2 August 2019

ESSENTRA PLC
(the "Company")

A leading global provider of essential components and solutions

RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2019

ENCOURAGING FINANCIAL PROGRESS & SIGNIFICANT PORTFOLIO RATIONALISATION, WITH THREE FOCUSED, GLOBAL DIVISIONS SET FOR CONTINUED GROWTH

Summary:

- Half year results build on the inflection point in FY 2018, with revenue and profit growth in each of the three global divisions and significant portfolio simplification.
    - Positive momentum maintained in Packaging, having returned to growth in H2 2018.

- Revenue +1.3% on a like-for-like[1] basis (+3.7%, adjusting for the closure of the Kilmarnock and Largo consumer packaging sites and the cessation of Speciality Tapes in Nottingham at the end of 2018).

- Adjusted[2] operating profit up 9.6% (at constant FX) to £48.3m, after applying IFRS 16.
    - Adjusted[2] operating profit up 7.2% (at constant FX) at £47.3m, before applying IFRS 16.
        - +10.8%, adjusting for disposals, site closures and business cessation.
    - Reported operating profit of £60.1m compares to £26.0m in HY 2018.

- Adjusted[2] basic EPS higher by 7.5% (at constant FX) at 12.0p.
    - Reported basic EPS of 11.6p compares to 5.7p in HY 2018.

- Net debt of £242.0m and net debt to EBITDA ratio of 1.6x, after applying IFRS 16.
    - Net debt of £192.8m and net debt to EBITDA of 1.4x, before applying IFRS 16.

- Half year dividend unchanged at 6.3p per share.

- Further good progress on all key operating and employee metrics of the stability programme.

- Simplification of the portfolio, allowing the Specialist Components division to be dissolved by the end of Q3 2019.
    - Funds used for two value-creating acquisitions and net debt reduction.

- Stable FY 2019 outlook reiterated, with further financial, operational and portfolio progress expected in H2.

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

Results at a glance:

	HY 2019 After applying IFRS 16	HY 2019 Before applying IFRS 16	HY 2018[1]	% change Actual FX[2]	% change Constant FX[2]
Revenue	£507m	£507m	£513m	-1	-3
Adjusted[3] operating profit	£48m	£47m	£44m	+11	+10
Adjusted[3] pre-tax profit	£41m	£41m	£38m	+8	+6
Adjusted[3] net income[4]	£33m	£33m	£31m	+8	+7
Adjusted[3] basic earnings per share	12.0p	12.0p	11.0p	+9	+8
Dividend per share	6.3p	6.3p	6.3p	-	n/a
Net debt	£242.0m	£192.8m	£238.7m	+1	n/a
Net debt to EBITDA	1.6x	1.4x	1.9x	n/a	n/a
Free cash flow[5]	£22.6m	£16.8m	£22.6m	-	n/a
Reported operating profit	£60m	£59m	£26m	+131	+128
Reported pre-tax profit	£53m	£53m	£21m	+155	+151
Reported net income[4]	£32m	£32m	£17m	+94	+93
Reported basic earnings per share	11.6p	11.6p	5.7p	+104	+104

[1] HY 2018 results are unadjusted for IFRS 16 (see Basis of Preparation)
[2] Y-o-Y changes are calculated by comparing data for HY 2019 after applying IFRS 16 with data for HY 2018 (which is unadjusted for IFRS 16)
[3] Before amortisation of acquired intangible assets and exceptional and other adjusting items
[4] Net income is defined as profit after tax, before minority interests
[5] A reconciliation of free cash flow is set out in the Financial Review

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

"At our FY 2018 results, I stated my confidence that 2018 represented an inflection point for our business and that we had restored Essentra to a position where future revenue and profit growth can be sustained. With each of Components, Packaging and Filters showing improvement in this respect in HY 2019 – combined with further improvement in our key operational and people metrics – this belief has strengthened.

We have also made significant progress in simplifying the Essentra Group, with the sale of Pipe Protection Technologies, Extrusion, Speciality Tapes and Card Solutions in the year to date. Further to these disposals, we will absorb Tear Tapes and Industrial Supply into the Filters and Components divisions respectively which – given the complementary end-markets served – will not only provide each of these two businesses with a strong platform for future successful growth, but also allow us to dissolve the Specialist Components division. At the same time, we have reallocated the disposal proceeds into two value-creating acquisitions in areas where we have identified we have real strategic strength, while also reinforcing our balance sheet.

I would like to thank all our employees for their ongoing commitment and hard work, as we make further progress versus our stated change plan. While there is more for us still to do, our HY 2019 results demonstrate our ability to deliver encouraging financial progress while substantially simplifying our portfolio of businesses. I am proud of what we have achieved as a team and of the meaningful improvement that we are making together as we restore sustainable, profitable growth to Essentra."

Outlook Statement

The Company's outlook for FY 2019 is unchanged. While the macro environment remains uncertain which, as previously stated, impacts the Components division, Essentra continues to focus on delivering the stated objectives for each of its divisions.

Accordingly, the Company expects to make further strategic progress in 2019.

Basis of Preparation

IFRS 16. The results for HY 2019 have been prepared under IFRS 16 which came into effect from 1 January 2019. The Company has adopted IFRS 16 for HY 2019 and has elected not to restate HY 2018, consistent with IFRS accounting standards. The impact of reporting under IFRS 16 is set out in note 1 to the Interim Consolidated Financial Statements.

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 2019 were:

	-------- Average --------		-------- Closing --------	
	HY 2019	**HY 2018**	**HY 2019**	**HY 2018**
US$:£	1.29	1.36	1.27	1.32
€:£	1.14	1.13	1.12	1.13

Re-translating at HY 2019 average exchange rates increases the prior year revenue and adjusted operating profit by £7.4m and £0.6m 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 2019 LFL results are adjusted for the acquisition of Nolato Hertila ("Hertila") on 5 July 2018 until 8 February 2019 (further to which it was fully integrated into the existing Components activities in Sweden and no longer separately identifiable), the divestment of the trade and assets of the Swiftbrook paper merchant business on 3 September 2018, the divestment of the Pipe Protection Technologies business on 14 January 2019 and the divestment of the Extrusion business on 11 June 2019.

The Speciality Tapes business was divested on 28 June 2019 and, subsequent to the end of the period, the Card Solutions business was sold on 23 July 2019. The results of both of these businesses are therefore included in the like-for-like results for HY 2019.

Adjusted basis. The term "adjusted" excludes the impact of amortisation of acquired intangible assets and exceptional and other adjusting items, less any associated tax impact. In HY 2019, amortisation of acquired intangible assets was £11.1m (HY 2018: £11.2m), and there was an exceptional pre-tax credit of £22.9m (HY 2018: charge of £6.3m). This exceptional credit mainly relates to net gains on the divestment of the afore-mentioned businesses less costs associated, together with the release of provisions with regard to certain site closures; there was also an exceptional cost incurred in relation to a review and investigation currently in progress of certain Group companies' export activities with US laws involving external consultants. Further details on exceptional and other adjusting items are shown in note 3 to the Interim Consolidated 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 18 to 21 of the 2018 Annual Report.

Adjusted operating cash flow. Adjusted operating cash flow is presented to exclude the impact of tax, exceptional and other adjusting items, interest and other non-cash items in operating profit. Net capital expenditure is included in this measure as management regards investment in operational assets as integral to the underlying cash generation capability of the Company.

In relation to net debt and the cash flow statement, the application of IFRS 16 has the following impact:

- Depreciation of the lease right-of-use assets is added back to operating profit to arrive at operating cash flows. This increases the Group's EBITDA.
- Lease liabilities are treated as part of net debt.
- Payment of the principal amount of leases is treated as a financing cash flow within the cash flow statement. It is not included within the definition of free cash flow under IFRS 16. Such payment does not have an impact on net debt (under IFRS 16).
- With changes in EBITDA and net debt, the net debt to EBITDA ratio is significantly impacted by the adoption of IFRS 16. The ratio of 1.8x previously reported for the FY 2018 year end (as disclosed in note 18 to the 2018 Annual Financial Statements) will be restated to 2.1x under IFRS 16.

Operating Review

HY 2019 revenue decreased 1.3% (-2.7% at constant FX) to £506.6m owing to disposals during the period: on a LFL basis, revenue increased 1.3% (+3.7%, adjusting for the closure of the Kilmarnock and Largo consumer packaging sites and the cessation of Speciality Tapes in Nottingham at the end of 2018). The underlying result reflected a solid result in Components, a strong performance in Packaging and a return to growth in Filters, partially offset by a moderate decline in Specialist Components.

