2 March 2018

ESSENTRA PLC
("the Company")

A leading global provider of essential components and solutions

RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2017

"STABILITY SUCCESSFULLY RESTORED, STRATEGY IMPLEMENTATION WELL UNDERWAY"

Summary:

- FY 2017 reflects an improved revenue trend in H2 versus H1, as previously communicated.
  - Revenue decrease of 2.0% on a like-for-like[1] basis.
    - Continued strong result in Component Solutions.
    - Material H2 improvement in growth in Filter Products.
    - Continued decline in Health & Personal Care Packaging.
  - Adjusted operating profit[2, 4] down 26.8% (at constant FX) to £85m.
  - Basic adjusted EPS[2, 4] lower by 30.1% (at constant FX) to 22.1p.
- Net debt of £211m (31 December 2016: £379m).
  - Net debt to EBITDA reduced to 1.7x on a continuing basis (31 December 2016: 2.3x).
  - Strong operating cash conversion[3, 4] of c. 95%.
- Full year dividend unchanged at 20.7p per share.
- Significant improvement in all aspects of business stability, and strategic implementation underway.

Results at a glance:

	FY 2017	FY 2016	% change Actual FX	% change Constant FX
Revenue – cont.[4]	£1,027m	£999m	+3	-2
Adjusted[2] operating profit - cont.[4]	£85m	£109m	-22	-27
Adjusted[2] pre-tax profit - cont.[4]	£74m	£96m	-23	-28
Adjusted[2] net income[5] – cont.[4]	£59m	£77m	-23	-29
Adjusted[2] basic earnings per share – cont.[4]	22.1p	29.2p	-24	-30
Dividend per share	20.7p	20.7p	-	n/a
Reported operating profit / (loss) – cont.[4]	£6m	£(50)m	n/a	n/a
Reported pre-tax (loss) – cont.[4]	£(5)m	£(63)m	n/a	n/a
Reported net income / (loss)[5] – total	£116m	£(40)m	n/a	n/a
Reported basic earnings / (loss) per share – total	43.7p	(15.4)p	n/a	n/a

[1] Excludes the impact of acquisitions, disposals and foreign exchange
[2] Before amortisation of acquired intangible assets and exceptional operating items
[3] Operating cash conversion is defined as adjusted operating cash flow divided by adjusted operating profit
[4] Continuing operations, excluding Porous Technologies, in light of the divestment on 6 March 2017
[5] Net income is defined as profit after tax

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

"At the time of my inaugural full year results a year ago, I stated that I firmly believed that the fundamental strengths exist across all our businesses which we can build upon, and that the issues of the past were predominantly self-inflicted - and therefore capable of reversal. I also noted that I had already met many excellent colleagues, who were passionate about Essentra and energised for positive change. Twelve months on, that belief in a bright future for our Company is – if anything - even stronger.

Our business underwent significant change during 2017: this was not only in terms of restoring stability across the organisation and addressing skill and capability gaps, but also in developing and articulating clear and data-driven strategies for each of our larger global divisions, together with a clearly defined role for the Group in adding value.

Along with these positive developments, we also experienced a number of challenges: our two sites and 345 colleagues in Puerto Rico were impacted by the devastation caused by hurricane Maria; we took the very tough decision to close our loss-making Newport cartons site; and our Health & Personal Care Packaging division has worked tirelessly to arrest the significant decline in financial performance and customer reputation which was evident at the start of the year. Throughout all, our employees have shown huge dedication, commitment and professionalism, for which the Board and I would like to give our sincere thanks.

I have previously expressed that restoring Essentra to sustainable, profitable growth is not a rapid journey, and we clearly have a lot of work still to do. However, together we have made great progress and tangible improvement in FY 2017, so we are already well on our way."

Outlook Statement

With effect from 1 January 2018, and consistent with our strategic review, we are now organised into four divisions: Components, Packaging, Filters and Specialist Components.

In our Components business we expect further broad-based growth and a stable margin, through continued focus on building a consistent and "hassle free" proposition. With the bias of our Filters business towards innovative special filters, and the exposure of Specialist Components to broad industrial end-markets, the revenue and margin outlook for each of these divisions is stable. Having stabilised our Packaging business – together with certain one-time factors having been addressed in 2017 - we anticipate improving year-on-year revenue and margin trends as we start to regain "share of wallet" based on demonstrably improved customer service metrics.

Accordingly, as we continue to drive our stability agenda, for the total Group we expect a return to like-for-like revenue growth and margin expansion in 2018.

Basis of Preparation

Unless otherwise stated, the FY 2017 results and narrative contained herein reflect the performance of the Essentra Group on a continuing operations basis (ie, excluding Porous Technologies, which was divested on 6 March 2017).

Constant foreign exchange rates. Movements in exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis ("constant FX") adjusts the comparative to exclude such movements, to show the underlying performance of the Company. The principal exchange rates for Essentra in FY 2017 were:

	Average		Closing	
	FY 2017	**FY 2016**	**FY 2017**	**FY 2016**
US$:£	1.30	1.36	1.35	1.24
€:£	1.14	1.23	1.13	1.17

Re-translating at FY 2017 average exchange rates increases the prior year revenue and adjusted operating profit by £53.0m and £6.9m 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 FY 2017 LFL results are adjusted for the divestment of the Bristol consumer packaging site on 5 June 2017.

Adjusted basis. The term "adjusted" excludes the impact of amortisation of acquired intangible assets and exceptional operating items, less any associated tax impact. In FY 2017, amortisation of acquired intangible assets was £22.9m (FY 2016: £30.2m), and there was an exceptional pre-tax charge of £56.2m (FY 2016: £128.5m) mainly relating to costs associated with the closure of the folding cartons site in Newport, UK, the strategic review of the Company and the simplification of the organisational structure – including the departure of certain senior management – during the year. Further details on exceptional items are shown in note 3 to the 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 page 14 of the 2016 Annual Report.

Cash flow. Adjusted operating cash flow is presented to exclude the impact of tax, exceptional items, interest and other items not impacting 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.

With effect from 1 January 2018, the Company is now organised into four divisions. A restatement of the FY 2017 revenue and adjusted operating profit on this basis is set out in note 16 to the Consolidated Financial Statements.

Operating Review

FY 2017 revenue increased 2.9% (-2.3% at constant FX) to £1,027.3m, with a LFL decline of 2.0%. The underlying result reflected the continuation of the trends reported in the 23 October 2017 trading update, with a continued strong result in Component Solutions and a significant H2 improvement in Filter Products offset by a decline in Health & Personal Care Packaging.

On an adjusted basis, operating profit was down 22.2% (-26.8% at constant FX) at £84.6m. The 270bps reduction in the margin (-280bps at constant FX) to 8.2% largely arose in Health & Personal Care Packaging, owing to the profit drop-through from lower revenue, a material loss at the Newport folding cartons facility and the costs associated with disruption to the sites in Puerto Rico further to hurricane Maria – as well as a less profitable revenue and segment mix in Tapes.

Including amortisation of acquired intangible assets of £22.9m and an exceptional pre-tax charge of £56.2m - mainly relating to costs associated with the closure of the folding cartons site in Newport, the strategic review of the Company and the simplification of the organisational structure (including the departure of certain senior management) during the year – operating profit as reported was £5.5m (2016: operating loss of £(50.0)m).

Net finance expense was below the prior year at £10.4m (FY 2016: £12.5m), due to a lower average net debt position. The effective tax rate on underlying profit before tax (before exceptional operating items) was unchanged at 20.0% (FY 2016: 20.0%).

On an adjusted basis, net income of £59.2m was down 23.0% (-28.8% at constant FX) and basic earnings per share declined by 24.4% (-30.1% at constant FX) to 22.1p. Reflecting the post-tax profit and exceptional gain on sale relating to the Porous Technologies business which completed on 6 March 2017, on a total reported basis, net income of £115.8m and earnings per share of 43.7p compared to a net loss of £39.6m and a loss per share of 15.4p in FY 2016.

Adjusted operating cash flow was 21.4% lower than the previous year at £80.0m (FY 2016: £101.8m), largely due to the reduction in adjusted operating profit: this equated to operating cash conversion of 94.6% (FY 2016: 93.7%). Adjusted free cash flow of £56.4m compared to £74.5m in FY 2016, a decrease of 24.3%.

Business Review

Summary growth in revenue by Division

% growth	LFL	Acquisitions / Disposals	Foreign Exchange	Total Reported
Component Solutions	+8	-	+5	+13
*Component Solutions ex-PPT**	*+3*	*-*	*+5*	*+8*
Health & Personal Care Packaging	-8	-1	+4	-5
Filter Products	-3	-	+6	+3
Total	**-2**	**-**	**+5**	**+3**

*Pipe Protection Technologies

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

Component Solutions

	FY 2017 £m	% growth Actual FX	% growth Constant FX
Revenue	343.1	+13.4	+8.0
Operating profit	58.7	+7.9	+3.9
Operating margin	17.1%	-90bps	-70bps
Revenue ex-PPT	*314.7*	*+8.5*	*+3.3*
Operating profit ex-PPT	*56.1*	*-1.4*	*-5.2*
Operating margin ex-PPT	*17.8%*	*-180bps*	*-160bps*

Revenue increased 8.0% to £343.1m, driven by growth in Components and recovery in Pipe Protection Technologies. Excluding PPT, revenue increased 3.3%.

The result in Components was broad-based across geographic regions, with a continued strong performance in Continental Europe and Asia underpinned by a return to growth in the Americas and the UK, further to operational and commercial improvement initiatives implemented in both markets. The increase in Europe was supported by further service improvements at the regional manufacturing hub in Kidlington, UK, with better management of inventory levels helping to reduce overall net working capital. Trading in the Americas benefited from a more defined segmentation of the customer base and product offering - particularly in the Maintenance, Repair & Overhaul ("MRO") segment further to the roll-out of 4,000 new mechanical components towards the end of the prior year – while growth in Asia was driven by electronics and general industrial mid-sized customers.

The general protection range of caps and plugs increased, with the access hardware offering also continuing to perform well; in addition, components aimed at the consumer electronics segment delivered a strong result in Asia. Further to the successful development of tooling, there was an encouraging revenue contribution in custom injection moulding, particularly in the automotives sector in both Europe and the US. Towards the end of the year, the European catalogue was relaunched, featuring c. 1,000 new products including electromechanical switches and cable management and access hardware solutions.

In December, the acquisition of Micro Plastics was announced for an undisclosed cash consideration. Based in Arkansas, US, Micro Plastics is a leading manufacturer and distributor of nylon fasteners and other plastic components for a wide range of industrial end-markets, including general industrial, automotive and white goods. The transaction not only expands the division's product range and adds manufacturing capacity in the US, but also – with a facility in Monterrey – it provides an entry platform into the attractive Mexican market.

Revenue in PPT increased 115.7% to £28.4m, notwithstanding temporary disruption to the Houston, US facility from Hurricane Harvey; this recovery (from a low base) was as a result of an uplift in the North American rig count, and the consequent impact on drilling activity and demand from the pipe mills, oil & gas service companies and pipe processors. Both the mid- and heavy-duty product ranges, including Tector Plus® and Titan®, performed particularly well as onshore drilling improved, although this was partially offset by the impact of lower investment in offshore explorations and production fields.

