developments are in progress, including the use of artificial intelligence. In order to complement the ever-increasing functionality of our website, the division has also been working on various other commercial initiatives - key amongst these is our category management approach - whereby our commercial teams are focused on global product category expertise, rather than being totally regionally aligned - an approach for which we have begun to reap rewards during the half year, and that we will look to continue enhancing into the future.

It should be noted that the growth in Components in the half year has been delivered against a backdrop of supply chain challenges, which have been exacerbated by the strong and relentless rebound in demand seen. In the earlier part of half year, the challenges were mainly driven by Brexit induced supply chain disruptions, requiring additional administrative steps. In response to these disruptions, certain product lead times had to be permanently extended. As the half year progressed the challenges have shifted more towards labour availability, mainly in the US. These supply chain challenges are beginning to improve, as we continue to drive proactive remediation actions. Our fully automated German warehouse, which provides an enhanced logistical platform from which to drive the European Components business, is performing in line with expectations.

During the half year, the division has experienced inflationary cost pressures - in terms of raw materials, labour and freight. To counteract the impact of this inflation, and in order to protect our margins, the business is implementing price increases in H2.

In 2020 we announced a set of strategic footprint initiatives in the Americas and Europe that would allow us to improve service for our customers, maximise the opportunities for automation and support anticipated growth for the division. Whilst we have made some progress with the various initiatives, others have had to be temporarily put on hold whilst we concentrate on remedying the supply chain challenges highlighted above.

We have continued to invest in our BPR programme during the year and have gone live with our first operational site in Spain in early July. We plan to continue with our European roll out in the remainder of 2021.

The division has continued with its drive on improving sustainability, and during the half year has launched 40% recycled content in UK manufactured LDPE ranges. Overall recycled material is 7% for H1 2021.

In May, the business announced the acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd which is on track to complete soon. This acquisition strengthens our position in China, enabling us to expand our 'hero' access hardware range. We have proven strong cross selling opportunities for this product range in Europe and Hengzhu provides us with the ideal platform to further penetrate Asia. There is also scope to leverage our operations expertise to increase the efficiency of the business. The acquisition is earnings accretive and will deliver sustainable value to Essentra over the long-term.

Adjusted operating profit increased by 17.3% to £27.0m, equating to a margin of 18.2% (decrease of 50 bps). This was driven mainly by general inflationary costs pressure and increased costs pertaining to performance related pay incentives, being partially offset by the volume gearing effect from the revenue increase and continued successful pricing management. Q2 adjusted operating margin was 19.2%.

Packaging

	HY 2021	% growth	% growth

	£m	Actual FX	Constant FX
Revenue	187.0	+0.9	+4.6
Operating profit*	9.6	+95.9	+102.1
Operating margin*	5.1%	+250bps	+250bps

* Adjusted basis

Revenue increased by 4.6% to £187.0m. On a LFL basis, the revenue decline was 5.1% for the half year, which was driven by the continued impact of a reduction in the level of prescriptions and elective surgeries through lockdown periods (as seen since H2 2020). It should be noted that the prior half year comparator was relatively unaffected by the pandemic - in fact during the early days of the pandemic, volumes were actually boosted by enhanced 'over the counter' trade, which became particularly buoyant as consumers starting stock piling medicines in their homes.

Over the course of H1 2021, there was a slight improvement in performance: in Q1 the division delivered a LFL revenue decline of 5.4%, this marginally improved to -4.8% in Q2. The division is operationally well poised for when the underlying end market returns to growth.

During the pandemic, the combination of maintained high levels of service, along with a clear key account management structure, has meant that dialogue with customers has continued to be further strengthened and deepened, with the division collaborating with its customers to help meet a range of needs and objectives during these unprecedented times. The division continued to win new business as a result of its focus on supporting customers, and is very proud to be playing a part in supporting the healthcare industry in its fight against the COVID-19 virus, helping to produce secondary packaging for anti-viral and vaccine products (now supplying three of the five major vaccine producers). Moreover, the division has recently run its annual customer survey, where it recorded an upper quartile score of 8.4 out of 10, up from 8.1 achieved in the previous survey.

The post-acquisition integration of 3C! Packaging is progressing well. Two main highlights of the integration during the half year have been: the highly experienced management team of 3C! have now been given the responsibility of running the entire US Packaging business, and the leveraging (into the wider division) of innovation, value added products and services that the 3C! business brought with it e.g. 3C!'s ClearCode technology is gaining a lot of interest from the European market, and is being trialled by a major customer.

Strategic cost reduction initiatives, in particular the recent closure of our Portsmouth (UK) and Moorestown (USA) sites, continue to support margin improvement. Whilst input costs have increased in H1, we are implementing pricing actions to mitigate these effects.

Adjusted operating profit increased 102.1% to £9.6m, equating to a margin of 5.1% (250 bps increase). This was largely driven by the delivery of savings emanating from gross margin initiatives, procurement and organisational changes made in the prior year. Netted off against this was the volume gearing effect from the revenue decline. Q2 adjusted operating margin was 6.1%. We maintain our target FY 2021 exit rate of delivering an 8-10% margin, in line with the industry average, by the end of 2021 (barring any major unforeseen macro-economic events or extended lockdowns).

Filters

	HY 2021 £m	% growth Actual FX	% growth Constant FX
Revenue	139.5	+4.6	+12.8
Operating profit*	11.5	+6.5	+18.2
Operating margin*	8.2%	+10bps	+40bps

* Adjusted basis

Total Filters divisional revenue was 12.8% up on the prior half year period, of which the core Filters business (division excluding Tear Tapes) was up by 14.6%.

Q1 2021 was up by 10.0% compared to Q1 2020 for the overall division, mainly driven by the strong delivery of production volumes for the previously announced outsourcing contract wins.

Q2 2021 was up by 15.5% as compared to the Q2 2020, with continued benefit coming from the outsourcing contract volumes, and also due to a softening in the prior period comparatives due to the impact from government enforced facility closures in India and Paraguay in April 2020. However, even when compared to Q2 2019, current year Q2 revenue is up by 3.4%.

In relation to the division's game changers, as mentioned above, the three previously announced outsourcing contracts are now operating with full production volumes being achieved on all of these. The division also has a healthy pipeline of potential outsourcing contract opportunities. The China JV commenced production in June, providing a great platform to capture the many opportunities available in the world's largest tobacco market. We continue to build our pipeline of next generation products (NGP) opportunities - with one further patent application made and several projects underway. In regards to the three proprietary products launched in late 2020 (Eco Sensation, ECO Cavitec and ECO Cavitec Sensation), which are intended to meet EU Single Use Plastics Directive initiatives for plastic-free and biodegradable products, we are very pleased with the ever-increasing levels of interest the market is showing towards these new products, with a rapidly growing number of projects already underway, that could materialise into a significant number of opportunities. The division has also actively been helping customers with developing and commercialising other sustainable products into market. We are partnering with a large customer who is trialling these products in Europe in Q3 2021. In addition, there are plans to launch Eco-Filters with another large customer in early 2022.

In the Tear Tapes business, during the half year, we have re-organised our sales teams into a global market category approach to focus on specific categories of markets, customers and end uses, whilst adopting an overall key account management approach for mutual customers with the core Filters business.

Adjusted operating profit increased 18.2% to £11.5m, equating to an operating margin of 8.2% (increase of 40 bps). This was largely driven by the volume gearing effect from the revenue increase, netted off against costs incurred for the set up for the China JV. Q2 adjusted operating margin was 10.8%.

Financial Review

Net finance expense. Net finance expense of £7.0m was £0.7m below the prior year period, and is broken down as follows:

£m	HY 2021	HY 2020
Net interest charged on net debt	4.3	5.7
Amortisation of bank fees	0.5	0.4
IAS 19 pension finance charge	0.3	0.3
Interest on leases	1.4	1.0
Net other finance expense	0.5	0.3
Total net finance expense	**7.0**	**7.7**

Tax. The effective tax rate on underlying profit before tax (before adjusting items and amortisation of acquired intangible assets) was 16.7% (2020: 19.2%). This reduced tax rate is primarily driven by a one-off non-cash benefit on the remeasurement of deferred tax assets as a result of the enacted change in UK Corporation Tax rates, being partially offset by a change in the geographical split of profits across the Group.

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 and Capital Payables ("Adjustments").

£m	HY 2021	HY 2020
Inventories	110.3	125.4
Trade & other receivables	185.0	177.6
Trade & other payables	(179.9)	(180.4)
Adjustments	4.5	5.3
Net working capital	**119.9**	**127.9**

The decrease in net working capital was largely driven by an FX impact. Lower inventory levels, emanated primarily from the Components and Filters divisions, both of which had a concerted effort last half year to have a contingency build of inventory (in light of the pandemic backdrop). This decrease in inventory levels was netted off by an increase in trade and other receivables - which is a function of the enhanced trading volumes in HY 2021 vs HY 2020. During the period, there has been no deterioration in the recoverability of trade and other receivables across all three divisions.

Cash flow. Adjusted operating cash flow is net cash flow from operating activities, excluding income tax paid, pensions adjustments, and cash flows relating to adjusting items, less net capital expenditure. It is a measure of the underlying cash generation of the business. Net capital expenditure is included in this measure as management regard investment in operational assets (tangible and intangible) as integral to the underlying cash generation capability of the Company.