On an adjusted basis, operating profit was ahead 11.0% (9.6% at constant FX) at £48.3m. The 100bps uplift in the margin (100bps at constant FX) to 9.5% was driven by the strong revenue performance in Packaging, boosted by the impact of price increases in Components, further operational efficiency gains in Filters and the benefit of previously-communicated improvement initiatives in Specialist Components.

Including amortisation of acquired intangible assets of £11.1m and an exceptional pre-tax credit of £22.9m - mainly relating to net gains on the divestment of the afore-mentioned businesses less costs associated - operating profit as reported was £60.1m (HY 2018: £26.0m).

Net finance expense was above the prior year at £7.0m (HY 2018: £5.2m), mainly due to interest on leases from having adopted IFRS 16 together with a higher average level of sterling-denominated debt during the period. The effective tax rate on underlying profit before tax (before exceptional and other adjusting items) was unchanged at 20.0% (HY 2018: 20.0%).

On an adjusted basis, net income of £33.1m was up 8.1% (7.0% at constant FX) and adjusted basic earnings per share increased by 9.1% (7.5% at constant FX) to 12.0p. On a total reported basis, net income of £32.2m and earnings per share of 11.6p compared to £16.6m and 5.7p respectively in HY 2018.

Adjusted operating cash flow was 0.5% higher than the previous year at £36.6m (HY 2018: £36.4m), mainly due to the impact of adopting IFRS 16 of £6.8m offset by an increase in net working capital: this equated to operating cash conversion of 76%. Adjusted free cash flow of £22.6m was unchanged versus £22.6m in HY 2018.

With effect from 1 January 2019, the results of the Speciality Tapes Express distribution locations have been included within the Specialist Components division. A restatement of the HY 2018 revenue and adjusted operating profit on this basis is set out in note 2 to the Consolidated Financial Statements.

Business Review

Summary growth in revenue by Division

% growth	LFL	Acquisitions / Disposals	Foreign Exchange	Total Reported
Components	+0.8	+0.3	-0.3	+0.8
Packaging	+3.2	-0.9	+1.6	+3.9
Filters	+1.3	-	+2.4	+3.7
Specialist Components	-3.9	-20.7	+1.9	-22.7
Total	**+1.3**	**-4.0**	**+1.4**	**-1.3**

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

Components

	HY 2019 £m	% growth Actual FX	% growth Constant FX
Revenue	136.2	+0.8	+1.1
Operating profit*	31.3	+2.0	+3.0
Operating margin*	23.0%	+30bps	+40bps

* Adjusted basis

Revenue increased 1.1% to £136.2m. Adjusting for the acquisition of Hertila on 5 July 2018 until 8 February 2019, like-for-like growth was 0.8% (+1.7%, adjusting for one less trading day during HY 2019 versus the prior year period).

The modest increase in revenue reflected successful pricing initiatives which were partially offset by the impact of a softer end-market backdrop and greater macroeconomic uncertainty, with Industrial Production levels declining across all geographical regions during the period. Notwithstanding this, however, good progress continued to be made across a number of key strategic objectives.

The range of access hardware maintained its strong performance, benefiting from investment in the two facilities in Istanbul, Turkey in the prior year and the launch of a number of new lock, hinge and handle solutions. Fasteners also performed well, boosted by the successful cross-selling of Micro Plastics' range to Essentra's customer base in the US, Europe and Asia. In addition - and reinforcing its strength in the division's core ranges - catalogues were relaunched in Europe featuring c. 1,500 new products, introducing a new range of cable terminals within cable management, general protection range extensions from Hertila and further access hardware products that have been developed to give the business greater penetration of the Heating, Ventilation and Air Conditioning ("HVAC") sector.

Consistent with its commitment to providing customers with a “hassle-free” experience and reliable and timely delivery, further commercial and operational initiatives commenced during the period. Key among these was the launch of a new digital platform, a critical tool in upgrading the division’s online presence; local language websites were rolled out in five countries during the first half of the year, with a further 21 markets on track to go live in H2 2019 / early 2020. Providing greater ease of navigation for customers and better ability to compare products as well as improved visibility in search engines such as Google, early customer feedback has been very encouraging thus far. In addition, the development of new hub warehouses was progressed in Houston, US and in Northern Germany which will go-live in Q3 2019 and in Q2 2020 respectively and will enable even better customer service in each region.

Recently-acquired Hertila performed in line with expectations, with the full integration of the business into the existing Components activities in Sweden from early February 2019. The cross-selling of Essentra products to Hertila’s c. 1,000 customers commenced during HY 2019 as anticipated, with the wider Continental European region also benefiting from the greater flexibility in the manufacturing footprint which has followed from the deployment of certain equipment from Sweden to the Spanish facility in Barcelona.

Adjusted operating profit increased 3.0% to £31.3m, equating to a margin of 23.0%. This 40bps improvement reflected the afore-mentioned successful pricing initiatives, combined with ongoing synergy delivery from both Micro Plastics and Hertila and further operational efficiency initiatives, partially offset by the volume impact of a softer macro environment.

In line with its strategic objective of complementing organic growth with value-creating transactions, on 27 June 2019 the acquisition of Innovative Components was announced. As a leading provider of knobs, pins and handles, Innovative Components both strengthens and extends the division’s product range while adding further valuable manufacturing capacity in the Americas.

Packaging

	HY 2019 £m	**% growth Actual FX**	**% growth Constant FX**
Revenue	176.8	+3.9	+2.3
Operating profit*	7.9	+393.8	+397.1
Operating margin*	4.5%	+360bps	+360bps

* Adjusted basis

Revenue increased 2.3% to £176.8m. Excluding the divestment of the trade and assets of Swiftbrook, Ireland on 3 September 2018, like-for-like revenue growth was 3.2% (+9.4%, adjusting for both the disposal and the closure of the Kilmarnock, UK and Largo, US consumer packaging sites at the end of 2018).

As anticipated - and building on the return to growth in H2 2018 - the division maintained its strong volume momentum, with both the European and Americas regions performing well and being underpinned by further progress in key service and quality metrics. In addition, price increases to recover higher raw material costs were successfully implemented.

Complex literature continued to perform strongly across all geographies and was boosted by good growth in both folding cartons and labels. The division also successfully supported customers with artwork generation and in their supply chain management, to ensure they were well placed to meet the new regulatory requirements entailed by the Falsified Medicines Directive which took effect in Europe in early 2019. In combination with the benefits from the clear Key Account Management structure which was established in the prior year, the dialogue with customers thus continued to be further strengthened and deepened, with the business collaborating to help meet a range of needs and objectives.

During the period, there was further investment in machine upgrades and value-added service capabilities to underpin the ongoing improvement in both commercial and operational effectiveness. This incremental investment included complex literature folding equipment in response to increasing demand trends, as well as the ongoing roll out of colour management technology across the site footprint which has resulted in a further material reduction in quality-related issues. New equipment and people were also added to the Design Hub in the US, while the recent additional digital / hybrid carton and label printing capability is allowing the division to better respond to the increasing requirement for smaller batch manufacturing in a cost-effective manner. As industry trends (such as patient adherence and serialisation) and legislative requirements continue to evolve, the division is therefore well-placed to respond to customer needs as they require even greater agility and value-added solutions from their packaging suppliers.

Adjusted operating profit increased 397.1% to £7.9m, equating to a margin of 4.5%. This was largely driven by the volume gearing effect from the strong revenue growth, boosted by price increases to offset higher raw material costs, a one-time benefit of £1.7m from the release of previous provisions and the benefit of closing the loss-making Kilmarnock and Largo facilities. Adjusting for both the divestment and site closures, the margin was ahead by 290bps.

Filters

	HY 2019 £m	% growth Actual FX	% growth Constant FX
Revenue	130.5	+3.7	+1.3
Operating profit*	16.8	+9.8	+5.1
Operating margin*	12.9%	+70bps	+50bps

* Adjusted basis

Revenue increased 1.3% to £130.5m, with the return to growth being underpinned by an improved product mix and with further good progress with independent customers. In addition, the division continued to advance each of its three potential “game changers” which were identified in the 2017 strategic review of the division – namely, a joint venture in China, Next Generation Products (“NGP”) and further outsourcing.