Revenue in Extrusion was moderately lower than the prior year. Continuing to benefit from its expertise in complex, technical profiles, the business saw further good growth for its plastic components used in the purification of drinking and processed water in both industrial and municipal installations, as well in the construction industry for swimming pool covers; however, this was offset by a softer performance in extruded finishing parts used in the furniture sector.

Operating profit increased 3.9% to £58.7m, equating to a 70bps decline in the margin to 17.1%: excluding PPT, adjusted operating profit declined 5.2% to £56.1m, with a 160bps decrease in the margin to 17.8%. Further operating efficiency savings, together with a return to profitability in PPT, were offset by measured investment in the Components business, together with a significant increase in raw material costs in early 2017 and a lower margin product mix in Extrusion.

During the year, further operational initiatives were undertaken across the division. These included the transfer of seals activities from Ipoh, Malaysia to Rayong, Thailand, the expansion into a second facility in Turkey and the addition of new injection moulding equipment in Kidlington and Erie, US in Components, and further investment in additional automation and laboratory capabilities in Houston and large tonnage injection moulding machines in Veracruz, Mexico in PPT.

Health & Personal Care Packaging

	FY 2017 £m	% growth Actual FX	% growth Constant FX
Revenue	409.5	-4.8	-9.0
Operating profit	7.2	-79.1	-80.2
Operating margin	1.8%	-620bps	-630bps

Revenue decreased 9.0% to £409.5m. Excluding the divestment of the Bristol consumer packaging facility in June 2017, like-for-like revenue reduced 8.5%.

As expected, the performance in health & personal care continued to deteriorate, largely owing to legacy operational issues at certain integration sites in the UK and US which had a disproportionate impact on the results. Specifically, the structural and operational challenges at the folding cartons facility ("IP5") in Newport, UK, were such that a proposal to cease production was confirmed, and the facility was closed at the end of the year. Indeed, notwithstanding the significant improvement efforts of the site management team and employees, IP5 generated a FY 2017 operating loss of £(4.5)m on revenue of £12.2m, and was not anticipated to make a realistic improvement to profitability in the near, or even long, term.

In the autumn, hurricane activity impacted the sites in Largo, US and – more severely – at Guaynabo and Manati in Puerto Rico. While all employees were fortunately safely accounted for and the facilities were left fundamentally intact, the Puerto Rico operations were significantly affected by the infrastructure and supply chain issues which ensued and a reduced level of demand from customers, who themselves faced similar post-hurricane Maria challenges. Although normal output levels were fully restored by the end of the year, management estimates the FY 2017 revenue and adjusted operating profit impact of hurricane activity (ie, including Largo) at £2.5 – 3.0m and £1.5 – 2.0m respectively, net of any recovery from insurance.

However, beyond these issues, the focus and remedial action of the senior management team on the integration challenges of the prior year led to a reduction in the rate of revenue decline in FY 2017 when compared to H2 2016, and key service and quality metrics improved progressively during the year in both the US and Europe. These demonstrable and consistent improvements have been noted by customers, and have facilitated a significantly enhanced dialogue about how Essentra can collaborate to help them meet a range of needs and business objectives.

This enhanced customer sentiment was reinforced by encouraging new business wins during 2017, as well as certain multiyear, multiproduct global framework agreements with international blue-chip healthcare companies which were signed towards the end of the year. In addition, the range of "freshness" labels - which can be tailored to meet specific requirements, and help to keep a product as fresh as possible for as long as possible – continued to perform well, with growth underpinned by further demand from an existing customer.

The result in Tapes reflected gains in the appliance sector for speciality tapes and in the food segment for tear tapes, being offset respectively by softness in point of purchase and continued weakness in tobacco.

While the focus in 2017 was on stabilising the division and restoring a platform from which to grow, nonetheless it was a year of further pipeline development and commercialisation of recently-launched products. This included the serialised carton and label offering, as well as large format literature and the range of fibre-tear, void-release and frangible labels which allow consumers to easily identify if packaging has been interfered with. In addition, the Design Hub continued to leverage its capabilities in providing customers with value-added solutions, including working with an international pharmaceutical customer in the successful redesign of their range of folding cartons.

Further to the strategic review, and reinforcing the Company's intention to focus on specialist secondary packaging for the health & personal care sectors, a global divisional organisation with leadership under a single functional team was created in October. This will allow the business to serve its multinational customers better and with greater alignment, and to leverage its scale in innovation, best practice transfer and talent development. As a result, Essentra will be even better positioned to pursue a clear strategic direction with common purpose, and to provide our customers with a consistent global value proposition.

Operating profit decreased 80.2% to £7.2m, equating to a margin of 1.8%. The 630bps decline in the margin was due to the volume gearing effect of revenue decline, the previously mentioned ongoing losses at the IP5 site and disruption in Puerto Rico, together with a less profitable revenue and segment mix in Tapes.

In 2017 - and consistent with the previously communicated incremental capital expenditure requirement of £20m over three years - there was substantial investment to rebuild operational capability across the division, both to help unblock production “bottlenecks” and to support growth opportunities. This included new gluing lines in Charlotte, US and Barcelona, Spain, an upgraded press at Moorestown, US, large format folding equipment in Greensboro and Indianapolis, US, Manati, Puerto Rico and Wolfen, Germany and enhanced digital capability at Glasnevin, Ireland; standardised colour management technology was also introduced at site level helped to underpin the improvements in quality metrics made during the year. Indeed, the significant focus on operational efficiency in general during the year resulted in the establishment of a wide range of process capabilities – from quality and Sales & Operations Planning to procurement and waste reduction – has helped to stabilise the division and to provide solid foundations from which to build in the future and to help drive profitability back towards an industry average operating margin level over the medium term – as per the Company’s strategic objective.

Filter Products

	FY 2017 £m	% growth Actual FX	% growth Constant FX
Revenue	277.5	+3.1	-3.4
Operating profit	34.8	-7.2	-12.6
Operating margin	12.5%	-140bps	-140bps

Revenue decreased 3.4% to £277.5m, largely owing to the pass-through of raw materials savings in the form of lower pricing. Underlying volumes were modestly below FY 2016 - reflecting an improved performance in the second half - but a particularly strong result in capsules and growth in flavoured filters contributed to a positive mix effect.

While the nature of outsourcing in the tobacco industry implies a certain degree of pipeline volatility, nonetheless the acknowledged capabilities of the business – in terms of delivering value-added filters which meet the evolving requirements of our customers – continued to be successfully commercialised during the year. Joint development initiatives with multinational customers for higher value capsule products were particularly successful, as well as innovative variants of our Combined Performance Superior™ filter, which combine a high level of visual differentiation with enhanced efficiency. Following a weaker performance in FY 2016 owing to softer underlying market conditions, the business in China rebounded strongly, supported by recent Superslim and shaped filter launches to meet the growing consumer trend for smaller diameter and increasingly complex formats. Overall, therefore, the division maintained its track record of supporting customers in the development of bespoke solutions tailored to their specific needs as they seek to respond to global market trends.

In FY 2017, the Scientific Services laboratory continued to leverage its extensive experience and expanded portfolio of accredited testing methods for both traditional tobacco and non-tobacco products, to ensure the delivery of high-quality analysis which remains at the forefront of industry trends and evolving regulatory requirements.

Beyond traditional tobacco products, the division continued to develop its Next Generation Product capabilities during the year. While these remained a very modest contributor to divisional revenue in FY 2017, nonetheless Essentra has product offerings in both e-cigarettes (which are located at the Greensboro, US site) as well as Heat Not Burn (where the Company is already a provider of filters to one of the multinationals), and management believes that the business is well-positioned to support customers as these nascent segments continue to rapidly evolve.

Operating profit decreased 12.6% to £34.8m, and the margin declined by 140bps. Further efficiency improvements and productivity gains were offset by the impact of modestly lower volume, and a timing effect relating to the pass through of acetate tow material costs in the first half of the year.

Reinforcing its commitment to maintaining a flexible and competitive global manufacturing base, the division benefited from a number of operational initiatives in FY 2017. The previously-communicated transfer of a certain line of business to Asia from the US was successfully completed, further to which the Greensboro site was “right-sized” not only to maintain its capability in traditional tobacco filters but also to become the production hub for Essentra’s e-cigarette offering. In addition, following the transfer of European activity from Jarrow, UK in 2016, quality and service metrics significantly improved in Hungary, with a new development centre also being established to serve customers in the region.

Continuing to respond to customer requirements, additional capacity for capsule filters was added in Indonesia, Thailand and Dubai, to ensure that the division remains at the forefront of these innovative segments in the growth markets of Asia and the Middle East, with additional technical and development capability also being extended in the region.

Financial Review

Net finance expense. Net finance expense of £10.4m was below the prior year period, and is broken down as follows:

£m	FY 2017	FY 2016
Net interest charged on net debt	8.4	11.6
Amortisation of bank fees	1.0	0.7
IAS 19 pension finance charge	1.0	0.2
Total net interest expense	**10.4**	**12.5**

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

Tax. The effective tax rate on underlying profit before tax (before exceptional operating items) was 20.0% (FY 2016: 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	FY 2017	FY 2016
Inventories	114.3	115.1
Trade & other receivables	201.0	218.4
Trade & other payables	(197.5)	(204.3)
Adjustments	6.6	6.8
Net working capital	**124.4**	**136.0**

The decrease in net working capital was largely due to a reduction in accounts receivable. The net working capital / revenue ratio was 15.1% (FY 2016: 16.3%, at constant FX).

Cash flow. Adjusted operating cash flow is presented to exclude the impact of tax, exceptional items, interest and other items not impacting 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.

Adjusted operating cash flow was £21.8m lower than versus the prior year period, at £80.0m, largely due to the reduction in adjusted operating profit and an £8.0m increase in net capital expenditure. Adjusted free cash flow of £56.4m compared to £74.5m in FY 2016.

£m	FY 2017	FY 2016
Operating profit – adjusted	**84.6**	**108.7**
Depreciation and amortisation of non-acquired intangible assets	36.3	31.1
Share option expense / other movements	(2.0)	(3.5)
Change in working capital	6.4	2.8
Net capital expenditure	(45.3)	(37.3)
Operating cash flow – adjusted	**80.0**	**101.8**
Tax	(11.2)	(17.1)
Exceptional items	(17.1)	(8.3)
Pension obligations	0.1	1.1
Other	(0.6)	15.2
Add back: net capital expenditure	45.3	37.3
Net cash inflow from operating activities – continuing operations	**96.5**	**130.0**
Net cash inflow from operating activities – discontinued operations	(19.1)	23.0
Net cash inflow from operating activities – total Group	**77.4**	**153.0**
Operating cash flow – adjusted	**80.0**	**101.8**
Tax	(11.2)	(17.1)
Net interest paid	(12.5)	(11.3)
Pension obligations	0.1	1.1
Free cash flow – adjusted – continuing operations	**56.4**	**74.5**
Free cash flow – adjusted – discontinued operations	(7.6)	24.3
Free cash flow – adjusted – total Group	**48.8**	**98.8**

Net debt. Net debt at the end of the period was £210.6m, a £168.7m decrease from 1 January 2017, primarily due to the completion of the divestment of the Porous Technologies business and strong underlying cash flow generation.

