ESSENTRA

RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2022

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ESSENTRA PLC
("Essentra" or the "Company")

A leading global provider of essential components and solutions

RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2022

A strong H1 2022 performance with strategic progress

- Significant first step taken to reposition Essentra as a pure-play Components business with the sale of Packaging to Mayr-Melnhof ("MM") Group announced in June, expected to complete in Q4 2022
- The Filters strategic review continues to progress, and the Company expects to provide an update by the end of Q3
- After completion, we expect the sale of Packaging to enhance Essentra's balance sheet leaving the continuing Group with a small net cash balance, excluding lease liabilities. This position will be reviewed after the conclusion of the Filters strategic review. The Board intends to return a portion of Packaging proceeds to shareholders after the conclusion of both strategic reviews
- Strong performance across the continuing[1] Group in H1 2022. Revenue up 14.0% on a like-for-like[2] ("LFL") constant currency basis and adjusted[3] operating profit up 43.8%
- Components delivered a strong performance with revenue growth of 18.6% (12.7% LFL) on a constant currency basis, with growth driven through price and volume. Adjusted operating profit increased to £35.9m and adjusted operating margins expanded to 20.4% (H1 2021: 18.1% on a constant currency basis)
- Filters revenue grew 15.4% on a constant currency basis, underpinned by growth of outsourcing contract wins and an increase in China JV volumes. Adjusted operating profit increased to £15.1m with operating margins expanding to 9.2% (H1 2021: 8.3%, on a constant currency basis)
- Adjusted[3] operating cash flow of £15.9m in H1 2022 (H1 2021: £17.7m), a reduction due to working capital investment to support growth
- Group net debt of £248.9m (H1 2021: £159.1m), with net debt / EBITDA at 1.9x (including lease liabilities 2.1x). The increase includes adjusting items related to the strategic reviews, increased levels of working capital and higher interest expense, led by USD forex and a one-off revaluation of the US private placement loan notes to be repaid in association with the disposal of the Packaging business
- Discontinued operations made a post-tax loss of £182.8m after incurring adjusting items of £193.6m (including a non-cash £181.6m impairment of goodwill for the Packaging business)
- Given the continuing Group's strong performance and aligned with our progressive dividend policy, the Board has recommended an interim dividend of 2.3p per share, +15% compared to H1 2021

1 Continuing Operations excludes the Packaging division, which has been reported under IFRS 5 as a discontinued operation at the HY 2022 results
2 Excludes the impact of acquisitions, disposals and foreign exchange
3 Before amortisation of acquired intangible assets and adjusting items. Further details can be found in Note 3 of the condensed consolidated interim financial statements

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

"We have made significant progress on our journey to reposition Essentra as a leading manufacturer and distributor of components, with the announced sale of Packaging to MM Group. This transaction will further strengthen our balance sheet and give Components the flexibility to accelerate investment in growth opportunities.

The strategic review of Filters is progressing well, and the Board remains focused on maximising shareholder value. We will provide a further update towards the end of Q3 2022. The Company has delivered a strong first half; the Components and Filters divisions have delivered double digit H1 growth, including margin expansion and we continue to see strength in our order book, providing encouragement as we move into the second half.

Whilst we are mindful of the wider macroeconomic uncertainty, the Group remains well positioned with organic and inorganic growth opportunities, strong order books and a robust balance sheet. We expect to deliver adjusted operating profit in line with the Board's expectations."

Results at a glance:

	HY 2022	**HY 2021 (restated)**[4]	**% change Actual FX**	**% change Constant FX**
Continuing operations				
Revenue	£340.8m	£287.9m	+18	+17
Adjusted[1] operating profit	£35.3m	£24.6m	+44	+44
Adjusted[1] pre-tax profit	£23.4m	£18.1m	+29	+27
Adjusted[1] net income[2]	£17.2m	£16.5m	+4	+2
Adjusted[1] basic earnings per share	5.3p	5.2p	+2	(1)
Free cash flow[3]	£9.3m	£1.1m	n/a	n/a
Continuing operations				
Reported operating profit	£11.0m	£17.6m	(38)	(37)
Reported pre-tax (loss) / profit	£(0.9)m	£11.1m	n/a	n/a
Reported net (loss) / income[2]	£(4.6)m	£11.4m	n/a	n/a
Reported (loss) / basic earnings per share	(1.9)p	3.6p	n/a	n/a
Reported net cash inflow from operating activities	£6.2m	£7.9m	n/a	n/a
Discontinued operations				
Post-tax (loss) / profit	£(182.8)m	£5.2m	n/a	n/a
Total Group				
Dividend per share	2.3p	2.0p	+15	n/a
Net debt (including lease liabilities)	£309.9m	£212.2m	+46	n/a
Net debt (excluding lease liabilities)	£248.9m	£159.1m	+56	n/a
Net debt to adjusted EBITDA[5] (including lease liabilities)	2.1x	1.7x	n/a	n/a
Net debt to adjusted EBITDA[5] (excluding lease liabilities)	1.9x	1.5x	n/a	n/a
Group Reported pre-tax (loss) / profit	£(194.7)m	£18.0m	n/a	n/a
Group Reported net (loss) / income[2]	£(187.4)m	£16.6m	n/a	n/a
Group Reported basic earnings per share	(62.7)p	5.3p	n/a	n/a