During the period, the division continued to build upon its proven track record of developing innovative products which meet the evolving needs of customers. In the combustible market, there was further demand for products which incorporate one or more capsules and / or are visually differentiated (such as tube filters), particularly from the independent segment. At the same time, the consumer trend in China for smaller diameter and increasingly complex formats continued to increase, with good growth in the “slim” products segment. The business also leveraged its significant experience with regard to the issue of degradability and littering of cigarette butts, where a number of customer and supplier development projects to address this key regulatory and consumer concern are ongoing.

Beyond traditional combustible filters, there was further progress in NGP in HY 2019. Although a relatively modest contributor to divisional revenue and operating profit, the business continued to work with various multinationals and independents to advance their respective potential – or next phase - Heat Not Burn offers. In addition, the Scientific Services unit performed well, further building on its extensive experience and range of accredited testing methods for both combustible and NGP products.

Consistent with its strategic objective of continuous improvement in its innovation capabilities and customer relationships, the division undertook certain important commercial initiatives during the period. First, the Global Innovations organisation was refocused and strengthened, to provide a clear distinction between combustibles and NGP new product development; not only will this enable even more value-added solutions and greater efficiency, it will also facilitate the identification of new customer opportunities as the industry continues to rapidly evolve. And second, the division embarked upon the implementation of a full, cross-functional Key Account Management structure which – in conjunction with the restructuring of the Innovations team – will help to create a more in-depth understanding of customer needs, develop relevant value propositions to meet their respective needs and identify mutually beneficial strategic initiatives.

Adjusted operating profit increased 5.1% to £16.8m, with the 50bps uplift in the margin to 12.9% driven by further significant efficiency improvements and productivity gains resulting from the division's world-class operational metrics.

On 19 March 2019, the acquisition of the 49% minority interest in the Filters joint venture, Essentra (MEA) Pte. Ltd was announced, from Aberdeen International FZE (part of the BBM Bommidala group) for a cash consideration of £11.6m. Essentra (MEA) Pte. Ltd is the holding company of Essentra FZE, which undertakes the Company's Filters activities in Dubai.

Specialist Components

	HY 2019 £m	% growth Actual FX	% growth Constant FX
Revenue	64.5	-22.7	-24.6
Operating profit*	5.9	-7.8	-13.5
Operating margin*	9.1%	+140bps	+110bps

* Adjusted basis

Revenue declined 24.6% to £64.5m owing to the divestment of businesses in HY 2019. Excluding the divestment of PPT on 14 January 2019 and Extrusion on 11 June 2019, there was a like-for-like decline of 3.9% (-0.8%, adjusting for the cessation of Speciality Tapes in Nottingham at the end of 2018).

A recovery in Tear Tapes was boosted by good growth in the Tobacco segment, with the result in Speciality Tapes reflecting improvement in the retail Point of Purchase sector. The Industrial Supply (Reid) business was impacted by a softer macro backdrop in the US industrial market, while progress in Extrusion with its more complex, technical profiles was offset by weakness in the Furniture segment. Revenue in Card Solutions was broadly unchanged.

Adjusted operating profit was 13.5% lower at £5.9m, equating to a margin of 9.1%. This 110bps improvement was largely driven by the previously communicated operational improvement initiatives, particularly in the Tear Tapes business. Adjusting for both the divestment and site closures, the margin was ahead by 50bps.

Consistent with Essentra's objective of maximising the value-creation potential of the diverse activities within the Specialist Components division, there was significant portfolio rationalisation during the period. First, on 14 January 2019, the Company announced the divestment of its Pipe Protection Technologies ("PPT") business to certain wholly-owned subsidiaries of National Oilwell Varco, Inc.; the transaction valued PPT at US$48.0m, free of cash and debt. On 11 June 2019, the disposal of Extrusion to Inter Primo A / S was then announced, which valued the business at €16.2m, free of cash and debt. Subsequently, on 20 June 2019, Essentra announced that it had signed an agreement to divest its Speciality Tapes business to certain wholly-owned subsidiaries of OpenGate Capital; the transaction valued Speciality Tapes at US$77m, free of cash and debt, and completed on 28 June 2019. Finally, shortly after the end of the period, on 11 July 2019 the Company signed an agreement to divest Card Solutions to Barcodes, Inc., free of cash and debt; the sale completed on 23 July 2019. In each case, it was clear that the unique capabilities of these respective leading businesses could be better developed by a third party with real strategic strength and investment capacity in the relevant end-markets. As a result, these four disposals not only represent good value for Essentra's shareholders, but also provide each of these Specialist Components businesses with a strong platform for future growth.

Further to the completion of the sale of Card Solutions, the remaining Tear Tapes and Industrial Supply (Reid) businesses will be absorbed into the Filters and Components divisions respectively owing to the complementary nature of the end-markets served. As a result, the Specialist Components division will be dissolved by the end of Q3 2019.

Financial Review

Net finance expense. Net finance expense of £7.0m was £1.8m above the prior year period, and is broken down as follows:

£m	**HY 2019**	**HY 2018**
Net interest charged on net debt	5.3	4.5
Amortisation of bank fees	0.4	0.4
IAS 19 pension finance charge	0.3	0.3
Interest on leases from adopting IFRS 16	1.0	-
Total net finance expense	**7.0**	**5.2**

Tax. The effective tax rate on underlying profit before tax (before exceptional and other adjusting items and amortisation of acquired intangible assets) was 20.0% (HY 2018: 20.0%).

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 2019**	**HY 2018**
Inventories	117.7	115.7
Trade & other receivables	192.9	199.6
Trade & other payables	(197.5)	(198.6)
Adjustments	7.5	8.8
Net working capital	**120.6**	**125.5**

The decrease in net working capital was largely due to business divestments within Specialist Components offset by increases in working capital in Components and Packaging. The average net working capital / revenue ratio was 13.9% (HY 2018: 14.1%, at constant FX).

Cash flow. Adjusted operating cash flow is presented to exclude the impact of tax, exceptional and other adjusting items, interest and other non-cash items in operating profit. Net capital expenditure is included in this measure as management regards investment in operational assets as integral to the underlying cash generation capability of the Company. In HY 2019, net capital expenditure excludes £0.3m of exceptional property, plant and equipment ("PP&E") disposal proceeds realised during site closures.

Adjusted operating cash flow of £36.6m was £0.2m higher than the prior year period. This is due to the increase in adjusted operating profit and the adoption of IFRS 16, offset by the change in working capital. Adjusted free cash flow of £22.6m was unchanged versus £22.6m in HY 2018.

In HY 2019, there was a £118.4m net increase in cash and cash equivalents (HY 2018: £8.1m).

£m	**HY 2019**	**HY 2018**
Operating profit – adjusted	**48.3**	**43.5**
Depreciation and amortisation of non-acquired intangible assets	18.0	17.9
Right of use asset depreciation	5.2	-
Share option expense / other movements	3.0	1.7
Change in working capital	(14.9)	(3.5)
Net capital expenditure (excluding exceptional PP&E disposal proceeds)	(23.0)	(23.2)
Operating cash flow – adjusted	**36.6**	**36.4**
Tax*	(7.4)	(9.2)
Cash outflow in respect of exceptional and other adjusting items	(15.5)	(10.3)
Pension obligations	(0.4)	-
Other	-	0.8
Add back: net capital expenditure (excluding exceptional PP&E disposal proceeds)	23.0	23.2
Net cash inflow from operating activities	**36.3**	**40.9**
Operating cash flow – adjusted	**36.6**	**36.4**
Tax*	(7.4)	(9.2)
Net interest paid	(6.2)	(4.6)
Pension obligations	(0.4)	-
Free cash flow – adjusted	**22.6**	**22.6**
Net increase in cash & cash equivalents	**118.4**	**8.1**

* Tax paid excludes the exceptional tax paid on business disposals. This is included within the cash outflow in respect of exceptional and other adjusting items

Net debt. Net debt at the end of the period was £242.0m, a £58.1m reduction from 1 January 2019 (after applying IFRS 16), primarily due to proceeds from Specialist Components disposals and free cash flow generation, partially offset by dividend payments and cash exceptional and other adjusting items.