Adjusted operating cash flow was 1% higher than the previous year at £22.4m (HY 2020: £22.1m), this equated to an operating cash conversion of 63% in the half year (HY 2020: 76%). The increase in adjusted operating cash flow was mainly driven by the improvement in adjusted operating profit against HY 2020 of £6.7m, offset by increased working capital outflows of £5.1m in order to support growth. Adjusted free cash flow was £4.7m (compared to £11.5m in 2020), after payments for tax, net interest and pensions.

In HY 2021, there was a £0.4m net decrease in cash and cash equivalents to £132.5m (HY 2020: increase of £87.2m to £160.2m).

£m	HY 2021	HY 2020
Operating profit - adjusted	**35.7**	**29.0**
Depreciation and amortisation of non-acquired intangible assets	19.6	19.8
Right-of-use asset depreciation	5.8	6.2
Share option expense / other movements	(1.0)	(0.5)

Change in working capital	(15.1)	(10.0)
Net capital expenditure (excluding disposal proceeds relating to adjusting items)	(22.6)	(22.4)
Operating cash flow - adjusted	**22.4**	**22.1**
Tax	(7.3)	(4.3)
Cash outflow in respect of adjusting items	(7.4)	(2.2)
Pension obligations	(4.2)	(0.3)
Add back: net capital expenditure (excluding disposal proceeds relating to adjusting items)	22.6	22.4
Net cash inflow from operating activities	**26.1**	**37.7**
Operating cash flow - adjusted	**22.4**	**22.1**
Tax	(7.3)	(4.3)
Net interest paid	(6.2)	(6.0)
Pension obligations	(4.2)	(0.3)
Free cash flow - adjusted	**4.7**	**11.5**
Net increase in cash & cash equivalents	**(0.4)**	**87.2**

Net debt. Net debt at the end of the period was £212.2m, a £1.8m increase from 1 January 2021 (including lease liabilities). The overall increase was mainly driven by dividends paid to shareholders and payouts for deferred consideration on acquisitions, being offset by the net cash inflow from the free cash flow generated by the Company during the half year and capital contributions from non-controlling interests in the China Joint Venture.

£m	HY 2021
Net debt as at 1 January 2021	**210.4**
Free cash flow	(4.7)
Cash inflow in respect of adjusting items	(0.9)
Foreign exchange	(1.9)
Acquisitions - net cash paid	1.9
Capital contributions from non-controlling interests in the China JV	(3.1)
Dividends	9.9
Lease liability movements	-
Other	0.6
Net debt as at 30 June 2021	**212.2**

The Company's financial ratios remain healthy. The ratio of net debt to EBITDA including lease liabilities was 1.7x (30 June 2020: 2.5x). Net debt to EBITDA excluding lease liabilities was 1.5x (30 June 2020: 2.3x). Interest cover was 4.9x (30 June 2020: 4.8x).

Refinancing activities. One of the main sources of funding for the Company is a Revolving Credit Facility (RCF) provided by a group of eight highly-rated banks, which as at the prior year end was set to mature in its entirety in November 2022. However, for a tranche involving five of the eight banks (worth £250m), during the half year we have agreed an extension to the facility based on new terms, which will now mature in November 2023. Additionally, another bank has also joined this new syndicate, with a commitment of a further £25m.

In July, the Company has agreed the issue of US $250 million of medium and long-dated private placement debt. The issue comprises US $80 million notes due 2028, US $85 million notes due 2031, and US $85 million notes due 2033. The covenants on the notes are in line with those on the Company's existing private placement notes and its bank revolving credit facility. The proceeds will be used for general corporate purposes and to repay shorter-dated bank debt (with net debt level maintained), thereby diversifying the Company's source of debt finance and lengthening its maturity profile. Some of the proceeds have been swapped into Sterling, in accordance with the Group's hedging policies.

Pensions. As at 30 June 2021, the Company's IAS 19 net pension liability was £7.4m (FY 2020: £23.9m). This decrease in the liability is a result of an actuarial gain (driven by an increase in discount rate) being netted off against an adverse return of plan assets.

Dividends. The Board of Directors has approved an interim dividend of 2.0 pence per 25 pence ordinary share (HY 2020: nil). The interim dividend will be paid on 29 October 2021 to equity holders on the share register on 24 September 2021: the ex-dividend date will be 23 September 2021. Essentra operates a Dividend Re-Investment Programme ("DRIP"), details of which are available from the Company's Registrars, Computershare Investor Services PLC: the final date for DRIP elections will be 8

October 2021.

Going forwards, a progressive dividend policy will continue to be adopted.

Board changes. As reported previously, Tommy Breen retired as a Non-Executive Director and Senior Independent Director, with effect from the conclusion of the Annual General Meeting (AGM), held on Thursday 20 May 2021. Mary Reilly became Senior Independent Director upon Tommy's retirement, adding to her already existing role as Chair of the Audit & Risk Committee and Board Employee Champion.

Adrian I. Peace has been appointed as a Non-Executive Director with effect from 28 June 2021. Adrian will also be an Employee Champion for the North American region. Adrian brings extensive experience in US and Global markets having operated in a range of businesses including light and heavy manufacturing, distribution and services sectors. Adrian has experience of leading full P&Ls, digitising businesses and driving operational efficiencies that have transformed the businesses he has worked in.

Treasury policy and controls. Essentra has a centralised treasury function to manage funding, liquidity and exposure to interest rate and foreign exchange risk. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of derivatives that may be employed and the criteria for investing and borrowing cash. Essentra uses derivatives only to manage currency and interest rate risk arising from the underlying business activities. No transactions of a speculative nature are undertaken. Underlying policy assumptions and activities are reviewed by the Treasury Committee.

Controls over exposure changes and transaction authenticity are in place, and dealings are restricted to those banks with the relevant combination of geographical presence, expertise and suitable credit rating.

Foreign exchange risk. The majority of Essentra's net assets are in currencies other than sterling. The Company's normal policy is to reduce the translation exposure and the resulting impact on shareholders' funds through measures such as borrowing in those currencies in which the Group has significant net assets. As at 30 June 2021, Essentra's US dollar-denominated assets were approximately 27% hedged by its US dollar-denominated borrowings, while its euro-denominated assets were approximately 30% hedged by its euro-denominated borrowings.

The majority of Essentra's transactions are carried out in the functional currencies of its operations, and therefore transaction exposure is limited. Essentra uses forward foreign currency contracts to hedge its exposure to movements in exchange rates on its highly probable forecast foreign currency sales and purchases over a period of up to 18 months.

Management of principal risks. The Board considers risk assessment, identification of mitigating actions and internal controls to be fundamental to achieving Essentra's strategic objectives. Our principal risks are detailed later in this document.

The UK's Exit from the European Union ("Brexit")

Post-Brexit, the Company's focus has shifted to ensuring effective management of new customs and delivery arrangements, in order to maintain customer service levels. The supply chain disruptions noted in Q1 2021 have settled down in Q2 2021 as both business and logistics partners get used to the new arrangements. Compared to pre-Brexit, there are additional administrative steps/costs and longer lead times to get products and raw materials into/out of Continental Europe, but these issues have now stabilised. We continue to foresee no material direct impact to the Company from Brexit, however the potential for certain supply chain disruption remains a risk that we must continue to monitor closely.

Business Process Redesign ("BPR")

The Company is currently part way through a business process redesign project, supported by implementation of a new ERP system. This project will support the strategic growth agenda of the Company, along with improving process efficiencies and business controls. We have completed scoping, process design and development activity of the system, both for core finance & procurement processes, as well as sales, manufacturing & warehouse processes for the Components Division.

To date, the Dynamics365 system has been rolled out to cover HQ finance & procurement processes (in July 2020) and Components Spain (in early July 2021). We are now working on data and configuration activity for the next set of countries in Components Europe. In addition, the Dynamics365 CRM system (CE) has been rolled out across the Components Division.

Over the cycle, the tangible benefits of the BPR programme are estimated to offset the cost. With streamlined processes and modern technology, the Company expects to become a much more agile and nimble business.

Enquiries

Essentra plc	**Tulchan Communications LLP**
Aamir Mohiuddin, Investor Relations Director	Martin Robinson
Lucy Yank, Group Communications Director	Olivia Peters

Tel: +44 (0)1908 359100	Hollie Ralston
	Tel: +44 (0)20 7353 4200

Presentation

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

The Half Year Results presentation to analysts and investors will start at 08:30 (UK time), and will be held virtually.

There are two options for participating in the event:

1) View and listen in to a webcast of the presentation, which can be accessed at https://www.essentraplc.com/en/investors/company-information/webcasts-and-presentations
   Please note that this option will not allow you to ask any questions - it will be listen only mode.

2) If you wish to ask a question, or are unable to listen to the audio via the webcast, please dial in to the audio conference call using the details below:

Dial-in number:	+44 (0)20 7192 8338 (UK / international participants) +1 646 741 3167 (US participants)
Toll-free number:	0800 279 6619 (UK participants) +1 877 870 9135 (US participants)
Event Plus Passcode:	9073105

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

Replay number:	+44 (0)333 300 9785 (UK / international participants) +1 917 677 7532 (US participants)
Toll-free number:	0808 238 0667 (UK participants) +1 866 331 1332 (US participants)
Replay access code:	9073105
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 of developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

Notes to Editors

About Essentra plc

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

Headquartered in the United Kingdom, Essentra's global network extends to 34 countries and includes 7,430 employees, 48 principal manufacturing facilities, 30 sales & distribution operations and 3 research & development centres. For further information, please visit www.essentraplc.com.