1 Before amortisation of acquired intangible assets and adjusting items. Further details can be found in Note 3 of the condensed consolidated interim financial statements
2 Net income is defined as profit / (loss) after tax, before non-controlling interests
3 A reconciliation of free cash flow is set out in the Financial Review
4 The results of the Packaging division are presented as results from a discontinued operation and the comparative information has been restated accordingly. See note 1 and 16 of the condensed consolidated interim financial statements for further details of restatements
5 EBITDA is defined as operating profit before depreciation (and other amounts written off property, plant and equipment), share option expense, intangible amortisation and adjusting items

Statutory to Adjusted Reconciliation: Continuing operations

30 June	**Amortisation**

2022	Reported	Acquisitions	of acquired intangible assets	Adjusting items	Tax on adjustments	FX	LFL / Adjusted[1]
Revenue	£341m	£(9)m	-	-	-	-	£332m
Operating profit	£11m	-	£5m	£19m	-	-	£35m
Pre-tax (loss) / profit	£(1)m	-	£5m	£19m	-	-	£23m
Net (loss) / income	£(5)m	-	£5m	£19m	£(2)m	-	£17m

30 June 2021	Reported (restated)	Acquisitions	Amortisation of acquired intangible assets	Adjusting items (restated)	Tax on adjustments (restated)	FX	LFL / Adjusted[1,2] (restated)
Revenue	£288m	-	-	-	-	£3m	£291m
Operating profit	£18m	-	£4m	£3m	-	-	£25m
Pre-tax profit	£11m	-	£4m	£3m	-	-	£18m
Net income	£11m	-	£4m	£3m	£(2)m	-	£16m

1 Adjusted operating profit, adjusted pre-tax profit and adjusted net income relate to continuing operations

2 The results of the Packaging division are presented as results from a discontinued operation and the comparative information has been restated accordingly. See note 16 of the condensed consolidated interim financial statements

Strategic Review of Filters Business

In Q4 2021, Essentra set out its strategic goal to become a pure-play Components business, maximising shareholder value and the potential of each business. The strategic reviews of Packaging and Filters ran in parallel, and in June 2022, the Company announced the sale of Packaging to MM Group, which is expected to complete in Q4 2022.

The Board remains focused on maximising shareholder value with the strategic review of Filters. The strategic review is progressing well, and a further update is expected in Q3 2022.

IFRS 5: Packaging Discontinued Operations and IAS 36: Impairment of Assets

The disposal of the Packaging business has a material impact on the presentation of the Group's condensed consolidated financial statements for the six months ended 30 June 2022. See note 1 and note 16 for further details.

Packaging has met the International Financial Reporting Standards ("IFRS") criteria to be classified as held for sale in the half year results. Operations have therefore been classified as discontinued. Components and Filters businesses represent the continuing operations of Essentra, together with central services. The comparative period financial statements have been restated.

As a result of meeting the IFRS 5 (non-current assets held for sale and discontinued operations) definition as held for sale, the Company has measured the Packaging business at the lower of its carrying amount and fair value less costs to sell, consequently recognising a discontinued operations impairment charge of £181.6m as an adjusting item.

Given the challenging business and macroeconomic backdrop that the business currently faces, and the level of interest the sale of the Packaging business received, the Board believes MM Group's offer is attractive, and in the best interest of shareholders, unlocking value today. Furthermore, the Board believes its decision to transform the Group into a pure-play Components business will present significant opportunities to accelerate growth and expand market share.

The sale of Packaging is expected to complete in Q4 2022 and, as further explained in the Class 1 Circular for the transaction (which was approved by the Company's shareholders on 8 August 2022), the Board intends to use the proceeds to reduce the Company's debt and contribute £5m to Essentra's defined benefit pension schemes. Following the conclusion of the Filters strategic review, the Board intends to return a proportion of the residual net transaction proceeds to shareholders, after allowing for sufficient flexibility of the Components business to pursue value creating opportunities. The timing, quantum and method of return will be subject to the Board's consideration at the appropriate time.

IAS 29: Turkey Hyperinflation

International Accounting Standards ("IAS") 29, Financial Reporting in Hyperinflationary Economies, has been applied to the Components business in Turkey. There has been more than a 100% increase in the consumer price index in Turkey between 2019 and 2022. As a result of IAS 29, an increase in net assets of c.£18m and a c.£2m increase in profit before tax has been recognised within the half year results. The Components business in Turkey contributes c.3% revenue to the continuing Group.

Alternative Performance Measures

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

The principal exchange rates for Essentra were:

	-------- Average --------		-------- Closing --------	
	HY 2022	**HY 2021**	**HY 2022**	**HY 2021**
US$:£	1.29	1.39	1.21	1.38
€:£	1.18	1.15	1.16	1.17

Re-translating at HY 2022 average exchange rates increases the prior year revenue and adjusted operating profit on a continuing operations basis by £3.3m and £nil respectively.

Like-for-like ("LFL"). The term "like-for-like" describes the performance of the continuing business on a comparable basis, adjusting for the impact of acquisitions, disposals and foreign exchange. The HY 2022 LFL results are adjusted for the acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd ("Hengzhu") on 2 August 2021.