£m	HY 2019
Net debt as at 1 January 2019	240.1
Adjustments in relation to transitioning to IFRS 16	60.0
Net debt as at 1 January 2019 (IFRS 16-adjusted)	**300.1**
Dividends	37.7
Free cash flow	(22.6)
Cash outflow in respect of exceptional and other adjusting items (net of exceptional PP&E disposal proceeds)*	15.2
Foreign exchange	0.3
Acquisitions	27.1
Disposals	(111.4)
Lease liability movements	(4.7)
Employee trust shares	(0.2)
Other	0.5
Net debt as at 30 June 2019 (IFRS 16-adjusted)	**242.0**
Net debt as at 30 June 2019 (IFRS 16-unadjusted)	***192.8***

* Includes exceptional tax paid on business disposals

The Company's financial ratios remain strong. The ratio of net debt to EBITDA as at 30 June 2019 was 1.6x (31 December 2018: 2.1x) after applying IFRS 16 (1.4x before applying IFRS 16), and interest cover was 7.8x (31 December 2018: 7.9x) after applying IFRS 16.

Pensions. As at 30 June 2019, the Company's IAS 19 net pension liability was £17.5m (HY 2018: £2.4m), as a result of a change in discount rate partially offset by an increase in asset valuations. The net liability has been calculated after updating the asset values and certain liability assumptions as at 30 June 2019.

The Company concluded the triennial valuation of the two closed defined benefits sections of the Essentra UK Pension Plan with the Trustees of the Plan, with a settlement of £1m to be paid in three equal payments in December 2019, June 2020 and December 2020.

Dividends. The Board of Directors has approved an interim dividend of 6.3 pence per 25 pence ordinary share (HY 2018: 6.3 pence). The interim dividend will be paid on 30 October 2019 to equity holders on the share register on 27 September 2019: the ex-dividend date will be 26 September 2019. 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 9 October 2019.

Board changes. On 1 March 2019, the Board announced the appointment of Nicki Demby as a Non-Executive Director and Remuneration Committee Chairman Designate, with effect from 1 June 2019. After six years, Lorraine Trainer has advised the Board of her intention to step down as a Non-Executive Director and Chairman of the Remuneration Committee following the Company's 2020 Annual General Meeting, and will work closely with Nicki in the meantime to ensure a smooth transition of responsibilities.

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. The treasury function is subject to periodic independent reviews by the Group Assurance department. Underlying policy assumptions and activities are reviewed by the Treasury Committee.

Controls over exposure changes and transaction authenticity are in place, and dealings are restricted to those banks with the relevant combination of geographical presence, 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 2019, Essentra's US dollar-denominated assets were approximately 44% hedged by its US dollar-denominated borrowings, while its euro-denominated assets were approximately 34% hedged by its euro-denominated borrowings.

The majority of Essentra's transactions are carried out in the functional currencies of its operations, and therefore transaction exposure is limited. However, where such exposure does occur, Essentra uses forward foreign currency contracts to hedge its 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. There have been no significant changes in the material risks faced by the Essentra Group since the publication of the 2018 Annual Report. The processes by which the Board safeguards shareholder value and the assets of the Group, and the risks and uncertainties that would have a significant impact on long-term value generation, are set out in the 2018 Annual Report and detailed on pages 30 to 41.

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

As previously communicated, while there is still uncertainty as to when and under what circumstances the UK will exit the EU, the Company is currently assuming a "no deal" scenario for its planning processes and is taking various actions, such as changing supply routings, as well as building of stocks of finished goods and relevant raw materials to mitigate against short-term supply chain disruption, and ensuring that logistics providers have the required status and processes in place to facilitate smooth customs handling.

Business Process Redesign ("BPR")

With effect from 1 January 2019, the Company has initiated a Business Process Redesign ("BPR") programme, which is expected to run for five years and will ultimately support the strategic growth agenda, enhance process efficiency and improve business controls. Starting with the Components division and the Finance and Procurement functions, this phased programme will focus on business process redesign enabled by ERP investment.

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, which will not only deliver better service to customers but also allow the better attraction and retention of high quality talent.

2019 Outlook

The Company's outlook for FY 2019 is unchanged. While the macro environment remains uncertain which, as previously stated, impacts our Components division, we continue to focus on delivering the stated objectives for each of our divisions.

Accordingly, we expect to make further strategic progress in 2019.

<u>**Enquiries**</u>

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<u>**Presentation**</u>

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

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

There are three options for participating in the presentation:

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

Dial-in number:	+44 (0)20 7192 8000 (UK / international participants) +1 631 510 7495 (US participants)
Toll-free number:	0800 376 7922 (UK participants) +1 866 966 1396 (US participants)
PIN code:	2291156

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:	2291156
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 four 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.

Essentra Components

Essentra Components is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items. Operating in 29 countries worldwide, 14 manufacturing facilities and 29 logistics centres serve more than 85,000 customers with a rapid supply of low cost but essential products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics and construction.

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 22 facilities across four 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 seven worldwide locations, plus a dedicated Technology Centre supported by three regional development facilities, 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 e-cigarette and Heat Not Burn solutions to the rapidly evolving market for Next Generation Products.

Essentra Specialist Components

The division includes Essentra's two smaller businesses and these activities largely have strong positions in the markets in which they operate.

The *Tear Tapes* business is globally recognised as the leading manufacturer and supplier of pressure-sensitive tear tapes, which are largely used in the tobacco, food and drink and specialist packaging sectors.

The *Industrial Supply* (Reid) business provides a wide range of branded hardware supplies to a broad base of industrial customers, largely located in the US Mid-West.

By the end of Q3 2019, the Tear Tapes business will be absorbed into the Filters division and the Industrial Supply (Reid) business will be absorbed into the Components division, further to which the Specialist Components division will be dissolved.

Headquartered in the United Kingdom, Essentra's global network extends to 34 countries and includes c. 8,000 employees, c. 45 principal manufacturing facilities, c. 30 sales & distribution operations and 4 research & development centres. For further information, please visit www.essentraplc.com.

Condensed consolidated income statement

	Note	**Six months ended 30 Jun 2019 £m**	Six months ended 30 Jun 2018 £m	Year ended 31 Dec 2018 £m
Revenue	2	**506.6**	513.1	1,025.6
Operating profit before intangible amortisation and exceptional and other adjusting items		**48.3**	43.5	90.7
Amortisation of acquired intangible assets		**(11.1)**	(11.2)	(22.7)
Exceptional and other adjusting items	3	**22.9**	(6.3)	(20.8)
Operating profit		**60.1**	26.0	47.2
Finance income		**0.6**	0.8	1.7
Finance expense		**(7.6)**	(6.0)	(12.6)
Profit before tax		**53.1**	20.8	36.3
Income tax expense		**(20.9)**	(4.2)	(8.2)
Profit for the period		**32.2**	16.6	28.1
Attributable to:				
Equity holders of Essentra plc		**30.5**	14.9	24.3
Non-controlling interests		**1.7**	1.7	3.8
Profit for the period		**32.2**	16.6	28.1
Earnings per share attributable to equity holders of Essentra plc:				
Basic	4	**11.6p**	5.7p	9.3p
Diluted	4	**11.5p**	5.6p	9.2p

Condensed consolidated statement of comprehensive income

	Six months ended 30 Jun 2019 £m	Six months ended 30 Jun 2018 £m	Year ended 31 Dec 2018 £m
Profit for the period	**32.2**	16.6	28.1
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	**(3.2)**	11.8	2.7
Deferred tax expense on remeasurement of defined benefit pension schemes	**0.7**	(2.5)	(0.4)
	(2.5)	9.3	2.3
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges:			
Net change in fair value of cash flow hedges transferred to the income statement	**0.1**	(0.1)	0.6
Effective portion of changes in fair value of cash flow hedges	**(0.4)**	0.5	(0.2)
Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations	**(13.7)**	(2.0)	10.1
Arising on effective net investment hedges	**(0.8)**	(1.6)	(5.6)
Income tax (expense)/credit	**(0.1)**	0.1	(0.2)
Attributable to non-controlling interests	**-**	(0.1)	0.1
	(14.9)	(3.2)	4.8
Other comprehensive income for the period, net of tax	**(17.4)**	6.1	7.1
Total comprehensive income for the period	**14.8**	22.7	35.2
Attributable to:			
Equity holders of Essentra plc	**13.1**	21.1	31.3
Non-controlling interests	**1.7**	1.6	3.9
	14.8	22.7	35.2