£m	FY 2017
Net debt as at 1 January 2017	379.3
Free cash flow	(48.8)
Dividends	54.1
Disposals	(210.8)
Acquisitions	15.4
Foreign exchange	(0.5)
Exceptional items	28.9
Employee trust shares	(0.3)
Other	(6.7)
Net debt as at 31 December 2017	**210.6**

The Company's financial ratios remain strong. The ratio of net debt to EBITDA as at 31 December 2017 was 1.7x (31 December 2016: 2.3x) and interest cover was 9.0x (31 December 2016: 9.0x).

Balance sheet. At the end of 2017, the Company had shareholders' funds attributable to Essentra equity holders of £612.3m (2016: £595.4m), an increase of 2.8%. Net debt was £210.6m (2016: £379.3m) and total capital employed in the business was £831.0m (2016: £982.0m).

This finances non-current assets of £868.1m (2016: £885.3m), of which £283.1m (2016: £285.9m) is tangible fixed assets, the remainder being intangible assets, deferred tax assets, retirement benefit assets and long-term receivables. The Company has net working capital of £124.4m (2016: £136.0m), current provisions of £4.8m (2016: £1.2m) and long-term liabilities other than borrowings of £105.4m (2016: £105.4m).

Pensions. As at 31 December 2017, the Company's IAS 19 net pension liability was £13.4m (FY 2016: £23.1m). The net liability has been calculated after updating the asset values and certain assumptions as at 31 December 2017.

Dividends. The Board of Directors recommends a final dividend of 14.4 pence per 25 pence ordinary share (2016: 14.4 pence). The final dividend will be paid on 1 May 2018 to equity holders on the share register on 16 March 2018: the ex-dividend date will be 15 March 2018. 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 10 April 2018.

Board changes. Following the Company's Annual General Meeting on 20 April 2017, Peter Hill and Colin Day retired from the Board. On 22 June 2017, Mary Reilly and Ralf K. Wunderlich were announced as Non-Executive Directors of Essentra with effect from 1 July 2017.

On 15 December 2017, it was announced that Terry Twigger will step down from his current roles as Senior Independent Director ("SID") and Chairman of the Audit Committee, and will retire from the Board of Essentra following the Company's Annual General Meeting on 19 April 2018. Terry will be succeeded as SID by Tommy Breen, and as Audit Committee Chairman by Mary Reilly.

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 31 December 2017, Essentra's US dollar-denominated assets were approximately 36% hedged by its US dollar-denominated borrowings, while its euro-denominated assets were approximately 65% 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.

Impact of US tax legislation

Essentra notes the enactment of the Tax Cuts and Jobs Act in the United States on 22 December 2017, which has reduced the statutory rate of US Federal corporate income tax to 21% with effect from 1 January 2018. While the full implications of this new US tax legislation on the Company are still being reviewed, Essentra estimates that the Group's effective tax rate for the year ending 31 December 2018 will only be marginally impacted by the enactment of this new Act.

2018 Outlook

In the Components business, further broad-based growth and a stable margin is expected, through continued focus on building a consistent and "hassle free" proposition. With the bias of the Filters business towards innovative special filters, and the exposure of Specialist Components to broad industrial end-markets, the revenue and margin outlook for each of these divisions is stable. Having stabilised the Packaging business – together with certain one-time factors which have been addressed in 2017 - improving year-on-year revenue and margin trends are anticipated, as the division starts to regain "share of wallet" based on demonstrably improved customer service metrics.

Accordingly, as the stability agenda continues to be driven, for the total Group, a return to like-for-like revenue growth and margin expansion in 2018 is expected.

Enquiries

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Presentation

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

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

There are three options for participating in the presentation:

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

Dial-in number:	+44 (0)330 336 9411 (UK / international participants) +1 646 828 8156 (US participants)
Toll-free number:	0800 279 7204 (UK participants) 800 281 7973 (US participants)
PIN code:	5571355

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

Replay number:	+44 (0)20 7660 0134 (UK / international participants) +1 719 457 0820 (US participants)
Toll-free number:	0808 101 1153 (UK participants) 888 203 1112 (US participants)
Replay access code:	5571355
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 divisions from the start of 2018 - reflecting the Company's strategic review - 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 27 countries worldwide, nine manufacturing facilities and 24 logistics centres serve more than 90,000 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 multi-continental suppliers of a full secondary packaging range to the health and personal care sectors, with 25 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 nine worldwide locations, including 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

Essentra Specialist Components comprises the Company's six smaller businesses. These activities largely have strong positions in the markets in which they operate, although they have little overlap with each other or with Essentra's larger three global divisions.

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

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

The *Speciality Tapes* business has expertise in coating multiple adhesive systems in numerous technologies, with close to 3,000 tape products available for same-day shipping and predominantly for point of purchase and white goods applications.

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

The *Security* business is a leading European provider of ID card printers, systems and accessories to direct and trade customers.

Headquartered in the United Kingdom, Essentra's global network extends to 33 countries and includes c. 8,000 employees, 49 principal manufacturing facilities, 66 sales & distribution operations and 4 research & development centres. For further information, please visit www.essentraplc.com.

Consolidated Income Statement
for the year ended 31 December 2017

	Note	**2017 £m**	2016 £m
Revenue	2	**1,027.3**	998.5
Operating profit before intangible amortisation and exceptional operating items		**84.6**	108.7
Amortisation of acquired intangible assets		**(22.9)**	(30.2)
Exceptional operating items	3	**(56.2)**	(128.5)
Operating profit/(loss)		**5.5**	(50.0)
Finance income	4	**0.8**	2.1
Finance expense	4	**(11.2)**	(14.6)
Loss before tax		**(4.9)**	(62.5)
Income tax credit		**10.4**	11.5
Profit/(loss) from continuing operations		**5.5**	(51.0)
Profit from discontinued operations	11	**110.3**	11.4
Profit/(loss) for the year		**115.8**	(39.6)
Attributable to:			
Equity holders of Essentra plc		**114.3**	(40.3)
Non-controlling interests		**1.5**	0.7
Profit/(loss) for the year		**115.8**	(39.6)
Earnings/(loss) per share attributable to equity holders of Essentra plc:			
Basic	5	**43.7p**	(15.4)p
Diluted	5	**43.4p**	(15.4)p
Earnings/(loss) per share from continuing operations attributable to equity holders of Essentra plc:			
Basic	5	**1.5p**	(19.8)p
Diluted	5	**1.5p**	(19.8)p

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

	Note	**2017 £m**	2016 £m
Profit/(loss) for the year		**115.8**	(39.6)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	8	**8.3**	(16.8)
Deferred tax (expense)/credit on remeasurement of defined benefit pension schemes		**(2.8)**	5.0
		5.5	(11.8)
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		**(0.6)**	-
Effective portion of changes in fair value of cash flow hedges		**0.6**	(0.3)
Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations		**(51.6)**	145.9
Arising on effective net investment hedges		**1.7**	(56.9)
Income tax (expense)/credit		**(0.2)**	1.0
Attributable to non-controlling interests		**(0.5)**	1.1
		(50.6)	90.8
Other comprehensive income/(loss) for the year, net of tax		**(45.1)**	79.0
Total comprehensive income		**70.7**	39.4
Attributable to:			
Equity holders of Essentra plc		**69.7**	37.6
Non-controlling interests		**1.0**	1.8
Total comprehensive income		**70.7**	39.4

Consolidated Balance Sheet
at 31 December 2017

	Note	**31 December 2017 £m**	31 December 2016 £m
Assets			
Property, plant and equipment	6	**283.1**	285.9
Intangible assets	7	**547.7**	581.7
Long-term receivables		**8.6**	3.5
Deferred tax assets		**10.4**	2.6
Retirement benefit assets	8	**18.3**	11.6
Total non-current assets		**868.1**	885.3
Inventories		**114.3**	115.1
Income tax receivable		**3.9**	7.5
Trade and other receivables		**201.0**	218.4
Derivative assets	15	**0.4**	1.2
Cash and cash equivalents	10	**52.0**	54.0
Total current assets		**371.6**	396.2
Assets in disposal group held for sale	11	**-**	130.7
Total assets		**1,239.7**	1,412.2
Equity			
Issued share capital	9	**66.0**	66.0
Merger relief reserve		**298.1**	298.1
Capital redemption reserve		**0.1**	0.1
Other reserve		**(132.8)**	(132.8)
Cash flow hedging reserve		**(0.3)**	(0.3)
Translation reserve		**18.5**	68.6
Retained earnings		**362.7**	295.7
Attributable to equity holders of Essentra plc		**612.3**	595.4
Non-controlling interests		**8.1**	7.3
Total equity		**620.4**	602.7
Liabilities			
Interest bearing loans and borrowings	10	**267.1**	374.9
Retirement benefit obligations	8	**31.7**	34.7
Provisions		**20.0**	4.9
Other financial liabilities		**3.7**	-
Deferred tax liabilities		**50.0**	65.8
Total non-current liabilities		**372.5**	480.3
Interest bearing loans and borrowings	10	**0.5**	65.1
Derivative liabilities	15	**0.9**	1.7
Income tax payable		**43.1**	24.4
Trade and other payables		**197.5**	204.3
Provisions		**4.8**	1.2
Total current liabilities		**246.8**	296.7
Liabilities in disposal group held for sale	11	**-**	32.5
Total liabilities		**619.3**	809.5
Total equity and liabilities		**1,239.7**	1,412.2

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

2017

	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 2017	66.0	298.1	0.1	(132.8)	(0.3)	68.6	295.7	7.3	602.7
Profit for the year							114.3	1.5	115.8
Other comprehensive loss					-	(50.1)	5.5	(0.5)	(45.1)
Total comprehensive income for the year	-	-	-	-	-	(50.1)	119.8	1.0	70.7
Share options exercised							0.3	-	0.3
Share option expense							1.3	-	1.3
Tax relating to share-based incentives							(0.3)	-	(0.3)
Dividends paid							(54.1)	(0.2)	(54.3)
At 31 December 2017	66.0	298.1	0.1	(132.8)	(0.3)	18.5	362.7	8.1	620.4

2016

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2017

	Note	**2017 £m**	2016 £m
Operating activities			
Profit/(loss) for the year		**115.8**	(39.6)
Adjustments for:			
Income tax expense/(credit)		**14.5**	(7.6)
Net finance expense	4	**10.4**	12.5
Intangible amortisation		**23.9**	33.4
Exceptional operating items	3	**(76.2)**	133.7
Depreciation		**35.3**	34.3
Share option expense		**0.7**	2.0
Hedging activities and other movements		**(1.6)**	13.3
(Increase)/decrease in inventories		**(2.4)**	10.9
Decrease in trade and other receivables		**15.5**	36.9
Decrease in trade and other payables		**(7.5)**	(46.1)
Cash outflow in respect of exceptional operating items		**(28.9)**	(10.6)
Adjustment for pension contributions		**(0.1)**	0.8
Movements in provisions		**(1.6)**	(3.5)
Cash inflow from operating activities		**97.8**	170.4
Income tax paid		**(20.4)**	(17.4)
Net cash inflow from operating activities		**77.4**	153.0
Investing activities			
Interest received		**0.5**	0.7
Acquisition of property, plant and equipment		**(47.2)**	(42.8)
Proceeds from sale of property, plant and equipment		**1.8**	8.4
Payments for intangible assets		**(0.2)**	(3.9)
Acquisition of businesses net of cash acquired	11	**(15.4)**	(0.1)
Proceeds from sale of businesses net of cash disposed	11	**210.8**	-
Net cash inflow/(outflow) from investing activities		**150.3**	(37.7)
Financing activities			
Interest paid		**(13.0)**	(12.0)
Dividends paid to equity holders		**(54.1)**	(54.0)
Dividends paid to non-controlling interests		**(0.2)**	(0.2)
Repayments of short-term loans		**(64.6)**	-
Repayments of long-term loans		**(305.6)**	(298.6)
Proceeds from long-term loans		**201.8**	274.0
Proceeds from sale of employee trust shares		**0.3**	2.3
Net cash outflow from financing activities		**(235.4)**	(88.5)
Net (decrease)/increase in cash and cash equivalents	10	**(7.7)**	26.8
Net cash and cash equivalents at the beginning of the year		**60.7**	30.2
Net (decrease)/increase in cash and cash equivalents		**(7.7)**	26.8
Net effect of currency translation on cash and cash equivalents		**(1.0)**	3.7
Net cash and cash equivalents at the end of the year	10	**52.0**	60.7

1. Basis of preparation

The financial information set out in this document does not constitute statutory accounts for Essentra plc for the year ended 31 December 2017 but is extracted from the 2017 Annual Report.