Essentra Components

Essentra Components is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items. Operating in 25 countries worldwide, 14 manufacturing facilities and 23 sales & distribution centres serve more than 82,000 customers with a rapid supply of low cost but essential products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics and construction. The division also includes the Reid Supply business, which provides a wide range of branded hardware supplies to a broad base of industrial customers, largely located in the US Mid-West.

Essentra Packaging

Essentra Packaging is one of only two multicontinental suppliers of a full secondary packaging range to the health and personal care sectors, with 23 facilities across three geographic regions. The division's innovative products include cartons, leaflets, self-adhesive labels and printed foils used in blister packs, which help customers to meet the rapidly-changing requirements of these end-markets and can also be combined with Essentra's authentication solutions to help the fight against counterfeiting.

Essentra Filters

Essentra Filters is the only global independent cigarette filter supplier. The thirteen sites across nine countries, including three R&D centres, provide a flexible infrastructure strategically positioned to serve the tobacco sector. The business supplies a wide range of value-adding high quality innovative filters, packaging solutions to the roll your own segment and analytical laboratory services for ingredient measurement to the industry: Essentra's offering also includes Heat Not Burn and e-cigarette solutions to the rapidly evolving market for Next Generation Products. The division also includes the Tear Tapes business, which is globally recognised as the leading manufacturer and supplier of pressure-sensitive tear tapes, that are largely used in the tobacco, food and drink and specialist packaging sectors

Risk Report

Our risk management activities aim to drive performance aligned to our purpose, encourage growth through innovation and support the achievement of our strategic objectives. In doing this we take a balanced approach that puts risk management at the core of the senior management agenda. We remain committed to managing risks in a proactive and effective manner to protect and enhance value, and provide assurance to the Board and our stakeholders.

A risk management framework is in place to identify and manage risk within defined appetite levels, in relation to both operations and strategy. The framework has been designed to provide the Group Risk Committee (GRC) and the Board with a clear line of sight over risk and opportunity and to enable informed decision making. Our risk management framework continues to evolve as we seek to ensure our risk management processes are aligned with FTSE 250 upper quartile practice.

Risk can present itself in many forms and has the potential to impact health and safety, the environment, our communities, our reputation, regulatory compliance, market and financial performance and therefore the achievement of our corporate objectives. By understanding and managing risk, we provide greater certainty and confidence to our shareholders, employees, customers, suppliers and the communities in which we operate.

The Board confirms its risk appetite biannually by mapping its Principal Risks against a scale from "risk-averse" to "risk neutral" to "risk tolerant" and this informs the development of mitigating actions for each of the Principal Risks.

At a strategic level, our risk management objectives are to:-

- identify the Company's significant risks and appropriate responses
- formulate the risk appetite and ensure that our business profile and plans are consistent with it
- ensure that growth plans are properly supported by an effective risk infrastructure
- help management teams to improve the control and co-ordination of risk-taking across the Company

COVID-19

The COVID-19 pandemic remains a global crisis and, at the date of this report, the situation remains volatile and uncertain across many parts of the world. Whilst the Company's risk landscape has changed during the COVID-19 pandemic, we believe that our focused risk management activities across the Company have enabled an agile and resilient response to the unrivalled challenges posed by the pandemic and continue to deliver effective mitigating actions.

The impact of COVID-19 continues to test and challenge the effectiveness of our approach to risk and its management. We continue to operate with adapted ways of working as required and we believe that our risk management framework continues to respond effectively in protecting value. As we look to the future, there remains a continued focus on enhancing our risk management framework and building on the lessons learnt over the past 18 months to ensure our approach not only protects stakeholder value but also supports its creation in line with our strategic growth objectives.

There are risks emerging that subsequent waves of COVID-19, or further variants, might delay recovery and return to work plans with continued disruption across supply chains and the societies in which we operate. Whilst our adoption of a new working model, based around social distancing, workspace and facility transformation, adapted work schedules, reduced travel and continuing remote working, has proved successful, careful planning is required for a transition back to normal working practices to ensure the ongoing wellbeing of our employees.

We continue to scan the horizon for additional new, emerging or disruptive risks which could significantly affect the Company's ability to meet its strategic growth objectives. We continue to note increasing momentum associated with the risk agendas for ESG and climate change and our ability to effectively manage our talent in a post COVID-19 working model has been on our risk radar during the first half of the year.

Principal Risks

The GRC has responsibility for overseeing Essentra's Principal Risks. Given the continue disruption and uncertainly caused by COVID-19, our risk management approach has been to consider the ongoing completeness and appropriateness of our Principal Risks. As part of our approach we have considered the impact on each of our Principal Risks and our risk appetite. Where necessary we have modified our risk response.

A number of our risks were amplified as a result of COVID-19 in 2020 and this reassessment remains appropriate. We have not identified any new Principal or Emerging risks in the first half of the year. The table below sets out movements in our Principal Risks.

Principal Risk	Movement from 2020	Description
PR1 Failure to Achieve Acceptable Returns from the Packaging Division (Managing Director, Packaging)	No change	The potential for a failure to deliver improving returns each year and demonstrating delivery of industry average returns by end of 2021 has been identified as a Principal Risk since 2017. This risk includes the potential of the Packaging business failing to deliver new business wins, expected cost savings or acceptable returns. There has been no change in the risk profile; COVID-19 has impacted our ability to deliver growth in 2020 with the underlying pharmaceutical market in particular disrupted by the lack of patient visits to GPs and significantly fewer elective surgeries resulting in lower demand for branded and generic drugs, however subject to the pharmaceutical market recovering in 2021, the division is on track to deliver margin in line with the lower end of the industry average range by 2021.
PR 2 Tobacco Industry Dynamics (Managing Director, Filters)	No change	The Filters division supplies filter products and packaging solutions to manufacturers in the tobacco industry. Changes in the traditional tobacco market present both opportunities and risks for the division. Whilst the Company has a strong market position the future growth opportunities may be affected by dynamics of the tobacco industry such as the declining combustible markets, shifting towards Next Generation Products (NGP) as well as moving towards other tobacco substitutes. The focus of stakeholders on ESG objectives provides an additional area of challenge for the business. There is continued legislation to reduce smoking prevalence and promote the use of more sustainable products and practices, for example the EU Single Use Plastics Directive. This presents an opportunity for growth through our sustainable product portfolio. The change in global consumption and end markets for our products requires increased oversight of where our products are used and a robust regulatory framework. Tobacco-related litigation could also affect Essentra, although there is no history of the Company being involved in such a claim. There has been no change to the overall assessment of this risk.
PR 3 Delivery of Strategic Projects (Strategy and Commercial Director)	No change	The Company's success is dependent on its ability to deliver key strategic projects on time and within budget, to realise their full potential. The Company invests in, and delivers, significant strategic, operational and capital expenditure projects in order to drive the business forward, for example our ongoing Business Process Redesign implementation. In line with our strategic plans, this project approach also includes the acquisition and disposal of businesses. Failure to deliver such key projects effectively and efficiently could result in significantly increased project costs and impede our ability to execute our strategic plans. There has been no change to the overall assessment of this risk.
PR 4 Regulatory Governance (Company Secretary and General Counsel)	No change	The Company operates across many international jurisdictions and engages with a wide range of stakeholders, including a diverse employee, customer and supplier base. Some locations we operate in are high risk. We are required to comply with multiple areas of legislation, regulation and good practice for areas such as Anti-Trust, Anti-Bribery, Sanctions and Data Protection and Privacy. Our operations are subject to an external environment which is seeing increasing levels of scrutiny and oversight from regulators and enforcement agencies. Failure to manage effectively the scrutiny and oversight and/or comply with new laws and regulations could result in significant fines, costs and reputational damage to the Company. Changes in supply chains and the adoption of remote working environments as a result of COVID-19 potentially increase compliance and control risks. Additionally, COVID-19 has potentially increased the risk in relation to data privacy given the additional collection of personal data. We have