Condensed consolidated balance sheet

	Note	**30 Jun 2019**	30 Jun 2018	31 Dec 2018
		£m	£m	£m
Assets				
Property, plant and equipment	5	**267.5**	292.8	282.2
Lease right-of-use assets	6	**41.4**	-	-
Intangible assets		**493.2**	537.6	528.2
Long-term receivables		**6.7**	9.5	9.6
Deferred tax assets		**13.1**	8.5	14.8
Retirement benefit assets	7	**17.0**	25.6	18.5
Total non-current assets		**838.9**	874.0	853.3
Inventories		**117.7**	115.7	119.7
Income tax receivable		**2.3**	2.8	2.9
Trade and other receivables		**192.9**	199.6	188.8
Derivative assets	12	**0.1**	0.8	0.3
Cash and cash equivalents	8	**185.1**	59.6	65.8
Other financial assets		**5.0**	-	-
Total current assets		**503.1**	378.5	377.5
Assets in disposal group held for sale		**-**	-	41.8
Total assets		**1,342.0**	1,252.5	1,272.6
Equity				
Issued share capital		**66.0**	66.0	66.0
Merger relief reserve		**298.1**	298.1	298.1
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	0.1
Translation reserve		**8.2**	15.0	22.8
Retained earnings		**320.6**	348.9	338.3
Attributable to equity holders of Essentra plc		**560.0**	595.4	592.6
Non-controlling interests		**8.0**	9.6	11.6
Total equity		**568.0**	605.0	604.2
Liabilities				
Interest bearing loans and borrowings	8	**319.9**	303.0	311.2
Lease liabilities	8	**38.3**	-	-
Retirement benefit obligations	7	**34.5**	28.0	32.4
Provisions		**6.9**	17.7	20.7
Other financial liabilities		**4.5**	3.6	2.6
Deferred tax liabilities		**43.0**	51.5	50.5
Total non-current liabilities		**447.1**	403.8	417.4
Interest bearing loans and borrowings	8	**63.0**	0.3	0.1
Lease liabilities	8	**10.9**	-	-
Derivative liabilities	12	**0.4**	0.5	0.2
Income tax payable		**50.6**	39.0	41.8
Trade and other payables		**197.5**	198.6	199.5
Provisions		**4.5**	5.3	5.3
Total current liabilities		**326.9**	243.7	246.9
Liabilities in disposal group held for sale		**-**	-	4.1
Total liabilities		**774.0**	647.5	668.4
Total equity and liabilities		**1,342.0**	1,252.5	1,272.6

Condensed consolidated statement of changes in equity

Six months ended 30 June 2019

	Issued capital £m	Merger relief reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2019	**66.0**	**298.1**	**0.1**	**(132.8)**	**0.1**	**22.8**	**338.3**	**11.6**	**604.2**
Impact on adoption of IFRS 16 (see note 1)							(5.2)	-	**(5.2)**
Restated total equity at the beginning of the financial year	**66.0**	**298.1**	**0.1**	**(132.8)**	**0.1**	**22.8**	**333.1**	**11.6**	**599.0**
Profit for the period							30.5	1.7	**32.2**
Other comprehensive income					(0.3)	(14.6)	(2.5)	-	**(17.4)**
Total comprehensive income for the period	-	-	-	-	(0.3)	(14.6)	28.0	1.7	**14.8**
Acquisition of non-controlling interest							(6.3)	(5.3)	**(11.6)**
Share options exercised							0.2	-	**0.2**
Share option expense							3.0	-	**3.0**
Tax relating to share-based incentives							0.3	-	**0.3**
Dividends paid							(37.7)	-	**(37.7)**
At 30 June 2019	**66.0**	**298.1**	**0.1**	**(132.8)**	**(0.2)**	**8.2**	**320.6**	**8.0**	**568.0**

Six months ended 30 June 2018

	Issued capital £m	Merger relief reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2018	66.0	298.1	0.1	(132.8)	(0.3)	18.5	362.7	8.1	620.4
Impact on adoption of IFRS 9							(2.2)	(0.1)	(2.3)
Restated total equity at the beginning of the financial year	66.0	298.1	0.1	(132.8)	(0.3)	18.5	360.5	8.0	618.1
Profit for the period							14.9	1.7	16.6
Other comprehensive income					0.4	(3.5)	9.3	(0.1)	6.1
Total comprehensive income for the period	-	-	-	-	0.4	(3.5)	24.2	1.6	22.7
Share option expense							2.4	-	2.4
Tax relating to share-based incentives							(0.5)	-	(0.5)
Dividends paid							(37.7)	-	(37.7)
At 30 June 2018	66.0	298.1	0.1	(132.8)	0.1	15.0	348.9	9.6	605.0

Condensed consolidated statement of changes in equity (continued)

Year ended 31 December 2018

	Issued capital £m	Merger relief reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2018	66.0	298.1	0.1	(132.8)	(0.3)	18.5	362.7	8.1	620.4
Impact on adoption of IFRS 9							(2.2)	(0.1)	(2.3)
Restated total equity at the beginning of the financial year	66.0	298.1	0.1	(132.8)	(0.3)	18.5	360.5	8.0	618.1
Profit for the period							24.3	3.8	28.1
Other comprehensive income					0.4	4.3	2.3	0.1	7.1
Total comprehensive income for the period	-	-	-	-	0.4	4.3	26.6	3.9	35.2
Share options exercised							0.1	-	0.1
Share option expense							5.2	-	5.2
Tax relating to share-based incentives							0.1	-	0.1
Dividends paid							(54.2)	(0.3)	(54.5)
At 31 December 2018	66.0	298.1	0.1	(132.8)	0.1	22.8	338.3	11.6	604.2

Condensed consolidated statement of cash flows

	Note	**Six months ended 30 Jun 2019 £m**	Six months ended 30 Jun 2018 £m	Year ended 31 Dec 2018 £m
Operating activities				
Profit for the period		**32.2**	16.6	28.1
Adjustments for:				
Income tax expense		**20.9**	4.2	8.2
Net finance expense		**7.0**	5.2	10.9
Intangible amortisation		**11.3**	11.2	23.2
Exceptional and other adjusting items		**(22.9)**	6.3	20.8
Depreciation		**17.8**	17.9	35.4
Lease right-of-use asset depreciation		**5.2**	-	-
Share option expense		**2.7**	2.2	4.8
Hedging activities and other movements		**0.8**	0.9	1.2
Increase in inventories		**(1.9)**	(2.3)	(8.0)
(Increase)/decrease in trade and other receivables		**(11.2)**	(2.6)	5.5
(Decrease)/increase in trade and other payables		**(1.8)**	1.4	8.4
Cash outflow in respect of exceptional and other adjusting items		**(13.5)**	(10.3)	(20.8)
Adjustment for pension contributions		**(0.4)**	-	(1.0)
Movement in provisions		**(0.5)**	(0.6)	(1.1)
Cash inflow from operating activities		**45.7**	50.1	115.6
Income tax paid		**(9.4)**	(9.2)	(16.5)
Net cash inflow from operating activities		**36.3**	40.9	99.1
Investing activities				
Interest received		**0.4**	0.6	1.2
Acquisition of property, plant and equipment		**(23.3)**	(26.8)	(58.2)
Proceeds from sale of property, plant and equipment		**1.0**	3.6	9.3
Payments for intangible assets		**(0.4)**	-	(3.0)
Acquisition of businesses net of cash acquired		**(15.4)**	-	(4.9)
Proceeds from sale of businesses net of cash disposed		**111.4**	-	0.9
Net cash inflow/(outflow) from investing activities		**73.7**	(22.6)	(54.7)
Financing activities				
Interest paid		**(6.6)**	(5.2)	(10.7)
Dividends paid to equity holders		**(37.7)**	(37.7)	(54.2)
Dividends paid to non-controlling interests		**-**	-	(0.3)
Acquisition of non-controlling interests		**(11.7)**	-	-
Repayments of short-term loans		**-**	(0.3)	(0.4)
Repayments of long-term loans		**(95.0)**	(29.0)	(101.4)
Proceeds from long-term loans		**165.4**	62.0	137.0
Lease liability payments		**(6.2)**	-	-
Proceeds from sale of employee trust shares		**0.2**	-	0.1
Net cash inflow/(outflow) from financing activities		**8.4**	(10.2)	(29.9)
Net increase in cash and cash equivalents		**118.4**	8.1	14.5
Net cash and cash equivalents at the beginning of the period		**66.2**	52.0	52.0
Net increase in cash and cash equivalents		**118.4**	8.1	14.5
Net effect of currency translation on cash and cash equivalents		**0.5**	(0.5)	(0.3)
Net cash and cash equivalents at the end of the period	8	**185.1**	59.6	66.2

1. Basis of preparation

Except as described below, the accounting policies applied in these 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 2018 which comply with International Financial Reporting Standards as adopted by the EU and also in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority. The financial statements have been reviewed not audited.