The Annual Report for 2017 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or sec on 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

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

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

The preparation of financial statements that conform with adopted IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if relevant.

On 25 August 2016, Essentra entered into a sale and purchase agreement with Filtration Group to dispose of the Group's entire operations in Porous Technologies. The transaction completed in March 2017. The results of Porous Technologies are presented as results from a discontinued operation in the income statement. The assets and liabilities of Porous Technologies have also been presented as held for sale on the balance sheet as at 31 December 2016.

Changes in accounting policies

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

- amendments to IAS *12 Recognition of Deferred Tax Assets for Unrealised Losses*: these amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- amendments to IAS 7 *Disclosure Initiative* require disclosure of information about changes in liabilities arising from financing activities, including cash flows and non-cash changes. As Essentra provides disclosure on reconciliation of individual elements of net debt, these amendments did not have a significant impact.

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

2. Segment analysis

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

These segments are as follows:

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

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

The **Filter Products** business is the only global independent provider of filters and related solutions to the tobacco industry, and supplies not only standard filters but also special variants which provide innovative solutions that meet the consumer-driven demands of the sector against a backdrop of ongoing legislative changes.

Discontinued operations represent the Porous Technologies business, a leading developer and manufacturer of innovative custom fluid-handling components used in a variety of end-markets, engineered from a portfolio of technologies that included bonded and non-woven fibre, polyurethane foam and porous plastics. The Porous Technologies business was disposed of on 6 March 2017 and the results are presented as results from discontinued operations in both the current and prior period. The assets and liabilities of Porous Technologies have also been presented as held for sale on the balance sheet at 31 December 2016. No finance income or expense related to discontinued operations, and the income tax expense related to discontinued operations amounted to £24.9m (2016: £3.9m).

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. Therefore for continuing operations, the adjusted operating profit presented below of £84.9m (2016: £110.4m) differs from the amount presented as operating profit before intangible amortisation and exceptional operating items of £84.6m (2016: £108.7m) as a result of costs allocated to Porous Technologies of £0.3m (2016: £1.7m) under the internal management methodology.

With effect from 1 January 2018, a new organisation structure has been implemented, comprising four different divisions.

2. **Segment analysis** continued

	Component Solutions £m	Health & Personal Care Packaging £m	Filter Products £m	Eliminations £m	Central Services[1] £m	Total continuing operations £m	Discontinued operations £m	Total £m
								2017
External revenue	342.3	407.5	277.5	–	–	1,027.3	15.7	1,043.0
Intersegment revenue	0.8	2.0	–	(2.8)	–	–	–	–
Total revenue	**343.1**	**409.5**	**277.5**	**(2.8)**	**–**	**1,027.3**	**15.7**	**1,043.0**
Operating profit/(loss) before intangible amortisation and exceptional operating items	58.7	7.2	34.8	-	(15.8)	84.9	2.5	87.4
Amortisation of acquired intangible assets	(9.5)	(13.4)	-	-	-	(22.9)	-	(22.9)
Exceptional operating items	(7.2)	(39.0)	(0.5)	-	(9.5)	(56.2)	132.4	76.2
Operating profit/(loss)	**42.0**	**(45.2)**	**34.3**	**-**	**(25.3)**	**5.8**	**134.9**	**140.7**
Segment assets	197.6	225.9	162.8	-	15.7	602.0	-	602.0
Intangible assets	175.0	372.6	0.1	-	-	547.7	-	547.7
Unallocated items [2]	-	-	-	-	90.0	90.0	-	90.0
Total assets	**372.6**	**598.5**	**162.9**	**-**	**105.7**	**1,239.7**	**-**	**1,239.7**
Segment liabilities	53.0	100.5	48.8	-	23.7	226.0	-	226.0
Unallocated items [2]	-	-	-	-	393.3	393.3	-	393.3
Total liabilities	**53.0**	**100.5**	**48.8**	**-**	**417.0**	**619.3**	**-**	**619.3**
Other segment items								
Capital expenditure (cash spend)	11.6	18.3	11.4	-	5.8	47.1	0.3	47.4
Depreciation	10.6	13.4	9.3	-	2.0	35.3	-	35.3
Average number of employees[3]	2,455	3,746	1,598	-	163	7,962	89	8,051

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

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

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

[3] The average number of employees within discontinued operations over the period from 1 January 2017 until the date of disposal of the Porous Technologies business was 531

3. Exceptional operating items

	2017 **£m**	2016 £m
(Gains)/losses and transaction costs relating to acquisitions and disposals of businesses[1]		
• Continuing operations	**1.6**	0.3
• Discontinued operations (Porous Technologies)	**(132.4)**	4.7
Acquisition integration and restructuring costs[2] – continuing operations	**-**	4.5
Impairment of acquired assets[3]	**-**	123.9
Other[4]		
• Continuing operations	**54.6**	(0.2)
• Discontinued operations (Porous Technologies)	**-**	0.5
Exceptional operating items (including discontinued operations)	**(76.2)**	133.7
Exceptional tax items[5]	**11.4**	-

[1] Gains/losses and transaction costs relating to acquisitions and disposals of businesses are made up of a £132.4m net gain on disposal of the Porous Technologies business, £1.3m net loss on disposal of the Health & Personal Care Packaging business in Bristol, £0.5m of costs in relation to the acquisition of Micro Plastics and release of £0.2m of deferred consideration from the acquisition of Abric in 2014. In 2016 transaction costs of £5.0m included £0.3m in respect of the acquisition of Kamsri Printing & Packaging PVT. Ltd based in India, and £4.7m costs in relation to the disposal of Porous Technologies (including costs incurred on corporate reorganisation carried out as part of the closing conditions to complete the transaction, and cost of a claim settlement associated with the exit from Porous Technologies).

[2] Acquisition integration and restructuring costs were incurred during 2016 in respect of:

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

[3] An impairment charge of £123.9m during 2016 was recognised in respect of the Health & Personal Care strategic business unit (further details are provided in note 7).

[4] Other exceptional items in 2017 of £54.6m relate to:

- £35.4m associated with the closure of the folded cartons facility at Newport, comprising £16.7m of property-related costs (in relation to remaining obligations for rent, rates, service charges and dilapidations), £13.6m of asset write-downs (primarily property, plant and equipment) and £5.1m of other costs in relation to redundancy and other closure-related costs;
- £17.3m in respect of the strategic review undertaken during the period and associated reorganisation cost, including £5.3m in relation to senior management restructuring and £4.7m write-down of IT-related assets which are not in line with the Group's revised strategies. The remaining costs relate to external consultancy and project costs attributable to reviews into the various aspects of the Group's operations, systems and processes under the strategic review; and
- £1.9m relating to the closure and relocation of the security seals production from Ipoh, Malaysia to Rayong, Thailand as a result of the strategic review.

Other exceptional items incurred in 2016 related to further costs of £2.7m associated with the closure of the Filters site in Jarrow and integration of previous Jarrow operations into the Hungary site offset with the net release of property provisions of £1.3m on the disposal of certain properties in Filtration Products (including a £0.5m loss of property disposal in Porous Technologies) and the release of £1.1m provision for contingent deferred consideration in relation to a prior period acquisition.

[5] Exceptional tax items of £11.4m in 2017 primarily related to the revaluation of deferred tax balances as a result of tax reform in the US.

The tax effect of the exceptional items is an expense of £16.7m (2016: £24.9m).

4. Net finance expense

	2017 **£m**	2016 £m
Finance income		
Bank deposits	**0.4**	0.7
Other finance income	**0.1**	0.4
Net interest on net pension scheme assets (note 8)	**0.3**	1.0
	0.8	2.1
Finance expense		
Interest on loans and overdrafts	**(8.5)**	(12.5)
Amortisation of bank facility fees	**(1.0)**	(0.7)
Other finance expense	**(0.4)**	(0.2)
Net interest on pension scheme liabilities (note 8)	**(1.3)**	(1.2)
	(11.2)	(14.6)
Net finance expense	**(10.4)**	(12.5)

5. Earnings per share

	2017 £m	2016 £m
Earnings: Continuing operations		
Earnings/(loss) attributable to equity holders of Essentra plc	**4.0**	(51.7)
Adjustments		
Amortisation of acquired intangible assets	**22.9**	30.2
Exceptional operating items	**56.2**	128.5
	79.1	158.7
Tax relief on adjustments	**(14.0)**	(30.8)
Exceptional tax item	**(11.4)**	-
Adjusted earnings	**57.7**	76.2
Earnings: Discontinued operations		
Earnings attributable to equity holders of Essentra plc	**110.3**	11.4
Adjustments		
Amortisation of acquired intangible assets	**-**	2.7
Exceptional operating items	**(132.4)**	5.2
	(132.4)	7.9
Tax relief on adjustments	**24.1**	(0.7)
Adjusted earnings	**2.0**	18.6
Weighted average number of shares		
Basic weighted average ordinary shares in issue (million)	**261.6**	261.1
Dilutive effect of employee share option plans (million)	**2.0**	-
Diluted weighted average ordinary shares (million)	**263.6**	261.1
Earnings per share: Continuing operations (pence)		
Basic (loss)/earnings per share	**1.5p**	(19.8)p
Adjustment	**20.6p**	49.0p
Basic adjusted earnings per share	**22.1p**	29.2p
Diluted (loss)/earnings per share	**1.5p**	(19.8)p
Diluted adjusted earnings per share	**21.9p**	29.2p
Earnings per share: Discontinued operations (pence)		
Basic earnings per share	**42.2p**	4.4p
Adjustment	**(41.5)p**	2.7p
Basic adjusted earnings per share	**0.7p**	7.1p
Diluted earnings per share	**41.9p**	4.4p
Diluted adjusted earnings per share	**0.7p**	7.1p
Earnings per share: Total Group (pence)		
Basic (loss)/earnings per share	**43.7p**	(15.4)p
Adjustment	**(20.9)p**	51.7p
Basic adjusted earnings per share	**22.8p**	36.3p
Diluted (loss)/earnings per share	**43.4p**	(15.4)p
Diluted adjusted earnings per share	**22.6p**	36.3p