		not seen a significant change in other regulatory risks. Whilst the external environment is generating additional compliance demands and undertaking increased levels of enforcement, the Company continues to drive continuous improvements in its compliance activities and overall the level of risk to the Company has remained the same.
PR 5 Cyber-Attack (Chief Information Officer)	No change	The Company is dependent on its IT systems for day-to-day operations. Should the Company be affected by a cyber security breach, this could result in suspension of some IT services and loss of data. Subsequently, the Company could receive fines, lose customer confidence and suffer reputational damage. The risk was heightened during the early phase of the pandemic as a result of a significant increase in remote working as part of COVID-19 crisis management. The Company continues to mitigate these additional risks through consistent deployment of our security controls to devices away from the office, maintaining software updates and the introduction of stronger authentication for remote access services. Cyber-attacks are a serious threat to the smooth running of our business. We continue to invest in our cyber security programme which includes mitigation and risk reduction activities across people, process and technology.
PR 6 Macro-economic and Trade Deal Uncertainty (including Brexit) (Group Programme Director)	Down	As a global business, changes to global economic conditions or trading arrangements have the potential to impact us. Our international trade flows expose the Company to tariffs, duties or quotas imposed through trade sanctions and also to macroeconomic effects due to regional or global industrial output changes. Essentra will need to adapt to geopolitical changes that impact on patterns of trade and the movement of labour and capital. A trend towards protectionism, regionalism and a rebalancing from West to East creates risks and opportunities that Essentra will need to manage and exploit. In light of the Trade and Co-operation Agreement being agreed between the UK and the EU, our Brexit focus moved to continuing to ensure we are following robust customs and shipment processes and proactive management of goods across the UK-EU border, to minimise delays to our customers, and our working capital. The geopolitical landscape is becoming gradually less uncertain, as such, our assessment is that the probability of this risk manifesting has reduced.
PR 7 Business Continuity Planning and Management (Group Programme Director)	No change	We operate a global manufacturing footprint and supply chain. Making this supply chain resilient is a critical factor in serving our customers, to minimise the impact of potential disruptions. Business continuity management issues can be focused on particular locations, driven by single point supply chain failures. Here, our global footprint provides risk diversification, via alternative manufacturing routes. Equally, business continuity issues can be broader in nature and impact a number of sites simultaneously as has been the potential with COVID-19. Our global footprint may expose us to a broader set of potential multi-site disruption risks, than more focused companies. Robust business continuity planning and management practices are required to minimise the impact on production capability, supply chain management, customer relationships, reputation, revenue and profit. The Company experienced some minor disruption through COVID-19 related issues last year and the risk of sites being temporarily shut due to government imposed lockdowns remains.
PR 8 Environmental, Social Governance (ESG) (Group Programme Director)	Up	Environmental, Social and Governance (ESG) issues are becoming increasingly fundamental for all companies. For Essentra, this includes our exposure to tobacco-related products in our cigarette filters, potential changes in regulation related to single-use plastics, climate change and other topics. Failure to meet stakeholder expectations on increasing environmental and/or social governance obligations could lead to reputational or commercial risk for the Company. This includes risks arising from changing investor attitudes, increasing customer expectations, social attitudes towards the health and environmental impact of our products which may impact on our ability to market them, along with ability to attract and retain talent, given increasing employee focus on sustainability-related topics Mitigation efforts are managed through the Board Sustainability Committee and include reviewing and assessing the Company's exposure and response to sustainability related issues and considering whether these are consistent with the Company's risk appetite.

		Given the increasing focus on the ESG agenda, our assessment is that this risk has increased.
PR 9 Internal Processes and Control (Chief Financial Officer)	No change	Processes and controls play an important part in our ability to prevent and detect inappropriate and unethical behaviour. This includes fraud, deliberate financial misstatement and improper accounting practices. If the design, operation or the assurance over these controls is ineffective or ownership is not defined or controls are overridden, there is a greater risk of operational loss. In response to COVID-19 there has been greater adoption of flexible and remote working arrangements resulting in an ongoing need to adapt our controls and processes to these changing ways of working. Our roll-out of Minimum Control Standards (MCS) across the Company helps maintain a consistent standard and, as such, our assessment is that there is no change to this risk.
PR 10 Safety, Health & Wellbeing (Group Programme Director)	No change	The safety, health and wellbeing of our employees is of the highest priority for the Company. Essentra has many manufacturing facilities across the world, along with non-manufacturing sites and internationally mobile employees. Factory manufacturing can be inherently risky given the use of industrial machinery and high speed manufacturing processes. In addition, the Company must comply with national safety regulation in multiple jurisdictions. Should an injury or fatality occur involving our employees or visitors, or should there be any breach of safety regulation resulting in prosecution, considerable reputational damage is anticipated as well as potentially significant financial costs. Increasingly, especially given recent COVID-19 related events, the mental and emotional wellbeing of our leaders, managers and workforce remains a focus. The organisation is working in a different way, which is impacting individuals physically as well as emotionally. The prolonged period of COVID-19 working practices and the potential impact of further variants increases risks in this area. There has been no change to the assessment of this risk.
PR 11 Talent to Deliver our Future (Group HR Director)	Up	Failure to acquire, retain, develop and motivate the required management and leadership necessary to evolve our business, develop our culture and meet future customer needs. The change agenda, increased movement in the recruitment market, the continued stimulus and the impact of COVID-19 overall creates a need to address focus on attracting and retaining key talent along with taking steps to avoid burn-out and presenteeism. Additionally, we must continue to evaluate and grow the agile skills required to build for the future. Talent attraction and retention challenges continue to evolve across the Company with many different underlying reasons. Immediate steps have been taken to address the large skills gap in the US with a more structured plan established to consider the longer term actions needed. In addition, new ways of working and internal challenges is resulting in fatigue and resilience is being challenged which is likely to impact the talent pool, potentially for the long term. Our assessment is that this risk has increased.
PR 12 Exposure to the Cyclical Industrial Market - Components Division (Managing Director, Components)	No change	The Components division serves industrial OEM customers and hence, is exposed to overall Industrial Production trends. Global Industrial Production has tended to be cyclical in nature with major economic downturns leading to a downturn in Industrial Production. From the Global Financial Crisis in 2008-2009 to the current COVID-19 crisis, economic cycles have impacted demand in the broad industrial market. The Components division sells to a broad base of key end markets including Automotive, Capital Goods and Electronics. This broad base of customers provides some risk diversification, however, future downturns in Industrial Production are almost certain to happen, albeit with an uncertain timeframe. The Components division can make changes to its cost base and business model to maintain operating margins against fluctuations in demand. The risk is that such changes do not happen quickly enough, or are not robust enough to minimise the impact on operating margins. The key mitigating actions being taken include optimising the Division's fixed cost base such that it is a lower proportion of the operating costs. Additionally, focus is being given to diversifying the market sectors that we sell to; both within the industrial sector and also beyond it.

Emerging Risks

The Group's risks are continually reviewed and reassessed through a bottom up and top down process as well as input from external sources with escalation and reporting to the Board. The process fully considers all relevant internal and external factors and captures those risks which are current but have not yet fully crystallised, as well as those which are expected to crystallise in future periods.

The Emerging Risks remain broadly unchanged to those set out in the 2020 Annual Report and Accounts. Further detail is set out in the table below:

Risk (Owner)	Risk Description
ER1 Regulatory change (Company Secretary and General Counsel)	Essentra is a global company that must comply with regulatory requirements in many countries. Regulation is increasing worldwide and may potentially impact our products, operations, workforce and relationships with suppliers, customers and stakeholders. COVID-19 continues to affect supply chains and the working environment, potentially leading to new or additional areas of regulatory scrutiny and subsequent regulatory change.
ER2 Technology disruptors (Chief Information Officer)	The risk that Essentra does not manage its response to evolving technologies effectively. This may include losing competitive advantage as rivals deploy advanced manufacturing technologies, artificial intelligence and robotics to strengthen product development, marketing, production, distribution and support functions.
ER3 Evolving conditions of the Debt Market (Chief Financial Officer)	The debt market is evolving, and the lending condition and appetite can be impacted by key events, we have recently observed the effect from the COVID-19 pandemic. Essentra continues to have strong liquidity and we will stay alert to the change of investors' appetite and respond optimally to it and maintain our profile in the debt market.

Further detail on these risks and how they are managed is available in the 2020 Annual Report and Accounts.

Condensed consolidated income statement

	Note	**Six months ended 30 Jun 2021 £m**	Six months ended 30 Jun 2020 £m	Year ended 31 Dec 2020 £m
Revenue	2	**474.9**	448.4	896.5
Operating profit		**30.1**	15.6	21.7
Finance income		**1.1**	0.7	1.9
Finance expense		**(8.1)**	(8.4)	(17.6)
Profit before tax		**23.1**	7.9	6.0
Income tax expense		**(2.5)**	(0.9)	0.3
Profit for the period		**20.6**	7.0	6.3
Attributable to:				
Equity holders of Essentra plc		**19.9**	6.1	4.5
Non-controlling interests		**0.7**	0.9	1.8
Profit for the period		**20.6**	7.0	6.3
Earnings per share attributable to equity holders of Essentra plc:				
Basic	5	**6.6p**	2.3p	1.7p
Diluted	5	**6.6p**	2.3p	1.6p
Earnings per share from continuing operations attributable to equity holders of Essentra plc:				
Basic	5	**6.6p**	2.3p	1.7p
Diluted	5	**6.6p**	2.3p	1.6p

Adjusted profit measure:				
Operating profit		**30.1**	15.6	21.7
Amortisation of acquired intangible assets		**11.1**	10.9	22.6
Adjusting items	3	**(5.5)**	2.5	17.7
Adjusted operating profit		**35.7**	29.0	62.0
See note 3 for further details of the adjusted profit measure.				