The preparation of the condensed set of financial statements requires management to make estimates and assumptions that affect the reporting amounts of revenues, expenses, assets and liabilities at 30 June 2019. 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.

In the view of the Directors, the Group has adequate resources to continue its activities for the foreseeable future and therefore it is appropriate to continue to adopt the going concern basis in the preparation of the condensed set of financial statements.

The comparative figures for the financial year ended 31 December 2018 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 set of financial statements 'Essentra' or 'the Group' means Essentra plc ('the Company') and its subsidiaries.

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

IFRS 16 *Leases*

The Group has adopted IFRS 16 *Leases* from 1 January 2019. The adoption of these standards has a material effect on the Group's financial statements, as disclosed in the Group's 2018 consolidated financial statements. The quantitative impact of IFRS 16 on the group's retained earnings at 1 January 2019 was a reduction of £5.2m.

IFRS 16 *Leases* which is effective from 1 January 2019, eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model under which a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and present depreciation of lease right-of-use assets separately from interest as a result of unwinding of discount on lease liabilities in the income statement.

The Group has performed the impact assessment of adopting this accounting standard, which involved collating information on lease obligations and contractual arrangements across the Group. This data was then used to compare the impact of the new standard under different transitional options.

The Group has decided to select the modified retrospective approach on transition primarily on grounds of practicality. Under this approach, comparative information is not restated and the impact of adopting IFRS 16 is presented as an opening retained earnings adjustment as at 1 January 2019.

Under this transition option a methodology for determining the incremental borrowing rate has been developed to calculate the initial lease liability for each lease. This methodology incorporates three key elements: risk-free rate (reflecting specific country and currency), credit spread (reflecting the specific risk for each subsidiary within the Group) and an asset class adjustment (reflecting the variation in risk between asset categories).

Approximately 85% of the Group's future lease obligations under IAS 17 relate to property leases and as a consequence makes up the majority of the impact of adopting IFRS 16. 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 will have a material impact on the value of the right-of-use assets and lease liabilities recognised on the balance sheet, but will not have a material impact on the income statement.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain equipment (e.g. printing and photocopying machines) that are considered of low value.

1. Basis of preparation (continued)

Transition to IFRS 16

The impact on the balance sheet (increase/(decrease)) as at 1 January 2019 is as follows:

	£m
Assets	
Lease right-of-use assets	42.1
Prepayments and deferred income	(0.4)
Liabilities	
Lease liabilities	(60.0)
Provisions	9.3
Accruals and deferred income	2.6
Net deferred tax liabilities	1.2
Net impact on equity	**(5.2)**

The impact on the income statement (increase/(decrease) in profit) is as follows:

	Six months ended 30 Jun 2019	**Six months ended 30 Jun 2018**	**Year ended 31 Dec 2018**
	£m	£m	£m
Depreciation expense as reported under IFRS 16	(5.2)	(4.6)	(9.7)
Operating lease expense as reported under IAS 17	6.2	5.7	11.8
Net impact on operating profit	1.0	1.1	2.1
Finance expense	(1.0)	(1.0)	(2.2)
Income tax expense	-	(0.1)	0.1
Impact on profit after tax	**-**	**-**	**-**

Under IFRS 16, the Group's operating profit has increased, while its interest expense has also increased.

The estimated impact on the income statement for 2018 has been presented as pro forma comparative information. Under the transition approach selected, comparative information in the income statement has not been restated.

In relation to net debt and cash flow statement, IFRS 16 has the following impact:

- Depreciation of the lease right-of-use assets is added back to operating profit to arrive at operating cash flows. This will increase the Group's EBITDA.
- Lease liability is treated as part of net debt.
- Payment of the principal amount of leases is treated as a financing cash flow within the cash flow statement. It is not included within the definition of free cash flow under IFRS 16. Such payment does not have impact on net debt (under IFRS 16).

With changes in EBITDA and net debt, the net debt to EBITDA ratio is significantly impacted by the adoption of IFRS 16. The ratio of 1.8x previously reported for 2018 year-end (as disclosed in note 18 of the 2018 annual financial statements) will be restated to 2.1x under IFRS 16.

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.

Specialist Components comprises the following six smaller businesses of Essentra:

- The **Extrusion** business is a leading custom profile extruder located in the Netherlands which offers a complete design and production service.
- The **Pipe Protection Technologies** business specialises in the manufacture of high performance innovative products from commodity resins to engineering-grade thermoplastics and polymer alloys for use in the oil & gas industry.
- The **Speciality Tapes** business has expertise in coating multiple adhesive systems in numerous technologies, and its products range from foam, magnetic, finger lift and acrylic high bond tapes to hook and loop and non-skid foam.
- The **Tear Tapes** business is globally recognised as the leading manufacturer and supplier of pressure-sensitive tear tapes, which are largely used in the tobacco, food & drink and specialist packaging sectors.
- The **Industrial Supply** business provides a wide range of branded hardware supplies to a broad base of industrial customers, largely located in the US mid-west.
- The **Card Solutions** business is a leading European provider of ID card printers, systems and accessories to direct and trade customers.

With effect from 1 January 2019 the Group has altered the organisational structure by transferring the Speciality Tapes Express distribution locations in the US from the Components division into the Specialist Components division. As a consequence, segmental information for the half year ended 30 June 2018 and year ended 31 December 2018 has been restated to reflect these changes.

As at the half year ended 30 June 2019, the Group had disposed of the Extrusion, Pipe Protection Technologies and Speciality Tapes businesses. Further details of this can be found in note 9.

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.

As explained in note 1, the comparative information is not restated for IFRS 16.

							June 2019
	Components £m	**Packaging £m**	**Filters £m**	**Specialist Components £m**	**Eliminations £m**	**Central Services[1] £m**	**Total £m**
External revenue	136.0	176.8	130.5	63.3	-	-	**506.6**
Intersegment revenue	0.2	-	-	1.2	(1.4)	-	**-**
Total revenue	136.2	176.8	130.5	64.5	(1.4)	-	**506.6**
Adjusted operating profit/(loss)[2]	31.3	7.9	16.8	5.9	-	(13.6)	**48.3**
Segment assets	166.2	210.3	173.9	37.5	-	38.3	**626.2**
Intangible assets	157.2	291.5	0.3	44.2	-	-	**493.2**
Unallocated items [3]	-	-	-	-	-	222.6	**222.6**
Total assets	**323.4**	**501.8**	**174.2**	**81.7**	**-**	**260.9**	**1,342.0**
Segment liabilities	58.0	96.3	57.0	13.8	-	37.5	**262.6**
Unallocated items [3]	-	-	-	-	-	511.4	**511.4**
Total liabilities	**58.0**	**96.3**	**57.0**	**13.8**	**-**	**548.9**	**774.0**

2. Segment analysis (continued)

	Components £m	Packaging £m	Filters £m	Specialist Components £m	Eliminations £m	Central Services[1] £m	Total £m
							June 2018
External revenue	134.9	170.1	125.8	82.3	-	-	**513.1**
Intersegment revenue	0.2	0.1	-	1.1	(1.4)	-	**-**
Total revenue	135.1	170.2	125.8	83.4	(1.4)	-	**513.1**
Adjusted operating profit/(loss)[2]	30.7	1.6	15.3	6.4	-	(10.5)	**43.5**
Segment assets	140.8	182.4	156.7	109.2	-	23.4	**612.5**
Intangible assets	136.6	342.3	0.1	58.6	-	-	**537.6**
Unallocated items [3]	-	-	-	-	-	102.4	**102.4**
Total assets	**277.4**	**524.7**	**156.8**	**167.8**	**-**	**125.8**	**1,252.5**
Segment liabilities	40.3	90.3	45.2	24.1	-	25.3	**225.2**
Unallocated items [3]	-	-	-	-	-	422.3	**422.3**
Total liabilities	**40.3**	**90.3**	**45.2**	**24.1**	**-**	**447.6**	**647.5**