Adjusted basis. The term "adjusted" excludes the impact of amortisation of acquired intangible assets and adjusting items, less any associated tax impact. On a continuing basis, H1 2022 amortisation of acquired intangible assets was £5.0m (2021: £4.2m), and there was a pre-tax charge for adjusting items of £19.3m (2021: £2.8m). This included reorganisation of the remaining Group (£13.1m) and investment in major Software as a Service ("SaaS") projects (£6.2m).

Discontinued operations amortisation of intangible assets totalled £6.6m and there were adjusting item expenses of £193.6m, driven by impairment of goodwill £181.6m, separation costs in relation to Packaging (£9.6m) and other impairments and reorganisation expenses (£2.4m). For more information on the performance of discontinued operations, see note 16 to the condensed consolidated interim financial statements.

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

Constant currency, LFL and adjusted measures are provided to reflect the underlying financial performance of Essentra. For further details on the performance metrics used by Essentra, please refer to pages 20 to 23 of the 2021 Annual Report.

Operating Review

On a continuing operations basis, the H1 2022 result was strong, with double digit revenue growth and margin expansion in the Filters and Components divisions. H1 2022 revenue increased by 18.4% (17.0% at constant currency) to £340.8m, whilst on a LFL constant currency basis, revenue increased by 14.0% compared to H1 2021.

On an adjusted basis, continuing operating profit was up 43.5% (43.8% at constant currency) to £35.3m, which has been driven by increased trading volumes, effective management of supply chain disruption and cost inflation through focused pricing activities, as well as cost saving programmes. Adjusted operating margin improved 190bps to 10.4% on a constant currency basis (8.5% H1 2021).

Including amortisation of acquired intangible assets of £5.0m and a pre-tax charge from adjusting items of £19.3m, continuing operating profit was £11.0m (2021: £17.6m).

The Group has discontinued operations as a result of Packaging sale to MM, which had revenue of £205.6m and adjusted operating profit of £6.7m (£3.9m after allocating central costs). The operating loss as reported was £193.5m, a result of an impairment charge of £181.6m and other adjusting items of £12.0m.

Net finance expense for continuing operations was higher than the prior year at £11.9m (2021: £6.5m). This increase was driven by a one-off revaluation of the US loan notes associated with the disposal of the Packaging business.

The effective tax rate on continuing underlying profit before tax (before adjusting items) was 26.5% (2021: 8.7%). The increase in the tax rate is driven by the one-off non-cash benefit on the remeasurement of deferred tax assets in 2021 as a result of the enacted change in UK Corporation Tax rates and significant reductions in central tax provisions in 2021.

The underlying effective tax rate for the continuing Group is adversely impacted by the accounting treatment for consolidation adjustments between the continuing and discontinued operations, net of a favourable impact of IAS29 (hyperinflation accounting). Excluding these significant impacts the continuing Group's underlying effective tax rate would be 21.4% which is within our forecast tax rate range of 21% to 22% (on a continuing operations basis). The previously disclosed forecast tax range including the Packaging division was 19%-20% with the movement a result of some lower tax jurisdictions in the Packaging division.

On a continuing adjusted basis, net income of £17.2m was up 4.2% (2.2% at constant currency) and adjusted basic earnings per share was 5.3p. On a continuing reported basis, net loss of £4.6m and basic earnings per share of 1.9p loss compared to a net gain of £11.4m and earnings per share of 3.6p respectively in 2021.

Continuing adjusted operating cash flow was £15.9m (H1 2021: £17.7m), equating to a cash conversion of 45% compared to 72% in H1 2021. This includes an outflow of net working capital for the year of £24.0m (H1 2021: £10.7m). The increase in net working capital on continuing operations to £115.1m (H1 2021: £82.1m) was predominately due to higher inventory and receivables levels, supporting growth and increased trading volumes. Our average net working capital to sales ratio increased to 15.3% compared to 14.8% on a continuing operations basis in 2021.

Outlook Statement

Essentra has made a strong start to the year, with sales and order book ahead of 2021. Whilst the macroeconomic environment remains uncertain, Essentra continues to manage cost inflation and supply chain challenges. We are proactively protecting margins through pricing actions and cost mitigation activities.

We expect Components to take market share due to its enhanced digital customer experience and cross-selling activities. Filters should see strong growth from the ramp up of the China JV entering its second year of production, as well as continued outsourcing contract wins.

The Packaging sale to MM Group is expected to complete in Q4 2022, and we will provide an update on the strategic review of Filters towards the end of Q3 2022. After the completion of Packaging, we expect to hold a small net cash position (excluding lease liabilities) and will review this position moving forward after both strategic reviews have concluded.

The continuing Group expects to deliver adjusted operating profit in line with the Board's expectations.

Business Review

Summary growth in revenue by Division

% growth	LFL	Acquisitions	Foreign Exchange	Total
Components	+12.7	+5.9	(0.1)	+18.5
Filters	+15.4	-	+2.8	+18.2
Continuing Operations	**+14.0**	**+3.0**	**+1.4**	**+18.4**
Discontinued Operations	+9.5	-	+0.4	+9.9

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

Components

	2022 £m	% growth Actual FX	% growth Constant FX
Revenue	175.9	+18.5	+18.6
Adjusted[1] operating profit	35.9	+33.0	+33.7
Adjusted[1] operating margin	20.4%	+220bps	+230bps

1 Before amortisation of acquired intangible assets, adjusting items and includes an allocation of certain functional costs

Components has delivered strong growth and margin expansion in H1 alongside a backdrop of headwinds including inflationary cost pressures and the return of temporary local lockdowns in China. In response to increased inflationary pressures (materials, labour and freight), and to protect our margins, the division has passed through price increases to customers. The business continues to monitor and review price increases through H2.