Condensed consolidated statement of comprehensive income

	Six months ended 30 Jun 2021	Six months ended 30 Jun 2020	Year ended 31 Dec 2020
	£m	£m	£m
Profit for the period	**20.6**	7.0	6.3
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	**11.9**	(4.9)	(6.7)
Deferred tax (expense)/income on remeasurement of defined benefit pension schemes	**(3.8)**	1.1	2.1
	8.1	(3.8)	(4.6)
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	**(0.2)**	(0.8)	(0.5)
Effective portion of changes in fair value of cash flow hedges	**0.3**	0.3	0.1
Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations	**(19.3)**	32.0	(9.3)
Arising on effective net investment hedges	**3.2**	(9.8)	(3.3)
Income tax income/(expense)	**0.1**	(1.6)	(0.5)
Attributable to non-controlling interests	**(0.7)**	0.1	(0.5)
	(16.6)	20.2	(14.0)
Other comprehensive income for the period, net of tax	**(8.5)**	16.4	(18.6)
Total comprehensive income for the period	**12.1**	23.4	(12.3)
Attributable to:			
Equity holders of Essentra plc	**12.1**	22.4	(13.6)
Non-controlling interests	**-**	1.0	1.3
	12.1	23.4	(12.3)

Condensed consolidated balance sheet

	Note	**30 Jun 2021**	30 Jun 2020	31 Dec 2020
		£m	£m	£m
Assets				
Property, plant and equipment	6	**250.7**	279.2	263.0
Lease right-of-use asset	7	**45.9**	51.4	52.7
Intangible assets	8	**502.9**	505.7	518.8
Long-term receivables		**4.6**	5.9	4.7
Deferred tax assets		**14.4**	13.1	16.8
Retirement benefit assets	9	**18.3**	18.8	12.6
Total non-current assets		**836.8**	874.1	868.6
Inventories		**110.3**	125.4	102.6
Income tax receivable		**3.9**	9.2	3.7
Trade and other receivables		**185.0**	177.6	154.2
Derivative assets	14	**0.3**	0.4	0.3
Cash and cash equivalents	10	**132.5**	160.2	135.8
Total current assets		**432.0**	472.8	396.6
Total assets		**1,268.8**	1,346.9	1,265.2
Equity				
Issued share capital		**75.6**	66.0	75.6
Merger relief reserve		**385.2**	298.1	385.2
Capital redemption reserve		**0.1**	0.1	0.1
Other reserve		**(132.8)**	(132.8)	(132.8)
Cash flow hedging reserve		**-**	(0.2)	(0.1)
Translation reserve		**(40.1)**	9.6	(24.1)
Retained earnings		**332.9**	314.0	313.9

Attributable to equity holders of Essentra plc		**620.9**	554.8	617.8
Non-controlling interests		**16.4**	11.6	13.3
Total equity		**637.3**	566.4	631.1
Liabilities				
Interest bearing loans and borrowings	10	**291.6**	398.1	285.2
Lease liabilities	10	**42.7**	47.1	49.1
Retirement benefit obligations	9	**25.7**	43.4	36.5
Provisions		**2.5**	6.4	8.0
Other financial liabilities		**1.2**	4.4	1.2
Other payables		**1.1**	-	2.2
Deferred tax liabilities		**44.2**	45.7	45.5
Total non-current liabilities		**409.0**	545.1	427.7
Lease liabilities	10	**10.4**	12.0	11.9
Derivative liabilities	14	**0.1**	0.8	0.5
Income tax payable		**28.2**	40.7	33.1
Trade and other payables		**179.9**	180.4	155.4
Provisions		**3.9**	1.5	5.5
Total current liabilities		**222.5**	235.4	206.4
Total liabilities		**631.5**	780.5	634.1
Total equity and liabilities		**1,268.8**	1,346.9	1,265.2

Condensed consolidated statement of changes in equity

									Six months ended 30 June 2021
	Issued capital	**Merger relief reserve**	**Capital redemption reserve**	**Other reserve**	**Cash flow hedging reserve**	**Translation reserve**	**Retained earnings**	**Non-controlling interests**	**Total equity**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January 2021	**75.6**	**385.2**	**0.1**	**(132.8)**	**(0.1)**	**(24.1)**	**313.9**	**13.3**	**631.1**
Profit for the period							19.9	0.7	**20.6**
Other comprehensive income					0.1	(16.0)	8.1	(0.7)	**(8.5)**
Total comprehensive income for the period	-	-	-	-	0.1	(16.0)	28.0	-	**12.1**
Capital contributions from non-controlling interests							-	3.1	**3.1**
Share option expense							(0.5)	-	**(0.5)**
Tax relating to share-based incentives							1.4	-	**1.4**
Dividends paid							(9.9)	-	**(9.9)**
At 30 June 2021	**75.6**	**385.2**	**0.1**	**(132.8)**	**-**	**(40.1)**	**332.9**	**16.4**	**637.3**

									Six months ended 30 June 2020
	Issued capital	Merger relief reserve	Capital redemption reserve	Other reserve	Cash flow hedging reserve	Translation reserve	Retained earnings	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2020	66.0	298.1	0.1	(132.8)	0.3	(11.0)	312.4	7.7	540.8
Profit for the period							6.1	0.9	7.0
Other comprehensive income					(0.5)	20.6	(3.8)	0.1	16.4
Total comprehensive income for the period	-	-	-	-	(0.5)	20.6	2.3	1.0	23.4
Equity issue to non-controlling interest							-	2.9	2.9
Share options exercised							0.1	-	0.1
Share option expense							(0.3)	-	(0.3)
Tax relating to share-based incentives							(0.5)	-	(0.5)
At 30 June 2020	66.0	298.1	0.1	(132.8)	(0.2)	9.6	314.0	11.6	566.4

Condensed consolidated statement of changes in equity (continued)

	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
									Year ended 31 December 2020
At 1 January 2020	66.0	298.1	0.1	(132.8)	0.3	(11.0)	312.4	7.7	540.8
Profit for the period							4.5	1.8	6.3
Other comprehensive income					(0.4)	(13.1)	(4.6)	(0.5)	(18.6)
Total comprehensive income for the period	-	-	-	-	(0.4)	(13.1)	(0.1)	1.3	(12.3)
Issue of share capital	9.6	87.1							96.7
Equity issue to non-controlling interest								5.0	5.0
Share options exercised							0.1	-	0.1
Share option expense							1.2	-	1.2
Tax relating to share-based incentives							0.3	-	0.3
Dividends paid							-	(0.7)	(0.7)
At 31 December 2020	75.6	385.2	0.1	(132.8)	(0.1)	(24.1)	313.9	13.3	631.1

Condensed consolidated statement of cash flows

	Six months ended 30 Jun 2021 £m	Six months ended 30 Jun 2020 £m	Year ended 31 Dec 2020 £m
Operating activities			
Profit for the period	**20.6**	7.0	6.3
Adjustments for:			
Income tax expense	**2.5**	0.9	(0.3)
Net finance expense	**7.0**	7.7	15.7
Intangible amortisation	**12.5**	12.3	25.2
Adjusting items	**(5.5)**	2.5	17.7
Depreciation of property, plant and equipment	**18.2**	18.4	37.6
Lease right-of-use asset depreciation	**5.8**	6.2	12.0
Profit on disposal of fixed assets	**(0.1)**	-	(2.0)
Impairment of fixed assets	**0.2**	-	0.1
Share option expense	**(0.5)**	(0.3)	1.2
Hedging activities and other movements	**(0.7)**	-	1.3
(Increase)/decrease in inventories	**(10.9)**	(7.6)	9.6
(Increase)/decrease in trade and other receivables	**(35.5)**	(3.3)	14.9
Increase/(decrease) in trade and other payables	**31.3**	0.9	(18.3)
Cash outflow in respect of adjusting items	**(7.4)**	(2.0)	(10.9)
Adjustment for pension contributions	**(4.2)**	(0.3)	0.9
Movement in provisions	**0.1**	(0.2)	-
Cash inflow from operating activities	**33.4**	42.2	111.0
Income tax paid	**(7.3)**	(4.5)	(7.7)
Net cash inflow from operating activities	**26.1**	37.7	103.3
Investing activities			
Interest received	**1.0**	1.2	1.9
Acquisition of property, plant and equipment	**(16.1)**	(15.6)	(30.9)
Proceeds from sale of property, plant and equipment	**8.5**	0.1	0.4
Payments for intangible assets	**(6.7)**	(6.8)	(14.2)

Acquisition of businesses net of cash acquired		**(1.9)**	0.2	(41.2)
Proceeds from sale of businesses net of cash disposed		**-**	5.0	5.0
Short term investments		**-**	0.6	0.6
Net cash outflow from investing activities		**(15.2)**	(15.3)	(78.4)
Financing activities				
Interest paid		**(7.2)**	(7.2)	(14.7)
Dividends paid to equity holders		**(9.9)**	-	-
Dividends paid to non-controlling interests		**-**	-	(0.7)
Prepaid facility fees		**(1.0)**	(0.1)	-
Repayments of long-term loans		**-**	(119.7)	(352.9)
Proceeds from long-term loans		**10.0**	195.2	318.8
Lease liability payments		**(6.3)**	(6.4)	(11.9)
Proceeds from equity issue		**-**	-	100.0
Costs incurred in equity issue		**-**	-	(3.3)
Capital contributions from non-controlling interests		**3.1**	2.9	5.0
Proceeds from sale of employee trust shares		**-**	0.1	0.1
Net cash (outflow)/inflow from financing activities		**(11.3)**	64.8	40.4
Net (decrease)/increase in cash and cash equivalents		**(0.4)**	87.2	65.3
Net cash and cash equivalents at the beginning of the period		**135.8**	70.4	70.4
Net (decrease)/increase in cash and cash equivalents		**(0.4)**	87.2	65.3
Net effect of currency translation on cash and cash equivalents		**(2.9)**	2.6	0.1
Net cash and cash equivalents at the end of the period	10	**132.5**	160.2	135.8

1. Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. Essentra plc ("the Company") transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or changes in accounting policies from the transition.