	Components £m	Packaging £m	Filters £m	Specialist Components £m	Eliminations £m	Central Services[1] £m	Total £m
							December 2018
External revenue	261.4	342.2	260.0	162.0	-	-	**1,025.6**
Intersegment revenue	0.5	0.1	-	2.4	(3.0)	-	**-**
Total revenue	261.9	342.3	260.0	164.4	(3.0)	-	**1,025.6**
Adjusted operating profit/(loss)[2]	57.7	5.4	34.8	14.5	-	(21.7)	**90.7**
Segment assets	140.8	182.6	165.7	105.1	-	32.5	**626.7**
Intangible assets	143.5	296.7	0.3	97.7	-	-	**538.2**
Unallocated items [3]	-	-	-	-	-	107.7	**107.7**
Total assets	**284.3**	**479.3**	**166.0**	**202.8**	**-**	**140.2**	**1,272.6**
Segment liabilities	41.9	86.0	53.1	24.8	-	26.4	**232.2**
Unallocated items [3]	-	-	-	-	-	436.2	**436.2**
Total liabilities	**41.9**	**86.0**	**53.1**	**24.8**	**-**	**462.6**	**668.4**

[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 exceptional and other 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. Exceptional and other adjusting items

	Six months ended 30 Jun 2019 £m	Six months ended 30 Jun 2018 £m	Year ended 31 Dec 2018 £m
(Gains)/losses and transaction costs relating to acquisitions and disposals of businesses[1]	**(18.8)**	1.5	4.9
Acquisition integration and restructuring costs[2]	**0.2**	0.2	0.2
Other[3]	**(4.3)**	4.6	15.7
Exceptional and other adjusting items	**(22.9)**	6.3	20.8

The exceptional and other adjusting items are separately presented from other items by virtue of their nature, size and/or incidence (considered for each operating segment). They are shown as a separate line item within operating profit on the face of the income statement 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 exceptional and other 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 Gains/losses and transaction costs relating to acquisitions and disposals of businesses are made up of £7.1m gain on disposal of Pipe Protection Technology, £15.5m gain on disposal of the Speciality Tapes business, offset by a £3.0m loss on disposal of the Extrusion business and £0.1m of costs incurred in disposing of the Card Solutions business and £0.4m costs incurred acquiring Innovative Components . The remaining £0.3m relates to costs incurred to date in pursuit of acquisition targets.

2 Acquisition integration and restructuring costs relate to the integration of the Hertila business, acquired in 2018, into the existing business.

3 Other exceptional items for the six months ended 30 June 2019 of a £4.3m gain relate to:

- £5.3m credit relating to the release of onerous lease provision, originally provided for as part of the closure of the Newport Cartons business in 2017, as a result of lease surrender being agreed with the lessor.
- £0.6m credit in relation to the release of unused provision on the closure of the Kilmarnock site.
- £0.6m of cost in relation to the restructure of the Group's Finance team. The programme represents an initiative to streamline and restructure the Finance function, in line with management's vision for the future of the Finance function.
- £0.1m in relation to Filters restructuring.
- £0.9m on external consultants' costs incurred in relation to a review and investigation currently in progress of certain group companies' export activities with U.S. laws (see note 14).

4. Earnings per share

	Six months ended 30 Jun 2019 £m	Six months ended 30 Jun 2018 £m	Year ended 31 Dec 2018 £m
Earnings: Continuing operations			
Earnings attributable to equity holders of Essentra plc	**30.5**	14.9	24.3
Adjustments			
Amortisation of acquired intangible assets	**11.1**	11.2	22.7
Exceptional and other adjusting items	**(22.9)**	6.3	20.8
	(11.8)	17.5	43.5
Tax relief on adjustments	**12.7**	(3.5)	(7.4)
Adjusted earnings	**31.4**	28.9	60.4
Weighted average number of shares			
Basic weighted average ordinary shares outstanding (million)	**262.0**	261.8	261.9
Dilutive effect of employee share option plans (million)	**2.8**	2.2	2.7
Diluted weighted average ordinary shares (million)	**264.8**	264.0	264.6
Earnings per share: Continuing operations (pence)			
Basic earnings per share	**11.6p**	5.7p	9.3p
Adjustment	**0.4p**	5.3p	13.8p
Basic adjusted earnings per share	**12.0p**	11.0p	23.1p
Diluted earnings per share	**11.5p**	5.6p	9.2p
Diluted adjusted earnings per share	**11.9p**	10.9p	22.8p

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.

5. Property, plant and equipment

During the period, the additions of land and buildings, plant and machinery and fixtures, fittings and equipment amounted to £23.4m (six months ended 30 June 2018: £30.2m; year ended 31 December 2018: £58.4m).

Land and buildings, plant and machinery and fixtures, fittings and equipment with a net book value of £1.2m (six months ended 30 June 2018: £3.3m; year ended 31 December 2018: £6.2m) were disposed of for proceeds of £1.0m (six months ended 30 June 2018: £3.6m; year ended 31 December 2018: £9.3m).

6. Lease right-of-use assets

Following the adoption of IFRS 16, effective from 1 January 2019 the 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 each 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, additions to right-of-use assets amounted to £6.3m and the depreciation of right-of-use assets amounted to £5.2m. Right-of-use assets with a net book value of £0.3m were acquired through business combinations in the period (see note 9). Right-of-use assets with a net book value of £1.0m were disposed through business disposals during the period (see note 9).

7. Retirement benefit obligations

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

	Six months ended 30 Jun 2019 £m	Six months ended 30 Jun 2018 £m	Year ended 31 Dec 2018 £m
Movements			
Beginning of period	**(13.9)**	(13.4)	(13.4)
Current service cost and administrative expense	**(1.0)**	(0.9)	(1.9)
Past service cost	**-**	-	(2.2)
Employer contributions	**1.4**	0.9	2.7
Return on plan assets excluding amounts in net finance income	**23.6**	(4.1)	(14.1)
Actuarial (losses)/gains arising from changes in financial assumptions	**(26.8)**	14.0	20.5
Actuarial gains arising from change in demographic assumptions	**-**	1.4	0.8
Actuarial gains/(losses) arising from experience adjustment	**-**	0.5	(4.5)
Net finance cost	**(0.3)**	(0.3)	(0.6)
Curtailments	**-**	-	0.2
Currency translation	**(0.5)**	(0.5)	(1.4)
End of period	**(17.5)**	(2.4)	(13.9)

The principal defined benefit schemes were reviewed by independent qualified actuaries as at 30 June 2019. 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 level of contributions. The liabilities of the schemes at the balance sheet date have been updated to reflect latest discount rates and other assumptions as well as the level of contributions. The principal assumptions used by the independent qualified actuaries were as follows:

Europe

	30 Jun 2019	**30 Jun 2018**	**31 Dec 2018**
Rate of increase in pensions			
At RPI capped at 5%	**3.00%**	3.00%	3.10%
At CPI capped at 5%	**2.10%**	2.10%	2.20%
At CPI minimum 3%, capped at 5%	**3.10%**	3.10%	3.10%
At CPI capped at 2.5%	**1.90%**	1.90%	1.90%
Discount rate	**2.30%**	2.70%	2.90%
Inflation rate – RPI	**3.10%**	3.10%	3.20%
Inflation rate – CPI	**2.10%**	2.10%	2.20%

US

	30 Jun 2019	**30 Jun 2018**	**31 Dec 2018**
Rate of increase in salaries	**n/a**	n/a	n/a
Discount rate	**3.50%**	4.20%	4.25%

8. Analysis of net debt

	30 Jun 2019 £m	31 Dec 2018 £m
Cash at bank and in hand	**176.7**	62.3
Short-term deposits and investments	**8.4**	3.9
Cash and cash equivalents	**185.1**	66.2
Loans and borrowings due within one year	**(63.0)**	(0.1)
Loans and borrowings due after one year	**(319.9)**	(311.2)
Loan receivable (arising from the disposal of Porous Technologies)	**5.0**	5.0
Lease liabilities within one year	**(10.9)**	-
Lease liabilities after one year	**(38.3)**	-
Net debt	**(242.0)**	(240.1)

Cash and cash equivalents includes £nil (31 December 2018: £0.4m) within assets in disposal Group held for sale.

The Group's lease liabilities are included in net debt effective from 1 January 2019 following the adoption of IFRS 16. 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 2019, the Group's committed facilities primarily comprised a series of US Private Placement Loan Notes from various financial institutions totalling US$155.0m and syndicated multi-currency 5-year revolving credit facilities of £285.0m and €100.8m from its banks. At 30 June 2019, the available bank facilities totalled £375.0m (31 December 2018: £375.0m) of which £263.4m (31 December 2018: £193.1m) was drawn down and £111.6m (31 December 2018: £181.9m) was undrawn.