Revenue for the year increased by 18.6% to £175.9m on a constant currency basis (LFL 12.7%). LFL revenue per trading day adjusted growth of 15.9% in Q1 and 9.3% in Q2.

Adjusted operating profit increased by 33.7% to £35.9m, equating to a margin of 20.4% (2021: 18.2%). The 230bps improvement (at constant currency) reflects the improved trading volumes and success in implementing price increases to offset inflation.

As noted previously, Turkey has experienced an accelerated rate of inflation. We are mindful of the needs of our people and have responded by adjusting wage inflation at our manufacturing facility in Istanbul. We have reviewed our domestic pricing regularly to mitigate cost increases, and continue to ensure that pricing within the export market for goods manufactured in Turkey remains competitive. Our actions to date have ensured underlying operating margins in Turkey remain stable.

We are pleased to see positive progress in customer service levels through H1. Whilst we continue to face supply chain challenges across the division, our backlog, which peaked in August 2021, has shown substantial improvement in the first six months of the year. A reduction of c.70% of the exceptional backlog levels, indicates a return to normalised levels of order book backlog. In 2022, the business is supported by a strong new order intake, and closing order book. Our on time in full ("OTIF") metric is also recovering since the start of the year, as we continue to drive service improvements.

The division continues to deliver progress on its digital journey, consistent with the commitment to provide customers with a "hassle-free" experience. The division has taken further steps to digitise the customer experience journey in 2022 and we continue to see increased engagements with the websites that have been deployed. Developments this year include the launch of our website in Turkey as we move our focus to enhancements and improvements. The integration of Artificial Intelligence activities in our sales and marketing teams has continued and we are driving commercial effectiveness through the deployment of predictive marketing programmes. Furthermore, we have recently established a new Digital Hub in Istanbul, where we are focusing the recruitment of new digital talent.

We continue to review the approach taken with Business Process Redesign ("BPR"), and recognise an initial delay in H1 as we continue to stabilise and re-develop the programme with a pure-play Components model in mind. With support from the new programme team that were put in place towards the end of 2021, we will recommence the roll out in EMEA in H2 as well as commencing the implementation and planning stages in AMERS, as we look towards a Q1 2023 roll out in this region.

The Components division continues to make excellent progress towards meeting its sustainability targets. Our investment in research and development continues, and we are pleased to share that our Kidlington, Oxford facility has achieved a 50/50 balance of virgin and post-consumer recycled plastics within its Low-Density Polyethylene ("LDPE") product range. Across the whole division we continue to take steps towards achieving the target of using 20% recycled or renewable polymer raw materials by 2025, finishing Q2 2022 with an exit run rate of recycled material consumption of c.11% of total material (c.10% end of Q4 2021).

Filters

	2022 £m	**% growth Actual FX**	**% growth Constant FX**
Revenue	164.9	+18.2	+15.4
Adjusted[1] operating profit	15.1	+31.3	+27.2
Adjusted[1] operating margin	9.2%	+100bps	+90bps

1 Before amortisation of acquired intangible assets, adjusting items and includes an allocation of certain functional costs

The Filters division saw revenue growth of 15.4% compared to the prior year on a constant currency basis. The core Filters business (excluding Tapes business) was up by 16.5%.

The division has continued to see strong growth momentum in 2022. Q1 was up by 15.9% and Q2 14.9% on a constant currency basis. The growth has been driven by increased outsourcing contract business, as well as supporting our multi-national companies ("MNCs") with their business continuity plans ("BCP"), supporting optionality as supply and demand adjusted to events such as Russia's invasion of Ukraine as well as the pandemic. Sales into the Chinese market have grown, with the support of the Joint Venture which has now been operational for twelve months contributing c.6% to the sales growth in H1. Prices have been reviewed and adjusted, supporting in the protection of margin against cost inflation (raw materials and freight).

In relation to the division's 'game changers', the pipeline of outsourcing contract opportunities built in 2021 has continued to support growth in 2022. Significant investment has led to the securing of new outsourcing contracts across the range of our customer base (MNC, Monopoly and Independents), primarily for manufacture in EMEA and Asia, leading to contracted business growth of 19.0% in H1 2022 compared to the prior year.

The China JV production volumes have continued to increase through 2022, with the JV reaching profitability in June 2022, a major milestone twelve months after production officially commenced, and continues to operate in line with expectations. The JV is a great platform to capture opportunities available in the world's largest tobacco market, which is also shifting towards speciality products, and will be further enhanced by future investment in the China Development Centre.

Our pipeline of ECO and next generation products ("NGP") continues to gain commercial interest, with a further three new commercial contracts gained in H1 2022 for ECO products. The division remains uniquely positioned to be a key global player in the outsourced filter market using strong technological knowledge. We remain pleased with the increased levels of interest the market is showing towards these new products which are intended to meet EU Single Use Plastics Directive initiatives for plastic-free and biodegradable products.

The Tapes business has continued to develop its key account management structure, growing a deeper understanding of customer needs, and supporting development of relevant value propositions in paper and board. For the first time, the Tapes business has over 50% of business in non-tobacco.