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020 which comply with applicable law and UK-adopted international accounting standards and also in accordance with UK-adopted IAS 34 *Interim Financial Reporting* and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The financial statements have been reviewed not audited by the Company's auditor.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020, which has been prepared in accordance with both international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and any public announcements made by Essentra plc during the interim reporting period.

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at 30 June 2021. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the condensed set of financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The comparative figures for the financial year ended 31 December 2020 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

For the purpose of the condensed consolidated interim financial statements 'Essentra' or 'the Group' means Essentra plc and its subsidiaries.

Income tax expense is recognised based upon the best estimate of the weighted average income tax rate on profit before tax expected for the full financial year, taking into account the weighted average rate for each jurisdiction.

In April 2021, the IFRS Interpretation Committee ('IFRIC') of the International Accounting Standards Board ('IASB') published an agenda decision which addresses how the costs for configuring or customising a cloud-based software that is determined to be a service contract should be accounted for. Given the recentness of the agenda decision and the complexity of judgements involved, our evaluation of the impact of the agenda decision is in progress. These condensed consolidated interim financial statements do not reflect any potential impact from the agenda decision, and we expect to complete our assessment for the preparation of the 2021 annual financial statements.

Going concern

At 30 June 2021, the Group's financing arrangements amounted to £443.6m, comprising United States Private Placement (USPP) of US$100.0m (with a range of expiry dates from November 2024 to April 2030) and a multi-currency revolving credit facility (RCF) of £375.0m (of which £275.0m expires in November 2023 following extension agreed with lenders in January 2021, and the remaining amount in November 2022). In addition, the Group has also recently completed further financing through the issue of new USPP of US$250.0m on 27 July 2021, of which US$80.0m expires in 2028, US$85.0m in 2031 and US$85.0m in 2033.

At 30 June 2021, £149.9m of the RCF facility was undrawn. The facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITA to net finance charges. Despite the macroeconomic uncertainty, the Group has not sought to change either of the two covenants. The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performances and considering the existing banking facilities, including the available liquidity, have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months following the date of approval of the financial statements, and no breaches of covenants are expected.

The uncertainty as to the future impact on the Group of the Covid-19 pandemic has been considered as part of the Group's adoption of the going concern basis, taking into account the experience during 2020 and the most recent circumstances. As at 30 June 2021 and as at the date of approval of these financial statements, all of the Group's manufacturing and distribution facilities are operational and have broadly resumed to pre-pandemic levels of service. Across the Group, public health measures advised by governments are being followed in support of their efforts to contain the spread of the virus, and the supply chain is being proactively managed as are operating costs and the timing of capital expenditure.

As part of the going concern assessment, the Board has also considered a downside scenario that reflects the current uncertainty in the global economy and which we consider to be severe but plausible. The results of this scenario show that there is sufficient liquidity in the business for a period of at least 12 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period. The scenario includes assumption for similar extent of disruptions as seen in 2020. Set against this were mitigating actions including tight management of capital expenditure, sales and general overhead, and working capital. Overall level of liquidity (defined as available undrawn borrowing facility plus cash and cash equivalent excluding the amount attributable to non-controlling interests) at the end of June 2021 remains strong.

The severe but plausible scenario does not indicate a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Further information on the Group's borrowing facilities, cash resources and other financial instruments can be found in notes 10 and 14 to the financial statements.

Critical Accounting Judgements and Estimates

The following provides information on those policies that management considers critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors believe that the financial statements reflect appropriate judgements and estimates and provide a true and fair view of Essentra's performance and financial position.

Accounting Estimates

i Business combinations and intangible assets

IFRS 3 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates and judgements such as customer attrition, cash flow generation from the existing relationships with customers and returns on other assets. Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement and balance sheet.

Goodwill is not amortised but is tested at least annually for impairment, along with the finite-lived intangible assets and other assets of the Group's cash generating units. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. Judgement is also required in identifying the events which indicate potential impairment, and in assessing fair value of individual assets when allocating an impairment loss in a cash-generating unit or groups of cash-generating units. The Group performs various sensitivity analyses in respect of the tests for impairment.

The useful lives of the Group's finite-lived intangible assets are reviewed following the tests for impairment at least annually.

Judgement may also be required in determining the fair value of other assets acquired and liabilities (including contingent liabilities) assumed.

In preparing the condensed consolidated interim financial statements, the Group has considered the impact that climate change may have on key accounting judgements and estimates including asset useful economic lives and asset valuations and impairments. The Group continues to introduce initiatives designed to reduce the carbon emissions from its operations. As a result, the Group considers the environmental assumptions embedded within the Group's strategic business plan to support the key forward looking accounting judgements and estimates.

ii Taxation

Liabilities for tax contingencies require management judgements and estimates in respect of tax audit issues and exposures in each of the jurisdictions in which it operates. Management is also required to make an estimate of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. Where management conclude that a tax position is uncertain, a current tax liability is held for anticipated taxes that are considered probable based on the information available.

Included in the tax payable is a liability of £9.7m (31 December 2020: £12.0m) for transfer pricing matters and £19.5m (31 December 2020: £20.2m) for other uncertain tax positions. The movement is due to adjustments for current year transactions including foreign exchange movements, expiry of statute of limitations following the passage of time and agreement reached with tax authorities on previous matters.

Management may engage with professional advisors in making their assessment and, if appropriate, will liaise with the relevant taxation authorities to resolve the matter. The tax liability is reassessed in each period to reflect management's best estimate in light of information available. If the final outcome of these matters differs to the liability held in the financial statements, the difference may impact the income tax expense/(credit) in the year the matter is concluded.

iii Pensions

Essentra accounts for its defined benefit pension schemes in accordance with IAS 19. The application of IAS 19 requires the exercise of judgement in relation to the assumptions used and for each assumption there is a range of possible outcomes. In consultation with Essentra's actuaries, management decides the point within those ranges that most appropriately reflects Essentra's circumstances. Small changes to these assumptions can have a significant impact on valuations. The Group performs a sensitivity analysis for the significant assumptions used in determining post-employment costs and liabilities, as detailed in note 18 of the Essentra Annual Report 2020.

Accounting Judgements

i Adjusting items

Judgement is required to determine whether items should be included within adjusting items by virtue of their size or incidence. Details of the items categorised as adjusting items are disclosed in note 3.

As restructuring and reorganisation costs are recognised (for instance with respect to site rationalisation initiatives), estimates are often involved in relation to property-related costs (such as restoration and dilapidation costs, recoverable amount of lease right-of-use assets and potential sublet income) and asset impairment charges (in assessing recoverable amount such as fair value from potential sale of assets). Where appropriate and possible, management may engage with professional advisors in making these assessments.

ii Consolidation of subsidiary

Judgement is required to establish whether control exists over an entity in which Essentra holds part of the share capital. Essentra has a 49% shareholding in China Tobacco Essentra (Xiamen) Filters Co., Ltd which has been consolidated as a subsidiary within the consolidated interim financial statements because management have assessed that Essentra has control over the entity to direct the relevant activities (including approval of budgets and capital investments, and appointment of key management personnel) that significantly affect the entity's returns and the ability to use its power to affect those returns, through a majority of membership in the entity's governing body (primarily the board of directors). Subsidiaries are fully consolidated during the period which the Group holds control.

iii Leases and lease right-of-use assets

A key judgement in determining the right-of-use asset and lease liability is establishing whether it is reasonably certain that an option to extend the lease will be exercised. Distinguishing whether a lease will be extended or otherwise could have a material impact on the value of the right-of-use assets and lease liabilities recognised on the balance sheet, but may not have a material impact on the income statement.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

2. Segment analysis

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

The operating segments are as follows:

Components is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items.

Packaging is one of only two multi-continental suppliers of a full secondary packaging range to the health and personal care sectors.

Filters is the only global independent supplier of innovative cigarette filters and related solutions to the tobacco industry.

The adjusted operating profit/loss presented for each operating segment includes the effect of allocation of certain functional costs such as finance, human resources, legal and IT, as well as costs relating to management of the divisions on an internal management methodology.