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

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

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

6. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	2017 Total £m
Cost				
Beginning of year	**87.3**	**426.1**	**55.7**	**569.1**
Acquisitions (note 11)	1.8	2.1	0.1	**4.0**
Additions	7.3	31.2	10.1	**48.6**
Disposals	(3.7)	(29.2)	(2.6)	**(35.5)**
Transfers	8.5	0.3	(1.6)	**7.2**
Currency translation	(3.0)	(11.7)	(0.7)	**(15.4)**
End of year	**98.2**	**418.8**	**61.0**	**578.0**
Depreciation and impairment				
Beginning of year	**16.4**	**232.7**	**34.1**	**283.2**
Charge in period	3.0	26.6	5.7	**35.3**
Disposals	(1.4)	(27.8)	(2.4)	**(31.6)**
Transfers	1.9	-	(0.3)	**1.6**
Impairment	-	12.0	0.3	**12.3**
Currency translation	(0.2)	(5.1)	(0.6)	**(5.9)**
End of year	**19.7**	**238.4**	**36.8**	**294.9**
Net book value at end of year	**78.5**	**180.4**	**24.2**	**283.1**

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	2016 Total £m
Cost				
Beginning of year	111.6	383.3	60.4	555.3
Acquisitions (note 11)	-	0.5	-	0.5
Additions	2.3	36.0	2.0	40.3
Disposals	(14.8)	(13.0)	(3.6)	(31.4)
Transfer to intangible assets	-	-	(2.6)	(2.6)
Transfer to assets in disposal group held for sale	(27.5)	(42.5)	(6.5)	(76.5)
Currency translation	15.7	61.8	6.0	83.5
End of year	87.3	426.1	55.7	569.1
Depreciation and impairment				
Beginning of year	24.4	208.5	33.6	266.5
Depreciation charge for the year	2.4	25.1	5.5	33.0
Impairment	0.3	3.4	-	3.7
Disposals	(9.1)	(11.8)	(3.3)	(24.2)
Transfer to intangible assets	-	-	(0.5)	(0.5)
Transfer to assets in disposal group held for sale	(6.9)	(29.4)	(5.7)	(42.0)
Currency translation	5.3	36.9	4.5	46.7
End of year	16.4	232.7	34.1	283.2
Net book value at end of year	70.9	193.4	21.6	285.9

Included within land and buildings and plant and machinery are assets in the course of construction of £11.0m (2016: £25.1m) which were not depreciated during the year.

Impairment charge in 2017 of £12.3m related primarily to the write-down of assets as a result of the closure of the folded cartons facility at Newport (see note 2) which was reported within the Health & Personal Care Packaging division for segmental reporting purposes. The assets have been written down to their recoverable amount, which represents fair value less costs of disposal.

7. Intangible assets

	Goodwill £m	Customer relationships £m	Other intangible assets £m	Total £m
				2017
Cost				
Beginning of year	**380.5**	**427.2**	**14.1**	**821.8**
Acquisitions (note 11)	10.7	-	-	**10.7**
Additions	-	-	0.2	**0.2**
Impairment	-	-	-	**-**
Currency translation	(12.5)	(10.8)	(0.7)	**(24.0)**
End of year	**378.7**	**416.4**	**13.6**	**808.7**
Amortisation and impairment				
Beginning of year	**32.5**	**203.4**	**4.2**	**240.1**
Charge for the year	-	22.2	1.7	**23.9**
Impairment	-	-	4.4	**4.4**
Currency translation	(1.3)	(5.9)	(0.2)	**(7.4)**
End of year	**31.2**	**219.7**	**10.1**	**261.0**
Net book value at end of year	**347.5**	**196.7**	**3.5**	**547.7**

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

Other intangible assets principally comprise trade names acquired with Reid Supply, developed technology acquired with Richco, order backlog and eCommerce development costs. Amortisation of intangible assets arising from business combinations (‘acquired intangible assets’) is presented separately on the face of the income statement.

eCommerce development costs were not acquired through a business combination, and their amortisation is included within operating profit before intangible amortisation and exceptional operating items.

The eCommerce development costs were impaired by £4.4m during the year to their value in use. The eCommerce development costs were incurred and reported within the Component Solutions division for segmental reporting purposes.

The weighted average remaining useful economic lives of customer relationships and other intangible assets (including Porous Technologies) at the end of the year were 9.2 years and 10.6 years (2016: 10.3 years and 7.2 years) respectively.

7. **Intangible assets** continued

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

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

	Goodwill	
Operating segment	**2017 £m**	2016 £m
Component Solutions	**98.7**	93.3
Health & Personal Care Packaging	**248.8**	254.7
Porous Technologies[1]	**-**	31.4
	347.5	379.4

[1] These are included in assets in disposal group held for sale as at 31 December 2016. The disposal transaction completed in March 2017.

With effect from 1 January 2018, a new organisation structure has been implemented comprising these strategic business units. Goodwill is allocated to groups of cash generating units, in accordance with the new operating segment structure as follows:

	Goodwill
Operating segment	**2017 £m**
Components	**83.8**
Packaging	**189.0**
Filter Products	**-**
Specialist Components	**74.7**
	347.5

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

		Customer relationships and other intangible assets	
Business	**Operating segment**	**2017 £m**	2016 £m
Components – Businesses of former Moss and Skiffy	Component Solutions	**13.2**	17.5
Components – Businesses of former Richco	Component Solutions	**28.9**	35.2
Components – Business of former Reid Supply	Component Solutions	**5.7**	7.6
Components – Business of Mesan	Component Solutions	**9.0**	11.8
Components – Abric	Component Solutions	**10.6**	11.6
Healthcare – Europe	Health & Personal Care Packaging	**75.3**	79.7
Healthcare – Americas	Health & Personal Care Packaging	**39.8**	46.6
Healthcare – Asia	Health & Personal Care Packaging	**1.9**	2.1
Porous St. Charles[1]	Discontinued operations	**-**	3.3
Porous Chicopee[1]	Discontinued operations	**-**	14.5
Porous Asia[1]	Discontinued operations	**-**	1.9
Tear Tapes	Health & Personal Care Packaging	**1.6**	2.2
Speciality Tapes	Health & Personal Care Packaging	**6.8**	8.2
Other businesses	Multiple segments	**7.4**	11.2
		200.2	253.4

[1] These were included in assets in disposal group held for sale as at 31 December 2016. The assets were disposed of with the Porous Technologies business in March 2017.

7. **Intangible assets** continued

The Health & Personal Care Packaging business faced significant operational and commercial challenges during 2016. Integration of the acquired Clondalkin operations and the associated site rationalisation programme has experienced significant issues and resulted in losses of customers, particularly in the UK, the US and the Netherlands. Furthermore, there has been significant scaling back of high margin security feature business in the tear tape operations. Issues were also experienced in the integration of the European speciality tapes activities into the European tear tapes business. As a result, impairment losses were recognised in 2016 for £32.5m of goodwill, £88.0m of customer relationship intangible asset and £3.4m of property, plant and equipment (primarily plant and machinery).

At 31 December 2017, management has performed impairment assessments of the assets in each division based on the new organisational structure (which became effective from 1 January 2018). In management's view, as the annual impairment test of goodwill is performed on 31 December, it is more appropriate to apply the new organisational structure for the test as at 31 December 2017. Following this impairment assessment, no impairment loss was recognised in 2017.

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

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

- Cash flows for the next year are based upon the Group's annual Plan ("the Plan"). The key assumptions in the cash flow projections for the Plan are the revenue growth and operating margin for each strategic business unit. Operating margin is primarily based on the levels achieved in 2017, which are disclosed in note 1, adjusted by targets set for revenue expansion and cost control and reduction for each individual division within the Plan period.

- In relation to the test for the Components and Specialist Components divisions, cash flows beyond the Plan period are based on Plan cash flows with growth rates specific to each business of up to 2% (2016: up to 2%).

- The estimated cash flows are discounted using a pre-tax discount rate based upon Essentra's estimated post-tax weighted average cost of capital of 8.8% (2016: 8.2%). The specific pre-tax discount rates applied for each group of cash generating units to which significant goodwill is allocated are as follows: 11.9% for Packaging, 11.6% for Components and 11.3% for Specialist Components (2016: 10.6% for Health & Personal Care Packaging, 10.6% for Component Solutions and 10.6% for Filtration Products).

- There is no goodwill held by the Filter Products division.

- In relation to the test for the Packaging division, management carried out a more detailed assessment of the growth and profit margin assumptions for each of the next four years after the Plan period, and applied a terminal growth rate of 2.0% (2016: 1.0-1.5%) subsequently. The growth and profit margin assumptions are based on management's assessment of market condition and scope for cost and profitability improvement, taking into account realisable synergies following the recent integration activities. The key assumption is that operating margins in this division will return to industry average margins by the end of the forecast period following a number of changes made as an outcome of the group wide strategic review.

The following reasonably possible change to key assumptions will cause the carrying amount to exceed the recoverable amount in the Packaging division:

- An increase in discount rate of 4 basis points
- A reduction in terminal annual growth rate of 4 basis points
- A reduction in each year's growth rate by 13 basis points
- A reduction of 6 basis points in the operating profit margin in the fifth year of the five-year period

8. Employee benefits

Post-employment benefits
Pension costs of the defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Full triennial actuarial valuations were carried out on the principal European defined benefit schemes as at 5 April 2016 and annual actuarial valuations are performed on the principal US defined benefit schemes. The assets and liabilities of the defined benefit schemes have been updated to the balance sheet date from the most recently completed actuarial valuations taking account of the investment returns achieved by the schemes and the level of contributions.