As well as strong financial performance, and commercial progress in H1 2022, the division as a whole has maintained world class service and quality metrics, strengthening customer relationships, driving agility through the supply chain.

Adjusted operating profit increased 27.2% to £15.1m, equating to an operating margin of 9.2% (90bps improvement at constant currency), largely driven by the volume gearing effect from the revenue increase and favourable mix of outsourcing and BCP volumes, whilst pricing actions are successfully mitigating inflationary pressures.

Discontinued Operations - Packaging

	2022 £m	**% growth Actual FX**	**% growth Constant FX**
Revenue	205.6	+9.9	+9.5
Adjusted[1] operating profit	3.9	(59.4)	(59.4)
Adjusted[1] operating margin	1.9%	(320)bps	(320)bps

1 Before amortisation of acquired intangible assets, adjusting items and includes an allocation of certain functional costs

Packaging divisional revenue was 9.5% up on the prior year at constant currency. Growth in H1 continues to be driven by underlying market recovery, as seen towards the end of 2021.

Adjusted operating margins reduced in H1 by 320bps to 1.9% compared to H1 2021. The business faced inflationary cost pressures at the start of 2022 and incurred a delay in passing through cost inflation to customers. During Q2, cost inflation was fully passed through to customers supporting the recovery of operating margins.

Further information relating to financial performance of discontinued operations can be found in note 16 to the condensed consolidated interim financial statements.

Financial Review

Net finance expense. Net finance expense from continuing operations of £11.9m was £5.4m above the prior year comparative. The Group incurred a one-off interest expense of £6.1m relating to the revaluation of the US private placement notes to be repaid in association with the disposal of the Packaging business. The Group also incurred an increase in net interest charged on net debt due to higher market interest rates during the period.

£m	**HY 2022**	**HY 2021 (restated)**
Net interest charged on net debt	6.1	3.3
Amortisation of bank fees	0.8	0.5
Net IAS 19 pension finance charge	-	0.3
Interest on leases	1.1	1.0
Gains / (losses) on forex movements	(1.0)	0.3
Net other finance expense	1.0	1.1
Monetary gain on hyperinflation economies	(2.2)	-
Loan revaluations associated with discontinued activity	6.1	-
Net finance expense from continuing operations	**11.9**	**6.5**
Interest on discontinued leases and other discontinued finance charges/gains	0.3	0.5
Total Group net finance expense	**12.2**	**7.0**

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

£m	HY 2022	HY 2021 (restated)
Inventories	117.5	82.1
Trade & other receivables	143.4	118.6
Trade & other payables	(151.5)	(122.5)
Adjustments	5.7	3.9
Net working capital - continued operations	**115.1**	**82.1**
Net working capital - discontinued operations	63.0	37.8
Total Group working capital	**178.1**	**119.9**

The increase in net working capital was predominately due to higher inventory and receivables levels, which were driven by enhanced trading volumes combined with a build-up of inventory, to mitigate supply chain disruption, protecting service levels supporting sales growth. Moving through the second half, working capital levels are expected to unwind, and reduce.

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

Adjusted operating cash flow on continuing operations was 10% lower than the previous year at £15.9m (2021: £17.7m), which equated to an operating cash conversion of 45% in the year (2021: 72%). Free cash flow was £9.3m compared to £1.1m in 2021. The improvement in free cash flow was due to lower pension contributions and lower underlying tax payments.

In H1 2022, for the total Group there was a £11.5m net increase in cash and cash equivalents to £153.6m (2021: decrease of £0.4m to £132.5m).

Continuing operations £m	HY 2022	HY 2021 (restated)
Adjusted operating profit	**35.3**	**24.6**
Depreciation and amortisation of non-acquired intangible assets	14.1	12.4
Lease right-of-use asset depreciation	4.3	3.7
Share option expense / other movements	0.8	(1.5)
Change in working capital	(24.0)	(10.7)
Operating cashflow due to hyperinflation	(1.7)	-
Net capital expenditure (excluding disposal proceeds relating to adjusting items)	(12.9)	(10.8)
Adjusted operating cash flow	**15.9**	**17.7**
Tax[1]	0.4	(6.7)
Cash outflow in respect of adjusting items	(23.4)	(9.7)
Pension obligations	0.4	(4.2)
Add back: net capital expenditure (excluding disposal proceeds relating to adjusting items)	12.9	10.8
Net cash inflow from operating activities	**6.2**	**7.9**
Adjusted operating cash flow	15.9	17.7
Tax[1]	0.4	(6.7)
Net interest paid	(7.4)	(5.7)
Pension obligations	0.4	(4.2)
Free cash flow	**9.3**	**1.1**
Net increase in cash & cash equivalents (Total Group)	**11.8**	**(0.4)**

1 Tax excludes the tax paid/received in relation to adjusting items. This is included within the cash outflow in respect of adjusting items

Net debt. Net debt at the end of the period was £309.9m, a £75.2m increase from 1 January 2022 (including lease liabilities). The overall increase was driven by foreign exchange movement on USPP loan notes, adjusting items linked to strategic review activity, dividend payments and working capital outflows to support revenue growth.

The Group's financial ratios remain within an acceptable range. The ratio of net debt to EBITDA including lease liabilities was 2.1x (30 June 2021: 1.7x). Net debt to EBITDA excluding lease liabilities was 1.9x (30 June 2021: 1.5x). Interest cover was 4.3x (30 June 2021: 4.9x).