					June 2021
	Components £m	**Packaging £m**	**Filters £m**	**Central Services[1] £m**	**Total £m**
External revenue	148.4	187.0	139.5	-	**474.9**
Total revenue	148.4	187.0	139.5	-	**474.9**
Adjusted operating profit/(loss)[2]	27.0	9.6	11.5	(12.4)	**35.7**
Segment assets	163.8	217.1	191.4	24.2	**596.5**
Intangible assets	159.4	302.9	22.7	17.9	**502.9**
Unallocated items [3]	-	-	-	169.4	**169.4**
Total assets	**323.2**	**520.0**	**214.1**	**211.5**	**1,268.8**
Segment liabilities	69.6	83.0	60.4	28.7	**241.7**
Unallocated items [3]	-	-	-	389.8	**389.8**
Total liabilities	**69.6**	**83.0**	**60.4**	**418.5**	**631.5**

2. Segment analysis (continued)

					June 2020
	Components £m	Packaging £m	Filters £m	Central Services[1] £m	Total £m
External revenue	129.7	185.3	133.4	-	448.4
Total revenue	129.7	185.3	133.4	-	448.4
Adjusted operating profit/(loss)[2]	23.9	4.9	10.8	(10.6)	29.0
Segment assets	174.3	233.1	207.9	24.2	639.5
Intangible assets	178.5	293.0	22.3	11.9	505.7
Unallocated items [3]	-	-	-	201.7	201.7
Total assets	352.8	526.1	230.2	237.8	1,346.9
Segment liabilities	65.3	92.2	58.2	36.1	251.8
Unallocated items [3]	-	-	-	528.7	528.7
Total liabilities	65.3	92.2	58.2	564.8	780.5

					December 2020
	Components £m	Packaging £m	Filters £m	Central Services[1] £m	Total £m
External revenue	255.0	363.2	278.3	-	896.5
Total revenue	255.0	363.2	278.3	-	896.5
Adjusted operating profit/(loss)[2]	45.5	13.8	25.2	(22.5)	62.0
Segment assets	149.1	218.5	186.6	23.0	577.2
Intangible assets	165.2	316.0	22.6	15.0	518.8
Unallocated items [3]	-	-	-	169.2	169.2
Total assets	314.3	534.5	209.2	207.2	1,265.2
Segment liabilities	60.4	85.8	56.7	30.4	233.3
Unallocated items [3]	-	-	-	400.8	400.8
Total liabilities	60.4	85.8	56.7	431.2	634.1

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

[2] Operating profit before acquired intangible amortisation and adjusting items.

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

3. Adjusting items

	Six months ended 30 Jun 2021 £m	Six months ended 30 Jun 2020 £m	Year ended 31 Dec 2020 £m
(Gains)/losses and transaction costs relating to acquisitions and disposals of businesses[1]	**(4.3)**	3.5	5.7
Acquisition integration and restructuring costs[2]	**0.2**	0.2	0.5
Other[3]	**(1.4)**	(1.2)	11.5
Adjusting items	**(5.5)**	2.5	17.7

Adjusting items are separately presented from other items by virtue of their nature, size and/or incidence (considered for each operating segment). They are identified separately in order for the reader to obtain a clearer understanding of the underlying results of the ongoing Group's operations, by excluding the impact of items which, in management's view, do not form part of the Group's underlying operating results, such as gains, losses or costs arising from business acquisition and disposal activities, significant restructuring and closure costs and other items which are non-recurring or one-off in nature (such as the costs of fundamental strategic review and reorganisation). Operating profit before adjusting items and acquired intangible amortisation is called adjusted operating profit, which forms the primary basis of management's review and assessment of operational performance of the Group's businesses.

[1] Losses/gains and transaction costs relating to acquisitions and disposals of businesses are made up of a credit of £4.4m in relation to the reversal of certain claim provisions in relation to prior disposals, following the conclusion of negotiation with the purchasers; a gain of £0.4m in relation to a prior acquisition for claims made against the vendor; and a £0.1m gain from the Pipe Protection Technology disposal in relation to recharges to sub-tenant for dilapidations. These are offset by acquisition-related costs of £0.5m in relation to the acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd ("Hengzhu"), and £0.1m of costs in setting up the Filters China joint venture.

[2] Acquisition integration and restructuring costs relate to the integration of the 3C! business, acquired in 2020, into the existing business.

[3] The other adjusting items gain of £1.4m for the six months ended 30 June 2021 relates to:

- £4.3m profit on disposal of Moorestown property following the restructuring activities in the Packaging division initiated in 2020.
- £1.1m restructuring costs in the Packaging division, involving management restructuring and redundancies at various European sites.
- £0.8m in relation to Filters restructuring, including rationalisation of the division's R&D facilities in the US.
- £0.8m of advisory costs in relation to a strategic review of the Group's operational structure and cost profile, and certain redundancies in enabling functions as part of the review.
- £0.2m net charge relating to Components restructuring, comprising £0.6m costs in relation to restructuring activities within the Components Europe and Americas businesses, offset by a £0.4m credit relating to adjustment on the carrying value of lease right-of-use assets.

4. Taxation

The taxation charges for the six months ended 30 June 2021 and 30 June 2020 are based on the expected effective tax rate for the full year, including the impact of prior period tax adjustments. The enacted tax rates and forecast profits of the jurisdictions the Group operate in determines this effective tax rate.

Finance Act 2021 was substantively enacted on 24 May 2021 which included increasing the main rate of UK corporation tax to 25% from 1 April 2023. As a consequence of this legislation change the Group has a one-off non-cash tax credit of £2.2m arising in the period as a result of revaluing UK deferred tax assets expected to reverse after 1 April 2023 to 25%. The impact of this change on the Group's expected underlying effective tax rate for the full year is a reduction of 3.2%. Compared to the prior period the reduction in rate is partially offset by the impact of a change in the geographical split of profits across the Group.

The effective tax rate on underlying profit before tax before adjusting items is 16.7% (six months ended 30 June 2020: 19.2%) including the impact of the rate change. The reported effective tax rate is 10.8% (six months ended 30 June 2020: 11.4%). The difference between the underlying and reported effective tax rates is due to the tax effect of adjusting items and amortisation of acquired intangible assets.

5. Earnings per share

	Six months ended 30 Jun 2021 £m	Six months ended 30 Jun 2020 £m	Year ended 31 Dec 2020 £m

Earnings: Continuing operations			
Earnings attributable to equity holders of Essentra plc	**19.9**	6.1	4.5
Adjustments			
Amortisation of acquired intangible assets	**11.1**	10.9	22.6
Adjusting items	**(5.5)**	2.5	17.7
	5.6	13.4	40.3
Tax relief on adjustments	**(2.3)**	(3.2)	(9.2)
Adjusted earnings	**23.2**	16.3	35.6
Weighted average number of shares			
Basic weighted average ordinary shares outstanding (million)	**301.0**	262.2	272.7
Dilutive effect of employee share option plans (million)	**1.2**	1.6	2.0
Diluted weighted average ordinary shares (million)	**302.2**	263.8	274.7
Earnings per share: Continuing operations (pence)			
Basic earnings per share	**6.6p**	2.3p	1.7p
Adjustment	**1.1p**	3.9p	11.4p
Basic adjusted earnings per share	**7.7p**	6.2p	13.1p
Diluted earnings per share	**6.6p**	2.3p	1.6p
Adjustment	**1.1p**	3.9p	11.4p
Diluted adjusted earnings per share	**7.7p**	6.2p	13.0p

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.

6. Property, plant and equipment

During the period, the additions of land and buildings, plant and machinery and fixtures, fittings and equipment amounted to £16.3m (six months ended 30 June 2020: £12.6m; year ended 31 December 2020: £27.9m) and there was a decrease of £6.1m (six months ended 30 June 2020: increase of £10.4m; year ended 31 December 2020: decrease of £5.5m) in net book value due to foreign exchange movements.

Land and buildings, plant and machinery and fixtures, fittings and equipment with a net book value of £3.7m (six months ended 30 June 2020: £0.1m; year ended 31 December 2020: £0.6m) were disposed of for proceeds of £8.5m (six months ended 30 June 2020: £0.1m; year ended 31 December 2020: £0.4m).

7. Lease right-of-use assets

Group's non-current assets include right-of-use assets from asset leasing arrangements. Depreciation is charged to the income statement so as to depreciate the right-of-use asset from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term.

During the period, the additions to right-of-use assets amounted to £1.0m (six months ended 30 June 2020: £12.5m; year ended 31 December 2020: £21.9m) and the depreciation of right-of-use assets amounted to £5.8m (six months ended 30 June 2020: £6.2m; year ended 31 December 2020: £12.0m).

During the period the right-of-use assets net book value decreased by £1.6m (six months ended 30 June 2020: increase of £2.0m; year ended 31 December 2020: decrease of £1.2m) due to foreign exchange movements.

Right-of-use assets with a net book value of £nil (six months ended 30 June 2020: £nil; year ended 31 December 2020: £2.5m) were acquired through business combinations in the period (see note 11).

8. Intangible assets

During the period, the additions of intangible assets (not through acquisitions) amounted to £6.7m (six months ended 30 June 2020: £6.8m; year ended 31 December 2020: £14.2m) and there was an intangible net book value decrease of £10.0m (six months ended 30 June 2020: increase of £23.6m; year ended 31 December 2020: decrease of £4.7m) due to foreign exchange movements.

Included within intangibles was goodwill of £322.4m (six months ended 30 June 2020: £325.8m; year ended 31 December 2020: £328.2m) and there was a goodwill net book value decrease of £5.8m (six months ended 30 June 2020: increase of £14.0m; year ended 31 December 2020: decrease of £3.4m) due to foreign exchange movements.