9. Acquisitions and disposals

Acquisition of minority stake in Essentra (MEA) Pte. Ltd

On 19 March 2019, Essentra acquired the 49% minority interest in its Filters operation based in Dubai, Essentra (MEA) Pte. Ltd, from Aberdeen International FZE (part of the BBM Bommidala group) for a cash consideration of £11.6m. Essentra (MEA) Pte. Ltd is the holding company of Essentra FZE, which undertakes the Company's Filters activities in Dubai.

Acquisition of Innovative Components

On 27 June 2019, Essentra acquired 100% of the share capital of Innovative Components Inc. and Componentes Innovadores Limitada (together "Innovative Components"). Innovative Components is a leading manufacturer and distributor of knobs, pins and handles in North America for a broad range of end-markets, and will be reported under the Company's Components division.

On acquisition the assets and liabilities of the business acquired were adjusted to reflect their fair value to Essentra. Due to the timing of the transaction, the purchase price allocations including the split between goodwill and intangible assets and fair value adjustments are provisional and subject to finalisation for up to one year from the date of acquisition.

Had the acquisition been completed on 1 January 2019, the contribution to the Group's half year revenue and operating profit would have been £4.6m and £1.0m higher respectively.

An estimate of related transaction costs of £0.4m were recognised in the consolidated income statement in exceptional and other adjusting items.

	Fair value of assets /(liabilities) acquired £m
Property, plant and equipment	0.5
Lease right-of-use assets	0.3
Inventories	1.3
Trade and other receivables	1.5
Cash and cash equivalents	0.2
Trade and other payables	(1.0)
Lease liabilities	(0.3)
	2.5
Goodwill	15.1
Consideration	17.6
Satisfied by:	
Cash consideration	15.6
Deferred consideration	2.0
Cash consideration	15.6
Cash and cash equivalents acquired	(0.2)
Net cash outflow in respect of the acquisition	**15.4**

Goodwill represents the expected operating and financial synergies, and the value of an assembled workforce. Goodwill is not deductible for tax purposes.

9. Acquisitions and disposals (continued)

Disposals

On 14 January 2019, Essentra divested of its Pipe Protection Technologies business ("PPT") to certain wholly-owned subsidiaries of National Oilwell Varco, Inc. This disposal resulted in an estimated gain before tax of £9.4m, which has been recognised within exceptional and other adjusting items. Related transaction costs of £2.3m were also recognised in the consolidated income statement in exceptional and other adjusting items.

On 11 June 2019, Essentra divested of its Extrusion business to Inter Primo A/S. This disposal resulted in an estimated loss before tax of £1.8m, which has been recognised within exceptional and other adjusting items. Estimated related transaction costs of £1.2m were also recognised in the consolidated income statement in exceptional and other adjusting items.

On 28 June 2019, Essentra divested of its Speciality Tapes business ("ST") to OpenGate Capital. This disposal resulted in an estimated gain before tax of £19.8m, which has been recognised within exceptional and other adjusting items. Estimated related transaction costs of £4.3m were also recognised in the consolidated income statement in exceptional and other adjusting items.

The estimated disposal proceeds, nets assets disposed and gains arising from the movement in foreign currency exchange from the divestment of the PPT, Extrusion and ST businesses were as follows:

	Pipe Protection Technologies £m	**Extrusion £m**	**Speciality Tapes £m**	**Total £m**
Goodwill	10.1	3.7	27.4	41.2
Other intangible assets	-	-	8.6	8.6
Property, plant and equipment	22.2	11.9	10.4	44.5
Lease right-of-use assets	0.9	0.1	-	1.0
Inventories	3.4	2.6	3.9	9.9
Trade and other receivables	5.6	4.4	4.3	14.3
Cash and cash equivalents	0.3	0.8	0.4	1.5
Deferred tax	-	-	(5.3)	(5.3)
Trade and other payables	(2.5)	(4.4)	(2.5)	(9.4)
Lease liabilities	(1.1)	(0.1)	-	(1.2)
	38.9	19.0	47.2	105.1
Reclassification of gains from movement in foreign currency exchange	(9.8)	(2.9)	(5.9)	(18.6)
Gain / (loss) on disposal	9.4	(1.8)	19.8	27.4
Disposal proceeds	**38.5**	**14.3**	**61.1**	**113.9**
Satisfied by:				
Cash consideration	37.5	14.3	61.1	112.9
Deferred consideration	1.0	-	-	1.0
Cash consideration	37.5	14.3	61.1	112.9
Cash and cash equivalents disposed	(0.3)	(0.8)	(0.4)	(1.5)
Net cash inflow from disposals of businesses	**37.2**	**13.5**	**60.7**	**111.4**

The total gains of £27.4m represent the pre-tax gain on disposal.

The total gains of £18.6m arising from the movement in foreign currency exchange have been reclassified and reported within the consolidated income statement as part of the exceptional and other adjusting items arising on the disposal of businesses.

10. Dividends

	Per share			Total		
	Six months ended 30 Jun 2019 p	Six months ended 30 Jun 2018 p	Year ended 31 Dec 2018 p	**Six months ended 30 Jun 2019 £m**	Six months ended 30 Jun 2018 £m	Year ended 31 Dec 2018 £m
2018 interim:						
paid 31 October 2018		6.3	6.3		16.5	16.5
2018 final:						
paid 3 June 2019			14.4			37.7
2019 interim:						
payable 30 October 2019	6.3			16.5		
	6.3	6.3	20.7	16.5	16.5	54.2

The interim dividend for 2019 of 6.3p per 25p ordinary share will be paid on 30 October 2019 to equity holders on the register of shares on 27 September 2019.

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).

11. Related party transactions

Other than the compensation of key management and the acquisition of minority stake in Essentra (MEA) Pte. Ltd, Essentra has not entered into any material transactions with related parties since the last Annual Report.

12. Financial instruments

Essentra held the following financial instruments at fair value at 30 June 2019. The only financial instrument with fair value determined by reference to significant unobservable inputs, which is classified as level 3 in the fair value hierarchy, is the deferred contingent consideration of £5.8m relating to the acquisition of Micro Plastics and Innovative Components (31 December 2018: deferred contingent consideration of £3.9m primarily relating to the acquisition of Micro Plastics and a previous acquisition). During the six months to 30 June 2019 £1.9m of deferred consideration related to £2.0m recognised as part of the acquisition accounting for Innovative Components less £0.1m of exchange rate movements. 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 2019 **£m**	31 Dec 2018 £m
Financial assets		
Derivatives	**0.1**	0.3
Financial liabilities		
Derivatives	**(0.4)**	(0.2)
Deferred contingent consideration	**(5.8)**	(3.9)
Total	**(6.1)**	(3.8)

Essentra had US dollar and euro denominated borrowings which it designated as hedges of its net investments in subsidiary undertakings. The exchange losses of £0.8m (30 June 2018: £2.6m gains) on the US dollar borrowings and the gains of £nil (30 June 2018: £nil) on the euro borrowings were recognised in other comprehensive income.

13. Post balance sheet event

On 11 July 2019, the Company signed an agreement to divest the Card Solutions business to Barcodes, Inc. for an undisclosed consideration, free of cash and debt. The sale completed on 23 July 2019. Further to the completion of the sale of Card Solutions, the remaining Tear Tapes and Industrial Supply businesses in Specialist Components will be absorbed into the Filters and Components divisions respectively, owing to the complementary nature of end-markets served. As a result, the Specialist Components division is expected to be dissolved in the second half of 2019.

14. Contingent liabilities

The Group is co-operating fully with the U.S. Government in an investigation relating to the compliance of certain group companies' export activities with U.S. laws. The investigation is continuing, and the outcome for the Group by way of financial penalties, if any, agreed or imposed by the US Government, is uncertain at this stage and therefore cannot currently be assessed. As a result, no liability is provided for at this time. Based on the information currently available, the Board do not expect any such exposure to be material to the full year financial statements.

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 IAS 34 *Interim Financial Reporting* as adopted by the EU;

• the interim management report includes a fair review of the information required by:

(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

2 August 2019

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 2019 (the "half-yearly report") of Essentra plc for the 6 month period ended 30 June 2019. 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 International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union 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 2019;

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 half-yearly report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report 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 half-yearly report 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 & 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 half-yearly report 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

2 August 2019