The Company has a commitment to repay a portion of USPP loans 60 days after receipt of funds and completion of the Packaging sale. As a result, a reclassification of USPP 2017 and 2019 loan notes is required, and a total c.£174m has been reclassified to current liabilities for the interim period ended June 2022.

Linked to the early repayment of these loan notes, an accelerated net finance charge for £6.1m has been recognised, with the overall impact on net debt being £4.1m.

£m	**2022**
Net debt as at 1 January 2022	**234.7**
Free cash flow from continuing operations	(9.3)
Cash outflow from discontinued operations	12.8
Cash outflow in respect of adjusting items	31.1
Foreign exchange	27.4
Dividends to equity holders	12.0
Loan revaluations	4.1
Derivative revaluations	(10.7)
Lease liability movements	7.0
Amortisation of pre-paid facilities	0.8
Net debt as at 30 June 2022	**309.9**

Pensions. As at 30 June 2022, the Company's IAS 19 pension net surplus was £0.2m (FY 2021: net surplus of £9.0m). During the period the senior section of the pension scheme purchased a buy-in policy, significantly de-risking a proportion of the UK pension scheme against future funding deficits. An actuarial loss of £7.1m was recognised through reserves.

Dividend. In keeping with the Company's progressive dividend policy, the Board of Directors recommends an interim dividend of 2.3 pence per 25 pence ordinary share (HY 2021: 2.0p). The interim dividend will be paid on 28 October 2022 to equity holders on the share register on 23 September 2022, the ex-dividend date will be 22 September 2022. 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 7 October 2022. The Board will review the dividend policy on completion of both strategic reviews, ensuring that the policy is appropriate for the continuing Group.

Board changes. As planned and previously communicated, Dupsy Abiola was appointed as a Non-Executive Director in March 2022 and Jack Clarke was appointed as Chief Financial Officer in April 2022, and both successfully stood for election at the 2022 AGM.

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

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

Foreign exchange risk. The majority of Essentra's net assets are in currencies other than sterling. The Company's normal policy is to reduce the translation exposure and the resulting impact on shareholders' funds through measures such as borrowing in those currencies in which the Group has significant net assets. At 30 June 2022, Essentra's US dollar-denominated assets were approximately 65% hedged by its US dollar-denominated borrowings.

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

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

Enquiries

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Presentation

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

There will be a presentation to analysts and investors starting at 09:00 (UK time, registration from 08:30) on Wednesday 17 August 2022 at Peel Hunt LLP, 7th Floor, 100 Liverpool St, London EC2M 2AT.

There are two options for participating in the event:

1. To attend in person, please e-mail your details to investorrelations@essentra.com

2. To join the live webcast of the presentation, please pre-register at: http://www.essentraplc.com/en/investors/company-information/webcasts-and-presentations

A recording of the webcast will be made available on the Company's website later in the day.

Cautionary forward-looking statement

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

Notes to Editors

About Essentra plc

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

Headquartered in the United Kingdom, Essentra's global network extends to 34 countries and includes 8,327 employees, 47 principal manufacturing facilities, 28 sales & distribution operations and two research & development centres. For further information, please visit www.essentraplc.com.

Essentra Components

Essentra Components is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items. Operating in 25 countries worldwide, 1 digital innovation centre, 13 manufacturing facilities 23 sales & distribution centres serve more than 79,000 customers with a rapid supply of low cost but essential products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics and construction. The division also includes the Reid Supply business, which provides a wide range of branded hardware supplies to a broad base of industrial customers, largely located in the US Mid-West.

Essentra Packaging

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

Essentra Filters

Essentra Filters is the only global independent cigarette filter supplier. Currently headquartered in Singapore, the division has 12 sites across nine countries, including two innovation centres, providing a flexible infrastructure strategically positioned to serve the tobacco sector. The business supplies a wide range of value-adding high-quality innovative filters, packaging solutions to the roll your own segment and analytical laboratory services for ingredient measurement to the industry: Essentra's offering also includes Heat Not Burn and e-cigarette solutions to the rapidly evolving market for Next Generation Products. The division also includes the Tear Tapes business, which is globally recognised as the leading manufacturer and supplier of pressure-sensitive tear tapes, that are largely used in the tobacco, e-commerce, food and beverage and specialist packaging sectors.

Risk Report

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

A refreshed risk management framework has been developed for identifying and managing risk within defined appetite levels, at both a strategic and an operational level. This framework was designed to provide the Group Risk Committee ("GRC") and the Board with a clear line of sight over risk, to enable informed decision-making and to deliver improved resilience. We continue making significant progress in evolving our risk management processes as we continue to ensure our risk management processes are aligned with FTSE 250 upper quartile practice.

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

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

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

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

Responding to continued disruption in 2022

Whilst 2020 was the year in which we first experienced the disruption caused by the COVID-19 pandemic, 2021 and the first half of 2022 presented a different range of risks and challenges to which we needed to react and adapt. The Company now faces differing forms of disruption from supply chain constraints to rapidly changing workforce availability and escalating geopolitical tensions.

The risk management lessons we learnt over the past two years have resulted in us being well placed to manage our responses to these events quickly and robustly. They also resulted in a review and revision of our risk management framework to allow us to better consider risk at both a strategic and an operational level with a view to improving business resilience over the short to long term.