9. Retirement benefit obligations

Movement in pension net assets/(liabilities) during the period

	Six months ended 30 Jun 2021 £m	Six months ended 30 Jun 2020 £m	Year ended 31 Dec 2020 £m
Movements			

Beginning of period	**(23.9)**	(17.4)	(17.4)
Current service cost and administrative expense	**(0.9)**	(0.6)	(2.1)
Employer contributions	**5.1**	0.9	1.2
Return on plan assets excluding amounts in net finance income	**(12.3)**	21.0	32.4
Actuarial gains/(losses) arising from changes in financial assumptions	**23.1**	(26.0)	(38.8)
Actuarial gains arising from change in demographic assumptions	**-**	-	1.9
Actuarial gains/(losses) arising from experience adjustment	**1.1**	0.1	(2.2)
Net finance cost	**(0.3)**	(0.3)	(0.7)
Curtailments	**-**	-	0.4
Currency translation	**0.7**	(2.3)	1.4
End of period	**(7.4)**	(24.6)	(23.9)

The assets and liabilities of the principal defined benefit schemes were reviewed by independent qualified actuaries as at 30 June 2021. The assets of the schemes have been updated to the balance sheet date to take account of the investment returns achieved by the schemes and the contributions made during the period. The liabilities of the schemes at the balance sheet date have been updated to reflect the latest discount rates and other assumptions as well as benefit payments. The principal assumptions used by the independent qualified actuaries were as follows:

Europe

	30 Jun 2021	30 Jun 2020	31 Dec 2020
Rate of increase in pensions			
At RPI capped at 5%	**3.00%**	2.80%	2.70%
At CPI capped at 5%	**2.50%**	1.90%	2.20%
At CPI minimum 3%, capped at 5%	**3.20%**	3.10%	3.10%
At CPI capped at 2.5%	**2.10%**	1.70%	1.90%
Discount rate	**1.90%**	1.50%	1.30%
Inflation rate - RPI	**3.10%**	2.80%	2.70%
Inflation rate - CPI	**2.50%**	1.90%	2.20%

US

	30 Jun 2021	30 Jun 2020	31 Dec 2020
Discount rate	**2.78%**	2.70%	2.45%

10. Analysis of net debt

	30 Jun 2021	31 Dec 2020
	£m	£m
Cash at bank and in hand	**121.0**	121.5
Short-term deposits and investments	**11.5**	14.3
Cash and cash equivalents	**132.5**	135.8
Loans and borrowings due after one year	**(291.6)**	(285.2)
Lease liabilities within one year	**(10.4)**	(11.9)
Lease liabilities after one year	**(42.7)**	(49.1)
Net debt	**(212.2)**	(210.4)

Lease liabilities are measured at the present value of future lease payments, including variable lease payments and the exercise price of purchase options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable, or alternatively the lessee's incremental borrowing rate.

At 30 June 2021, the Group's committed facilities primarily comprised a series of US Private Placement Loan Notes from various financial institutions totalling US$100.0m and a syndicated multi-currency revolving credit facilities of £285.0m and €100.8m from its banks. At 30 June 2021, the available bank facilities totalled £371.2m (31 December 2020: £375.0m) of which £221.3m (31 December 2020: £213.8m) was drawn down and £149.9m (31 December 2020: £161.2m) was undrawn.

In addition to the above, the Group has issued $250m of additional USPP loan notes on 27 July 2021 with terms of 7 ($80m), 10 ($85m) and 12 ($85m) years.

11. Acquisitions

Acquisition of Hengzhu

On 13 May 2021, Essentra announced that it had signed an agreement to purchase the business of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd ("Hengzhu"), an access hardware manufacturer and distributor in China. The transaction is expected to complete in the third quarter of 2021. Essentra will initially acquire 73% of the business for ¥100m (approximately £11m), with the remaining 27% stake subject to put and call options whereby Essentra may acquire the minority shareholding for consideration determined by the future operating performance of the business and capped at a maximum of ¥37.5m (approximately £4m).

Acquisition of 3C!

On 17 September 2020, Essentra acquired 100% of the share capital of 3C! Packaging, Inc. ("3C!"). 3C!, headquartered in North Carolina, USA, is a leading designer and manufacturer of folding cartons, printed literature, foil and flexible packaging and labels focused on the pharmaceuticals and healthcare sectors. 3C! is reported under the Packaging division.

During the period, Essentra paid out the remaining deferred consideration on the acquisition amounting to £0.1m.

Establishment of Filters China joint venture

On 2 April 2020, Essentra confirmed that it has completed the establishment of the new joint venture company, China Tobacco Essentra (Xiamen) Filters Co., Ltd. Essentra's capital contribution into this business is US$10.3m, to be paid in three equal instalments over 18 months following its establishment. As at 30 June 2021 Essentra has paid all three of these instalments. During the period proceeds from capital contributions from non-controlling interests into this joint venture company were £3.1m.

Acquisition of Innovative Components

During the period, Essentra paid out the remaining deferred consideration relating to the acquisition of Innovative Components, amounting to £1.8m.

12. Dividends

	Per share			**Total**		
	Six months ended 30 Jun 2021 p	Six months ended 30 Jun 2020 p	Year ended 31 Dec 2020 p	**Six months ended 30 Jun 2021 £m**	Six months ended 30 Jun 2020 £m	Year ended 31 Dec 2020 £m
2020 final:						
paid 1 June 2021			3.3			10.0
2021 interim:						
payable 29 October 2021	2.0			6.0		

The interim dividend for 2021 of 2.0p per 25p ordinary share will be paid on 29 October 2021 to equity holders on the register of shares on 24 September 2021.

In the table above, each dividend is shown in the period that it is attributable to. For accounting purpose, dividends are recognised in the period in which they are approved by the shareholders of the Company (final dividend) or paid (interim dividend).

13. Related party transactions

Other than the capital injection into the Filters joint venture entity China Tobacco Essentra (Xiamen) Filters Co., Ltd. Essentra has not entered into any material transactions with related parties since the last Annual Report.

14. Financial instruments

Essentra held the following financial instruments at fair value at 30 June 2021. 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 relating to the acquisition of Micro Plastics. The portion relating to Innovative Components has been paid during the period. The fair value of the deferred contingent consideration is estimated based on an assessment of the likely outcome of the acquired business' financial performance. The other financial instruments included in the table below are determined to be level 2 in the fair value hierarchy. There have been no transfers between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

	30 Jun 2021 £m	31 Dec 2020 £m
Financial assets		
Derivatives	**0.3**	0.3
Financial liabilities		
Derivatives	**(0.1)**	(0.5)
Deferred contingent consideration	**(2.4)**	(4.4)
Total	**(2.2)**	(4.6)

Essentra had US dollar and euro denominated borrowings which it designated as hedges of its net investments in subsidiary undertakings. The exchange gains of £0.5m (30 June 2020: £8.2m losses) on the US dollar borrowings and the gains of £2.6m (30 June 2020: £4.3m losses) on the euro borrowings were recognised in other comprehensive income.

At 30 June 2021, the carrying amount of the US Private Placement Loan Notes were £72.5m with a fair value of £78.3m. At 30 June 2020, the carrying amount of the US Private Placement Loan Notes were £81.3m with a fair value of £88.0m. For all other financial instruments, the fair value approximates to the carrying amount.

15. Post balance sheet event

In July 2021, Essentra issued new medium and long-dated private placement debt amounting to US$250.0m. The issue comprises US$80.0m notes due 2028, US$85.0m notes due 2031 and US$85.0m notes due 2033. The covenants on the notes are in line with those on the existing private placement notes and bank revolving credit facility. The proceeds will be used for general corporate purposes and to repay shorter-dated bank debt (with net debt level maintained), thereby diversifying the Company's source of debt finance and lengthening its maturity profile. Some of the proceeds have been swapped into sterling, in accordance with the Group's hedging policies.

16. Contingent liabilities

In April 2019, the European Commission issued its decision in a state aid investigation into the Group Financing Exemption in the UK controlled foreign company rules. The European Commission found that part of the Group Financing Exemption, which was introduced in legislation by the UK Government in 2013, constitutes state aid.

In March 2021, Essentra received confirmation from HMRC that they consider the investigation to be closed with no liability arising, and the EU Commission Services of the Directorate-General for Competition had indicated their agreement with this conclusion based on the evidence provided by Essentra. As at 30 June 2021, Essentra no longer consider this a contingent liability and have submitted an annulment application in respect of our previously submitted appeal to the General Court of the European Union.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

• the condensed set of financial statements has been prepared in accordance with UK adopted International Accounting Standard 34 *Interim Financial Reporting*;

• the interim management report includes a fair review of the information required by the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Paul Forman	**Lily Liu**
Chief Executive	Chief Financial Officer

30 July 2021

Independent review report to Essentra plc

Report on the Condensed consolidated interim financial statements

Our conclusion

We have reviewed Essentra plc's condensed consolidated interim financial statements (the "interim financial statements") in the Results for the Half Year Ended 30 June 2021 of Essentra plc for the 6 month period ended 30 June 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements, comprise:

- the Condensed consolidated balance sheet as at 30 June 2021;
- the Condensed consolidated income statement and Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of cash flows for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Results for the Half Year Ended 30 June 2021 of Essentra plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Results for the Half Year Ended 30 June 2021, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Results for the Half Year Ended 30 June 2021 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Results for the Half Year Ended 30 June 2021 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Results for the Half Year Ended 30 June 2021 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Milton Keynes
30 July 2021

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