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

	2017 £m	2016 £m
Amounts expensed against operating profit		
Defined contribution schemes	**7.1**	6.2
Defined benefit schemes – service cost	**1.5**	1.5
Other – curtailment gain	**(0.1)**	-
Other post-employment obligations	**0.2**	0.2
Total operating expense (including discontinued operations)	**8.7**	7.9
Amounts included as finance (income)/expense		
Net interest on defined benefit scheme assets (note 4)	**(0.3)**	(1.0)
Net interest on defined benefit scheme liabilities (note 4)	**1.3**	1.2
Net finance expense (including discontinued operations)	**1.0**	0.2
Amounts recognised in the consolidated statement of comprehensive income		
Return on defined benefit scheme assets excluding amounts in net finance income	**(11.2)**	(24.0)
Impact of changes in assumptions and experience to the present value of defined benefit scheme liabilities	**2.9**	40.8
Gains/losses on remeasurement of defined benefit schemes (including discontinued operations)	**(8.3)**	16.8

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

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

		2017		2016
	Europe	**US**	Europe	US
Increase in salaries (pre-2010) [1]	**n/a**	**n/a**	n/a	n/a
Increase in salaries (post-2010) [1]	**n/a**	**n/a**	n/a	n/a
Increase in pensions [1]				
at RPI capped at 5%	**3.10%**	**n/a**	3.30%	n/a
at CPI capped at 5%	**2.20%**	**n/a**	2.40%	n/a
at CPI minimum 3%, capped at 5%	**3.10%**	**n/a**	3.20%	n/a
at CPI capped at 2.5%	**1.90%**	**n/a**	2.00%	n/a
Discount rate	**2.50%**	**3.60%**	2.70%	4.15%
Inflation rate – RPI	**3.20%**	**n/a**	3.40%	n/a
Inflation rate – CPI	**2.20%**	**n/a**	2.40%	n/a

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

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

8. **Employee benefits** continued

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

	2017		2016	
	Europe	**US**	Europe	US
Male retiring today at age 65	**22.1**	**20.7**	22.7	20.8
Female retiring today at age 65	**23.9**	**22.7**	24.5	22.8
Male retiring in 20 years at age 65	**23.5**	**22.3**	24.4	22.5
Female retiring in 20 years at age 65	**25.4**	**24.2**	26.4	24.4

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

	2017				2016			
	Defined benefit pension scheme assets £m	**Defined benefit pension scheme liabilities £m**	**Other £m**	**Total £m**	Defined benefit pension scheme assets £m	Defined benefit pension scheme liabilities £m	Other £m	Total £m
Beginning of year	**277.8**	**(298.9)**	**(2.3)**	**(23.4)**	246.7	(245.8)	(1.7)	(0.8)
Service cost and administrative expense	**(1.4)**	**(0.1)**	**(0.2)**	**(1.7)**	(1.1)	(0.4)	(0.2)	(1.7)
Employer contributions	**1.2**	**0.1**	**-**	**1.3**	0.8	-	0.2	1.0
Return on plan assets excluding amounts in net finance income	**11.2**	**-**	**-**	**11.2**	24.0	-	-	24.0
Actuarial losses arising from change in financial assumptions	**-**	**(9.5)**	**-**	**(9.5)**	-	(45.2)	(0.3)	(45.5)
Actuarial gains arising from change in demographic assumptions	**-**	**4.4**	**-**	**4.4**	-	3.4	-	3.4
Actuarial gains arising from experience adjustment	**-**	**2.2**	**-**	**2.2**	-	1.3	-	1.3
Finance income/(expense)	**8.0**	**(8.9)**	**(0.1)**	**(1.0)**	9.6	(9.8)	-	(0.2)
Benefits paid	**(10.9)**	**10.9**	**-**	**-**	(11.2)	11.2	-	-
Curtailments	**-**	**-**	**0.1**	**0.1**	-	-	-	-
Currency translation	**(4.6)**	**7.5**	**(0.2)**	**2.7**	9.0	(13.6)	(0.3)	(4.9)
Business disposals	**(0.7)**	**1.0**	**-**	**0.3**	-	-	-	-
End of year	**280.6**	**(291.3)**	**(2.7)**	**(13.4)**	277.8	(298.9)	(2.3)	(23.4)

Sensitivity
For the significant assumptions used in determining defined benefit costs and liabilities, the following sensitivity analysis gives the estimate of the impact on the measurement of the scheme liabilities as at 31 December 2017.

	Scheme liabilities		
	Europe £m	US £m	**Total £m**
0.5% decrease in the discount rate	(21.6)	(5.3)	**(26.9)**
1.0% increase in the rate of inflation	18.8	n/a	**18.8**
1.0% increase in rate of salary/pension increases	n/a	n/a	**n/a**
1 year increase in life expectancy	(8.2)	(2.4)	**(10.6)**
0.5% increase in the discount rate	18.8	4.7	**23.5**
1.0% decrease in rate of salary/pension increases	n/a	n/a	**n/a**
1.0% decrease in the rate of inflation	16.2	n/a	**16.2**

9. Issued share capital

	2017 £m	2016 £m
Issued and fully paid ordinary shares of 25p (2016: 25p) each	**66.0**	66.0

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

At 31 December 2017 the Company held 1,170,925 (2016: 1,286,952) of its own shares in treasury.

10. Analysis of net debt

	1 Jan 2017 £m	Cash flow £m	Exchange movements £m	Non-cash movements £m	**31 Dec 2017 £m**
Cash at bank and in hand	34.0	15.0	(1.0)	-	**48.0**
Short-term bank deposits and investments	26.7	(22.7)	-	-	**4.0**
Cash and cash equivalents in the statement of cash flows	60.7	(7.7)	(1.0)	-	**52.0**
Debt due within one year	(65.1)	64.6	-	-	**(0.5)**
Debt due after one year	(374.9)	103.8	1.5	2.5	**(267.1)**
Loan receivable (arising from disposal of Porous Technologies)	-	-	-	5.0	**5.0**
Net debt	(379.3)	160.7	0.5	7.5	**(210.6)**

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

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

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

11. Acquisitions and disposals

2017 Acquisition: Micro Plastics
On 12 December 2017, Essentra acquired 100% of the share capital of Micro Plastics Inc ("Micro Plastics"). Micro Plastics is a leading manufacturer and distributor of nylon fasteners and other plastic components for a wide range of industrial end-markets – including general industrial, automotives and white goods, and is reported under the company's Component Solutions division (Components under the new organisational structure). The acquisition of Micro Plastics expands the division's product range, adds manufacturing capacity in the US and extends the division's geographical presence primarily in Mexico.

On acquisition the assets and liabilities of the business acquired were adjusted to reflect their fair values to Essentra. Due to the timing of the transaction, the purchase price allocations 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 2017, the contribution to the Group's revenue and operating profit would have been £20.1m and £1.4m higher respectively.

Related transaction costs of £0.5m were recognised in the income statement in exceptional operating items.

A summary of the acquisition of Micro Plastics is detailed below:

	Fair value of assets/(liabilities) acquired £m
Property, plant and equipment	4.0
Inventories	3.2
Trade and other receivables	2.5
Cash and cash equivalents	4.3
Deferred tax	(0.5)
Trade and other payables	(0.8)
	12.7
Goodwill	10.7
Consideration	23.4
Satisfied by:	
Cash consideration	19.7
Deferred consideration	3.7
Cash consideration	19.7
Cash and cash equivalents acquired	(4.3)
Net cash flow in respect of the acquisition	**15.4**

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

11. Acquisitions and disposals continued

The results of continuing and discontinued operations are as follows:

	Year ended 31 December 2017		
	Continuing operations £m	**Discontinued operations £m**	**Total Group £m**
External revenue	**1,027.3**	**15.7**	**1,043.0**
External expenses	**(942.7)**	**(12.9)**	**(955.6)**
Operating profit before intangible amortisation and exceptional operating items	**84.6**	**2.8**	**87.4**
Amortisation of acquired intangible assets	**(22.9)**	**–**	**(22.9)**
Exceptional operating items	**(56.2)**	**132.4**	**76.2**
Operating profit	**5.5**	**135.2**	**140.7**
Finance income	**0.8**	**–**	**0.8**
Finance expense	**(11.2)**	**–**	**(11.2)**
(Loss)/profit before tax	**(4.9)**	**135.2**	**130.3**
Income tax credit/(expense)	**10.4**	**(24.9)**	**(14.5)**
Profit after tax	**5.5**	**110.3**	**115.8**
Basic earnings per share	**1.5p**	**42.2p**	**43.7p**
Basic adjusted earnings per share	**22.1p**	**0.7p**	**22.8p**
Diluted earnings per share	**1.5p**	**41.9p**	**43.4p**
Diluted adjusted earnings per share	**21.9p**	**0.7p**	**22.6p**

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

11. Acquisitions and disposals continued

The results from discontinued operations are attributable entirely to the equity holders of Essentra plc. The earnings per share of discontinued operations are disclosed in note 5.

Cash flows of discontinued operations are as follows:

	2017	2016
	£m	£m
Net cash from operating activities	**(19.1)**	23.0
Net cash from investing activities	**210.5**	(1.0)
Net cash flows for the year	**191.4**	22.0

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

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

The cumulative income or expenses included in other comprehensive income relating to Porous Technologies amounted to a net loss of £26.3m (2016: £18.1m). The £210.5m of net cash from investing activities is made up of disposal proceeds of £214.7m less cash disposed of £3.9m, and £0.3m cash outflow relating to acquisition of property, plant and equipment.

12. Dividends

	Per share		Total	
	2017	2016	**2017**	2016
	p	p	**£m**	£m
2016 interim: paid 30 October 2016		6.3		16.5
2016 final: paid 3 May 2017		14.4		37.6
2017 interim: paid 30 October 2017	**6.3**		**16.5**	
2017 proposed final: payable 1 May 2018	**14.4**		**37.7**	
	20.7	20.7	**54.2**	54.1

13. Transactions with related parties

Other than the compensation of key management, Essentra has not entered into any material transactions with related parties during 2016 and 2017.

14. Adjusted measures

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

	2017	2016
	£m	£m
Operating profit/(loss) (including discontinued operations)	**140.7**	(34.7)
Amortisation of acquired intangible assets	**22.9**	32.9
Exceptional operating items	**(76.2)**	133.7
Adjusted operating profit (including discontinued operations)	**87.4**	131.9
Depreciation	**35.3**	34.3
Amortisation of non-acquired intangible assets	**1.0**	0.5
Share option expense	**0.7**	2.0
Other non-cash items	**(2.6)**	(5.4)
Working capital movements	**5.6**	1.7
Net capital expenditure	**(45.6)**	(38.3)
Operating cash inflow – adjusted (including discontinued operations)	**81.8**	126.7

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

	2017	2016
	£m	£m
Operating profit before intangible amortisation and exceptional operating items	**87.4**	131.9
Plus depreciation and other amounts written off property, plant and equipment, and amortisation of non-acquired intangible assets	**36.3**	34.8
Plus share option expense	**0.7**	2.0
EBITDA	**124.4**	168.7

15. Financial instruments

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

	2017				2016			
	Fair value £m	**Loans and receivables £m**	**Amortised cost £m**	**Total carrying value £m**	**Fair value £m**	**Loans and receivables £m**	**Amortised cost £m**	**Total carrying value £m**
Trade and other receivables	-	199.1	-	**199.1**	-	242.0	-	**242.0**
Cash and cash equivalents	-	52.0	-	**52.0**	-	60.7	-	**60.7**
Interest bearing loans and borrowings	-	-	(267.6)	**(267.6)**	-	-	(440.0)	**(440.0)**
Trade and other payables	-	-	(132.3)	**(132.3)**	-	-	(158.7)	**(158.7)**
Level 2 of fair value hierarchy								
Derivative assets	0.4	-	-	**0.4**	1.2	-	-	**1.2**
Derivative liabilities	(0.9)	-	-	**(0.9)**	(1.7)	-	-	**(1.7)**
Level 3 of fair value hierarchy								
Other non-current financial liabilities	(3.7)	-	-	**(3.7)**	-	-	-	**-**
Other current payables	(0.8)	-	-	**(0.8)**	(1.3)	-	-	**(1.3)**
	(5.0)	**251.1**	**(399.9)**	**(153.8)**	**(1.8)**	**302.7**	**(598.7)**	**(297.8)**

Total trade and other receivables (including amounts relating to disposal group held for sale) carried at £209.6m (2016: £250.4m) include prepayments of £10.5m (2016: £8.4m) which are not financial assets and are therefore excluded from the above analysis. Fair values of forward foreign exchange contracts and cross currency swaps have been calculated at year end forward exchange rates compared to contracted rates. These are determined to be level 2 in the fair value hierarchy.