Looking forward, we anticipate that certain pandemic related risks will remain in some of our operational sites and end-markets, at least for the short to medium term; however, the work put in to our risk management processes and practices over the past two years means we are well placed to continue to deal with them efficiently and effectively. Additionally, as the strategic reviews progress we continue to analyse and assess the Emerging Risk landscape, with particular focus on the Components division's processes, to ensure the Group's risk management practices continue not only to protect stakeholder value but to support its creation in line with our strategic growth objectives.

It remains critical for us to continue to scan the horizon for additional new, emerging or disruptive risks which could significantly affect our ability to meet our strategic growth objectives. Despite the focus on mitigating the impacts of an increasing range of disruptive risks, we have during the year paid close attention to the increasing momentum associated with the risk agendas for ESG and climate change along with the potential impacts of the evolving economic and global geopolitical situation.

Principal Risks

The GRC has responsibility for enabling the identification and management of Essentra's Principal Risks. Through the GRC, an assessment has been undertaken to consider the appropriateness and adequacy of our Principal Risks. This assessment required each GRC risk owner to provide analysis of material changes in the risk they manage and whether they consider it to have more or less impact during the course of the year on achievement of our strategic objectives. The responses from this assessment were considered by both the GRC and the Audit & Risk Committee (ARC).

The Board believes the Principal Risks are specific to Essentra and reflect the risk profile of the Company at the current time. All Principal Risks are managed within their individual risk appetite.

Since our 2021 Annual Report and Accounts, one Principal Risk - Failure to Achieve Acceptable Returns from the Packaging Division - has been removed following the announcement of the sale of the Packaging

Division, which is anticipated to complete in Q4 2022. We have not identified any new Principal or Emerging risks in the first half of the year. The table below sets out movements in our Principal Risks.

Principal Risk	Movement from 2021	Description
PR 1 Tobacco Industry Dynamics (Managing Director, Filters)	Unchanged	The Filters division supplies filter products and packaging solutions to manufacturers in the tobacco industry. Changes in the traditional tobacco market present both opportunities and risks for the division, notably from our ability to supply sustainable filters. Whilst we have a strong market position, the future growth opportunities may be affected by the longer-term dynamics of the tobacco industry. These include declining combustible markets, a shift towards Next Generation Products (NGP) and other tobacco substitutes. The focus of stakeholders on the environmental and sustainability elements of tobacco markets, notably around the use of single-use plastics, provides an additional area of risk and opportunity for the business. The social pressures and the evolving regulatory environment continue to move towards reducing the prevalence of smoking worldwide and also minimising its environmental impact. This presents an opportunity for growth through our existing sustainable product portfolio and new innovations. The continuing changing trends in global consumption and end-markets for our products requires increased oversight of where our products are used and a robust framework to ensure regulatory compliance. Tobacco-related litigation could also affect Essentra; however, there is no history of the Company being involved in such a claim. There has been no change to the overall assessment of this risk.
PR 2 Delivery of Strategic Projects (Company Secretary and General Counsel)	Unchanged	Our success is dependent, in part, on our ability to deliver key strategic projects on time and within budget to realise their full potential. We invest in, and deliver, significant strategic, operational and capital expenditure projects in order to drive the business forward, in particular, our ongoing Business Process Redesign implementation. Additionally, over recent years we have actively reviewed our portfolio of businesses, engaging in acquisitions and disposals as appropriate. Failure to deliver such key projects effectively and efficiently could result in significantly increased project costs and impede our ability to execute our strategic plans. Over the past two years, our ability to deliver complex projects has been affected by some of the restrictions and other disruptions relating to the COVID-19 pandemic. This resulted in an enhanced capability to deliver projects in a complex and dynamic environment and now, as restrictions on travel are relaxed, we are well placed to manage this risk. We continue to focus on the project governance arrangements and resources to accelerate delivery of the Business Process Redesign programme delivery plan. There has been no change to the overall assessment of this risk.
PR 3 Regulatory Governance (Company Secretary and General Counsel)	Unchanged	The Company operates across many international jurisdictions and engages with a wide range of stakeholders, including a diverse workforce, customer and supplier base. Some of our locations are considered higher risk from a regulatory perspective. We are required to comply with multiple areas of legislation and regulation across an increasingly broad range of areas including: Anti-Trust, Anti- Bribery, Sanctions, Privacy and Environmental, Social & Governance (ESG). Our operations are subject to an external environment which is seeing an increasing breadth of emerging regulation and greater levels of scrutiny and oversight from regulators and enforcement agencies, with heightened political tensions internationally. Failure to manage effectively the scrutiny and oversight and/or comply with laws and regulations could result in significant fines, costs or reputational damage to the Company and might adversely affect our ability to operate in certain jurisdictions. Whilst the external environment is generating additional compliance demands, the Company continues to drive continuous improvements in its approach to managing regulatory and legislative requirements. Whilst the strategic reviews slightly heighten this risk, there is robust mitigation in place and overall, the level of risk to the Company has remained the same.
PR 4 Cyber Event	Unchanged	The Company is dependent on its internal and external IT systems for day-to-day operations. Should the Company, or its