The only financial instrument with fair value determined by reference to significant unobservable inputs, which is classified as level 3 in the fair value hierarchy, is the deferred contingent consideration of £4.5m relating to the acquisitions of Micro Plastics and a previous acquisition (2016: £1.3m relating to previous acquisitions). The fair value of the deferred contingent consideration is estimated based on an assessment of the likely outcome of the acquired business' financial performance. There have been no transfers between levels of the fair value hierarchy. There are no non-recurring fair value measurements. During the year, a fair value gain of £0.1m (2016: fair value gain of £1.1m) in respect of financial instruments at level 3 fair value hierarchy was recognised within exceptional items (see note 3), and £nil (2016: £nil) was settled in cash. No other fair value gains or losses were recorded in profit or loss and other comprehensive income.

Included within interest bearing loans and borrowings are $155m (2016: $160m) US Private Placement Loan Notes. The Loan Notes are held at amortised cost with a carrying value of £114.8m (2016: £128.7m). The Group estimates that the total fair value of the Loan Notes at 31 December 2017 is £117.8m (2016: £136.5m).

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

16. Additional segmental analysis

With effect from 1 January 2018, Essentra implemented a new organisational structure, comprising four divisions. A new Specialist Components division has been created to ensure greater focus across the portfolio in the other divisions. This new division includes the following 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 a range of end-markets.
- 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 and 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 Security business has access to a side portfolio of products and services, including printers, software and consumables from leading manufacturers.

The Extrusion, Pipe Protection Technologies, Industrial Supply and Security businesses were included within the Component Solutions strategic business unit in 2017. The Tear Tapes and Speciality Tapes businesses were included within the Health & Personal Care Packaging strategic business unit in 2017.

Following the creation of the new Specialist Components division, the Components business and the Packaging business each forms a separate division on its own.

2017 results under the new organisational structure are shown below:

									2017
	Components	**Packaging**	**Filter Products**	**Specialist Components**	**Eliminations**	**Central Services**	**Total continuing operations**	**Discontinued operations**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
External revenue	241.1	348.8	277.5	159.9	-	-	1,027.3	15.7	1,043.0
Intersegment revenue	0.7	1.7	-	3.7	(6.1)	-	-	-	-
Total revenue	**241.8**	**350.5**	**277.5**	**163.6**	**(6.1)**	**-**	**1,027.3**	**15.7**	**1,043.0**
Operating profit/(loss) before intangible amortisation and exceptional operating items	53.6	(1.8)	34.8	14.1	-	(15.8)	84.9	2.5	87.4
Amortisation of acquired intangibles	(7.5)	(12.8)	-	(2.6)	-	-	(22.9)	-	(22.9)
Exceptional operating items	(7.0)	(36.3)	(0.5)	(2.9)	-	(9.5)	(56.2)	132.4	76.2
Operating profit/(loss) before financing and income taxes	**39.1**	**(50.9)**	**34.3**	**8.6**	**-**	**(25.3)**	**5.8**	**134.9**	**140.7**

17. Cautionary forward-looking statements

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

18. Directors' responsibility statement

We confirm that to the best of our knowledge

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union – Dual IFRS (European Union and IASB), give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- the announcement includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces

On behalf of the Board

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

2 March 2018

MANAGEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Principal Risks set out below reflect the key risks and uncertainties facing the business following the updates to the strategy and structure of the Essentra Group. As a result, the Principal Risks are a combination of new and previously disclosed risks. The updated risk management practices have facilitated a better articulation of the nature and characteristics of the major risks and an enhanced focus on effective mitigation. The development of key risk indicators during 2018 will further enable the consistent, diligent and effective monitoring and management of the risks impacting the Company.

The Company has considered the risks it is facing under the following four risk headings and has identified 13 Principal Risks:

1. **Strategic**– Internal risks that may impede achievement of strategic goals.
2. **External –** Risks relating to the macroeconomic climate, political events, competitive pressures or regulatory issues.
3. **Operational –** Risks that could impact day to day activities and prevent business as usual activities.
4. **Disruptive** – Risks that could impact the business model or viability of the Company. Although key disruptive risks have been identified and mitigated by the Company, none of them are considered to be Principal Risks currently.

Principal Risks detailed below are graded for likelihood and impact on a gross basis (i.e. without accounting for existing mitigation) and are not presented in any priority order. The Board believes that the Principal Risks are specific to Essentra and reflect the risk profile of the Company at the current time.

In addition to the Principal Risks, other key or emerging risks have been identified and are being monitored by the Company. The materiality of those other key or emerging risks as a whole is not sufficient for them to be considered as Principal Risks, but the development of mitigation actions in response to such risks will form an important part of the divisional and functional risk reporting to the Group Risk Committee and Board.

Strategic Risks		
	Description	**Mitigation**
Failure to achieve acceptable returns from the Packaging Division **Likelihood:** Low **Impact:** High **Change in risk level:** New **Ownership:** Packaging Division Managing Director **Categorisation**: Company Specific	The Packing Division failed to perform as expected in 2016. A number of strategic initiatives have been undertaken to address this in 2017 however, there remains a risk that such initiatives fail to address performance issues and allow the division to provide an acceptable return. This includes winning profitable new business, realising expected cost savings or initiatives taking longer or costing more than anticipated. Although a Principal Risk relating to the decline of the Packaging Division was reported in 2016, this risk is considered to be a new risk where the division has stabilised and therefore risk focus is now on ensuring the steps that have been taken are effective and allow the Division to provide an acceptable return.	The Packaging Division has been a key area of focus for the Company in 2017 and a number of changes have been made to address performance, including: • Creation of a new globally managed Packaging Division, replacing the previous Americas and Europe/Asia structures and other organisational complexity; • New leadership including Managing Director and other senior appointments. The Chief Executive has also focused significantly on the Packaging Division in 2017 and will continue to do so in 2018; and, • A new Packaging Division strategy has been developed, communicated and rolled-out. This includes initiatives such as the closure of the Newport cartons production facility, the carve-out the Tapes business into the new Specialist Components Division, equipment upgrades, improving operational stability and customer delivery and growing existing customer relationships and developing new customer opportunities.

<table>
<tr>
<td>Tobacco Industry Dynamics

Likelihood: High
Impact: High
Change in risk level: No change
Ownership: Filters Division Managing Director
Categorisation: Company Specific</td>
<td>The Filters Division business relates to the supply of filter products and packaging solutions to manufacturers in the tobacco industry. Changes in the traditional tobacco market have strategic ramifications for Essentra, presenting both potential risks and future opportunities. Whilst the Company has a strong market position in its key existing addressable segments, the future growth opportunities for the Company and its financial performance may be affected by market dynamics within the industry and the structural shift away from traditional tobacco products into next generation products and overall declining market growth. Essentra's competitive position cannot be sustained unless it manages and adapts its operational capacity and innovation capabilities in line with key market trends including global consumption shift from western to eastern markets, customers' self-manufacture and demand volatility, increasing commercial pressures, special filters and new-generation product developments and evolving legislation.

Tobacco-related litigation could also adversely affect Essentra, although there is no history of the Company being involved in such a claim.</td>
<td>Essentra is seeking to mitigate the risk associated with changes in the tobacco market dynamics and the overall decline in market growth for traditional tobacco products, by focusing on activities with longer term viability and exploiting potential growth opportunities emerging from the latest market trends.

• Increased segmentation and prioritization based on customer categorization and filter differentiation
• Further upgrading of innovation capabilities and development of project partnering with key customers
• Enhanced focus on key account management leading to better market visibility and building further enhanced relationships
• Developing a more commercially led focus whilst maintaining operational excellence and responsiveness to customer demands
• Exploring possible medium to long term value creation levers:
I. Investing to establish permanent presence in highly attractive Chinese market
II. Delivering new solutions and business models to respond to evolving outsourcing requirements of multi-national customers
III. Developing next generation products, possibly in partnership with third parties</td>
</tr>
<tr>
<td>Customer Service Quality and On Time in Full (OTIF) delivery
Likelihood: Low
Impact: High
Change in risk level: New
Ownership: Group Operations Director
Categorisation: Company Specific</td>
<td>The Group's success is dependent on its ability to provide its customers with quality customer service, and on time and in full product delivery. The customer base is diverse ranging from an individual who may order low cost parts from our Components business to multi-national blue-chip companies that rely on product from our Packaging and Filters businesses. If the Group is unable to deliver excellence consistently and meet all expectations, then it is likely to lose business and profit to competitors.

This is a newly identified Principal Risk. Whilst it has high importance across the Company, it is fundamental that this risk is managed within the Packaging Division which will be reliant on rebuilding customer goodwill lost in 2016 and 2017.</td>
<td>Improvements in operational performance have been a key focus of the business in 2017. As well as safety metrics, quality and delivery performance metrics are tracked and discussed on a daily basis at site level, as well as on a weekly and monthly basis (within divisions) and on a monthly basis at GMC, in order to identify a) issues that require intervention and b) ongoing opportunities for improvement. The Board also receives a quarterly report on operational metrics.

In 2017, all divisions recorded improvements in OTIF (delivery performance) and reductions in both the number of quality complaints received and the incident rate for quality complaints (i.e. number of complaints per number of orders/production volume).

The improved performance has enhanced the satisfaction levels of key customers.</td>
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External Risks

	Description	Mitigation
Regulatory - Governance **Likelihood:** Low **Impact:** High **Change in risk level:** Same **Ownership:** Company Secretary & General Counsel **Categorisation**: Industry General	The Group operates internationally and with a diverse supplier and customer base. As a consequence, it is required to comply with multiple areas of regulation and good practice for areas such as Anti-Trust, Anti-Bribery, Sanctions and General Data Protection Regulation ("GDPR") (from May 2018). Such compliance and good practice is resource intensive and processes and controls must reach 8,000 plus employees in 30+ countries, some of which are higher risk territories. Failure to comply with regulation could result in significant fines, costs and reputational damage to the Group. The level of the risk has remained the same as there have been no material changes in levels of regulation from a Company perspective, albeit it that the GDPR deadline is imminent.	The Group uses a range of controls to manage regulatory risk including: • A 'tone from the top' from the Board and GMC on the importance of ethics, compliance and strong governance; • New internal resource and investment to drive better governance practices; • Group compliance and contracting policies, processes and guidance materials; • Communication & training platforms and programmes; • A Right to Speak process, of which the Chief Executive, Company Secretary & General Counsel and Group Human Resources Director are key stakeholders; • A third-party risk management process and platform; • Working closely with specialist external partners to monitor the regulatory environment; • Identification and management of regulatory risks via the enterprise risk management process; and, • Roll-out of GDPR compliance programme.
Regulatory - Products **Likelihood:** Low **Impact:** High **Change in risk level:** Same **Ownership:** Company Secretary & General Counsel **Categorisation**: Company Specific	The Group manufactures multiple products such as filters, pharmaceutical packaging, plastic products and oil and gas pipe protection products that are subject to specific product regulation. The Group must therefore constantly monitor and comply with such product regulations as a breach could have a significant financial and reputational impact. The level of the risk has remained the same as there have been no material changes in levels of regulation or business operations to affect this from the Company's perspective, though the use of certain materials such as plastics may lead to some additional reputational risk.	The Group uses a range of controls to manage regulatory risk relating to the products that it manufactures and distributes, including: • A 'tone from the top' from the Board and GMC on the importance of ethics, compliance and strong governance; • New internal resource and investment to drive better governance practices; • Group compliance and contracting policies, processes and guidance materials; • Communication & training platforms and programmes; and specialist external support.
Cyber Attack **Likelihood:** Medium **Impact:** High **Change in risk level:** Increased **Ownership:** Chief Information Officer **Categorisation**: Industry General	The Company is dependent on its IT systems for day to day operations. Should the Group become affected by a general global cyber incident or be specifically targeted by a criminal network, this could potentially lead to suspension of some operations, regulatory breaches and fines, reputational damage, loss of customer and employee information and loss of customer confidence. Although there are no indicators to suggest that the risk of a cyber-attack on the Company has risen, the risk has generally increased given the higher volume of global cyber incidents, including ransomware, in 2017.	The Company employs multiple layers of cyber security threat defences from endpoint protection, encryption of data, identity-based access control, network firewalls, web and email content protection to ongoing vulnerability and penetration testing across critical corporate and online services. As part of the technology transformation programme, the cyber security project is enhancing capability across people, process and technology to ensure Essentra is in-step with the increased risk associated with cyber-attack.

Brexit **Likelihood:** High **Impact:** High **Change in risk level:** New **Ownership:** Group Operations Director, Group Finance Director, Group Human Resources Director **Categorisation**: Industry General	Brexit could impact the Company in a number of ways, e.g.: • A material element of the operations of the Components Division involve manufacturing products in the UK and distributing them into the EU. Should trade tariffs and/or a customs border be imposed this could lead to increased costs and complexity within the division's existing business model. • The Company has multiple manufacturing sites within the UK. Should trade tariffs or a customs border be imposed this could restrict the supply chain opportunities available to these sites. • Depending on the outcome of negotiations, Brexit could increase the cost of or restrict funding for current and future investment plans of the Group. Brexit has previously been identified as a key but not Principal Risk to the Company. As UK/EU negotiations continue, the Company has determined that it should now be managed, mitigated and monitored as a Principal Risk.	During 2017 and the early part of 2018, the Company conducted a thorough review of Brexit risks, including understanding Essentra's exposure. This included consultation with external experts and use of external, independent support. Coming out of this review, a range of potential mitigation options were identified, which the Company is now in the process of reviewing. These include: • Potential changes to the European asset and manufacturing footprint to optimise material flows; • Optimisation of product manufacturing locations versus. customer locations; • Seeking alternative raw material supply sources to minimise cross-border flows; and, • Seeking 'Approved Economic Operator' status to minimise inspection delays
Operational Risks		
	Description	**Mitigation**
Operational Resilience – Natural Catastrophes & Fire **Likelihood:** Low **Impact:** High **Change in risk level:** Same **Ownership:** Group Operations Director **Categorisation**: Industry General	The Group has some single manufacturing site dependencies for the production of specific products and meeting particular customer requirements. All of these sites are subject to fire risk and some of them, as well as multiple others, are in locations that are more prone to natural catastrophes such as hurricanes, floods, storms or earthquakes. Indeed, the Group has experienced both employee impact and operational disruption as a result of such events in 2017 at sites in Puerto Rico and Houston. Should further events occur, this could impact production capability and fixed assets, supply chain management, customer relationships, reputation, revenue and profit. Such events will continue to be a threat to the normal operation of the Company and consequently the level of the risk remains the same.	The Group has reviewed and refreshed its business continuity planning processes in 2017, working closely with external parties. Enhanced processes are being adopted across the business and are targeted at higher risk sites and processes and ensuring that robust continuity plans and site improvements are in place. Aligned to this, there is increased focus on IT infrastructure. Such plans are to be kept under constant review and tested periodically. Other mitigations that the Group have in place are: • Operating within a flexible global infrastructure; • Developing multi-site capabilities and manufacturing flexibility; • Installing fire and other risk prevention systems; • Assessing and managing operational risks via the enterprise risk management process; and, • Maintaining a comprehensive insurance programme.

Product Quality, Liability & Contamination **Likelihood:** Medium **Impact:** High **Change in risk level:** New **Ownership:** Group Operations Director **Categorisation**: Industry General	The Company manufactures a range of products for a wide range of customers, some of which provide a significant proportion of Group and / or Divisional revenues. Should the company fail to provide adequate quality consistently in its products, there is a risk of loss of customers and/or failure to win profitable new business. Similarly, there is a risk that some manufactured products that reach consumers, such as filters, labels or component parts could become contaminated or cause an incident for which the Company is liable. Should this occur, this could lead to significant fines and/or reputational damage. Product Quality, Liability & Contamination has been elevated to a Principal Risk to the Company and incorporates any potential risk of tobacco related or Next Generation Products litigation.	In addition to the ongoing tracking of quality metrics mentioned above, the Group is also undertaking a review of its quality management processes to ensure they are fit-for-purpose, to minimise the risk of contamination or product quality issues. This review includes support from external experts in some cases, along with alignment of quality processes and standards across geographies, and within divisions, to ensure a single consistent global process for customers in multiple jurisdictions. Divisional capital expenditure plans also include, where appropriate, additional spend on inspection equipment (e.g. sensors, cameras) to improve in-line inspection and further reduce the likelihood of product quality issues. The Company continues to assess potential exposures to litigation arising from tobacco related or Next Generation Products and seeks to manage the supply, packaging and labelling of such products accordingly.
Internal Business Processes **Likelihood:** Medium **Impact:** Medium **Change in risk level:** New **Ownership:** Divisions and Enabling Functions **Categorisation**: Company Specific	A number of the issues that have previously impacted the Company were due to weaknesses in internal business processes. Examples of this include inadequate acquisition integration, failure to document or to update operational processes or define business process ownership, poor planning and project execution and a lack of effective training and development, Whilst the Company has acknowledged and begun to address these weaknesses in 2017 they will remain a risk while they are being addressed. Internal Business Processes have been identified as a new Principal Risk to the Company.	The scope, key questions to be addressed and outcomes of the strategy review workstreams were set out in detail in the 2017 half year strategy presentation. The outputs from the strategy workstreams are being implemented across all four divisions with the support of the Enabling Functions. The activities will result in the implementation of clear business strategies supported by better internal business processes and improved risk mitigation through consistent adherence to business processes and cultural change. Development of the Company's IT capabilities will support the improvement in Internal Business Processes. The benefits of these changes and the investments being made, including with the addition of new internal resource, are expected to support stabilisation and growth of the Company in 2018.
Safety (inc. Regulatory) **Likelihood:** Low **Impact:** High **Change in risk level:** New **Ownership:** Chief Executive **Categorisation**: Industry General	Safety is of the highest priority for the Company. Essentra has 49 manufacturing facilities across the world, along with many non-manufacturing sites and internationally mobile employees. Manufacturing can be inherently risky given the use of industrial machinery and high-speed manufacturing processes. In addition, the Company must comply with the requirements of multiple jurisdictions concerning safety regulation. Should an injury or fatality affect any of our employees or visitors, or should there be any breach of safety regulation resulting in prosecution, we would anticipate considerable reputational damage as well as potentially significant financial costs to the Company. Following the Risk reviews during 2017, the Company has reaffirmed its commitment to treat Safety as an absolute priority, and this is reflected through its elevation to one of the Principal Risk to the Company.	Throughout 2017, the 'tone from the top' on Safety has been reinforced throughout Essentra. Management teams have been instructed to give a higher priority to establishing and reinforcing the management systems employed throughout the Company, and key Health, Safety and Environment senior appointments have been made, including a new Group HSE Director reporting to the CEO. During 2017, a programme was developed which will ensure that every Company site has a comprehensive and robust approach to the identification, prioritisation and remediation of risks and hazards. Delivery of this programme will continue through 2018 and is supported by central resources who provide training, support and expertise. The scope of this programme has now been broadened to encompass all Essentra sites during 2018.

Supply Chain Single Point of Failure **Likelihood:** Medium **Impact:** Medium **Change in risk level:** New **Ownership:** Group Operations Director **Categorisation**: Company Specific	The Company's supply chain is reliant on raw materials and goods being delivered in full and on-time to its manufacturing sites from various international sources and suppliers. In some cases, the Company is reliant on a limited number of suppliers or a single supplier for a key raw material. In the case of supplier failure, significant input increases or transportation/infrastructure disruption, this could have a material impact on the profitability of the Company. Similarly, the Company is reliant on certain sites and their equipment to manufacture specific products. Should such machinery not be able to manufacture for an extended period of time this could also have a material profit impact. Supply Chain Single Point of Failure has been identified as a new Principal Risk to the Company, and the risk incorporates Raw Material Supply which was previously identified as a Principal Risk.	The Company has increased focus in this area in 2017, including working on business continuity planning with external parties, as noted above. This focus will continue in 2018. A comprehensive supply chain assessment will be completed in 2018, which will focus on: • Identification of alternative sources of supply for key raw materials, where necessary and feasible; • Identification of investment requirements, including additional IT capabilities; • Ensuring comprehensive maintenance plans are in place for key manufacturing equipment, and/or alternative manufacturing routes are identified; and, • Identifying alternative logistics routings, where necessary and feasible. The implementation of the Company's new business continuity planning process will continue in 2018, ensuring any specific areas of concern are properly mitigated.
IT Systems – Stability & Reliability **Likelihood:** High **Impact:** Medium **Change in risk level:** Same **Ownership:** Chief Information Officer **Categorisation**: Company Specific	The Company is dependent on a wide range of IT systems for its day to day operations. In some cases, mainly due to a lack of historic investment, IT systems are relatively old, have not been updated and may lack both external and internal support. This can lead to IT systems being unreliable or having poor functionality to support day to day operations which creates risk of material impact to customers and employees, ultimately impacting profitability and reputation. The level of risk is considered to be the same as reported in 2016, albeit a number of initiatives will be completed in 2018 which are anticipated to reduce the risk.	The Company began an investment programme in Q4 2017 to upgrade and reconfigure the internal infrastructure across all divisions and key sites. The focus has been to reduce and ultimately eliminate the number of unplanned outages caused by systems failure and avoid any disruption to business operations. Core networks and data communications are being upgraded and scaled to accommodate the forecasted increase in data flows. This includes internal data flows in our core supply chain and finance systems and external flows to the internet to streamline our digital interactions with customers and cloud-based services. A three-year IT strategy is being developed to address the current challenges and the proposed investment to support the necessary improvements, and will be subject to detailed review during H1 2018.