(Group IT Director)		key cloud service suppliers, be affected by a cyber event (denial of service, data breach, compromise) resulting from an external or internal threat, this could result in suspension of critical business services and loss of data. Subsequently, the Company could receive fines, suffer reputational damage and be unable to meet customer expectations (leading to a loss of customer confidence). Prolonged outages could further erode trust in the business resulting in long-term reputational damage. The risk in relation to remote working during the pandemic still affects the business, with ransomware attacks currently becoming increasingly prevalent, however this is reducing as some of the workforce returns to the office. During the pandemic, the Company invested in improvements to protection of mobile devices and remote access to mitigate the risks associated with remote working. The strategic reviews introduce a number of new elements to this risk in relation to staff turnover and the potential delivery of transitional services agreements. Disruptive cyber events remain a serious threat to the smooth running of our business. We continue to invest in our cyber security programme which includes mitigation and risk reduction activities across people, process and technology. Following an increase in the risk level highlighted in the Annual Report and Accounts, there has been no further change.
PR 5 Operational and Supply Chain Disruption (Company Secretary and General Counsel)	Unchanged	We operate a diverse, global operational footprint and supply chain across each of our divisions. Ensuring these operations and supply chains are resilient is a fundamental part of maintaining our customer service levels by giving options and alternatives, to minimise the impact of disruption. Disruptive events could be focused on particular locations, driven by single points of failure in our operations or supply chain, be localised natural events or result from political conflict. Here, our global footprint provides risk diversification, through alternative manufacturing options elsewhere in the Group. Equally, disruptive events might be broader in nature and impact a number of sites simultaneously, for example via the COVID-19 pandemic, or climate change related issues in the longer term. In this situation, our global footprint may expose us to a broader set of potential disruption risks than more focused businesses. Robust business continuity planning and management practices are required to minimize the impact on production capability, supply chain management, customer relationships, reputation, revenue and profit. The Company is increasingly reliant on the digital ecosystem within its supply chain. Some elements are addressed in our management of our Cyber Event risk and others more broadly by the continuity planning activities described below. There has been no change to the overall assessment of this risk.
PR 6 Exposure to the Cyclical Industrial Market (Managing Director, Components)	Increasing	The Components division serves a broad range of industrial customers and, as such, is exposed to overall industrial production trends. Global industrial production has tended to be cyclical in nature with major economic downturns leading to a downturn in industrial production. From the global financial crisis in 2008-2009 to the COVID-19 pandemic, economic cycles have affected demand in these broad industrial markets. The Components division sells to a broad base of end-markets including automotive, capital goods and electronics. This market breadth provides a degree of risk diversification; however, future downturns in industrial production are almost certain to happen, albeit with an uncertain timeframe. The Components division seeks to operate a flexible model whereby changes to its cost base can be quickly made to maintain operating margins against fluctuations in demand. The risk is that the business is not able to execute such changes, or they are not robust enough to minimise the impact on operating margins. Additionally, the division, given its end-markets, supply chains and operating model, has a specific exposure to the Operational & Supply Chain Disruption Principal Risk. At present, this risk continues to be broadly managed through the M&A pipeline. However, additional focus on this risk will be given following the conclusion of the strategic reviews. Whilst prevailing economic conditions indicate potential recession in many of our end markets, the mitigations that the Company has in place remain appropriate. Following the removal of the Principal Risk relating to the

		Packaging division our assessment is that the Company is increasingly exposed to this risk.
PR 7 Environmental, Social Governance (ESG) (Company Secretary and General Counsel)	Unchanged	Environmental, Social and Governance (ESG) issues are increasingly fundamental for all companies and stakeholders. Essentra has specific exposure to tobacco-related regulation, potential changes in relation to the regulation of single-use plastics, climate change and multiple other topics. Failure to meet stakeholder expectations on increasing environmental and/or social governance obligations could lead to reputational or commercial risk for the Company. This includes risks arising from changing investor attitudes, developing customer expectations, changing supply chain dynamics, social attitudes towards the environmental impact of our products (which may impact on our ability to market them), along with ability to attract and retain talent, given increasing workforce focus on ESG. The Components division is exposed to ESG risks around the reduction in single use plastics, but also in relation, in the longer term, to climate change given the breadth of its operational footprint. The division is actively working to incorporate more sustainable materials and believes it has the innovation capabilities to enable future growth opportunities with the use of these materials. Similarly, Filters is exposed to single use plastic legislation and is actively developing new innovative products including the recently launched "ECO" range of biodegradable filters. There has been no change to the overall assessment of this risk since the Annual Report & Accounts.
PR 8 Internal Processes and Control (Chief Financial Officer)	Unchanged	Processes and controls play an important part in our ability to prevent and detect errors in our management information and also inappropriate and unethical behaviour. This might include fraud, deliberate or accidental financial misstatement or improper accounting practices. If the design, operation or the assurance over these controls is ineffective, ownership is not defined or controls are overridden, there is a greater risk of operational loss and reputational damage. The changes in ways of working as a result of the COVID-19 pandemic resulted in a greater adoption of remote working arrangements. In the short term, this created an increased risk around our capability to maintain a robust system of internal control. However, during the first half of the year we were able to operate our processes and controls consistently with this more flexible working environment. The continuing implementation of Microsoft Dynamics 365 in the Components division along with an increasing focus on the Company's internal controls over financial reporting will help to reduce this risk over time. There has been no change to the impact of this risk, however the probability has slightly increased as a result of key resources being focused on the execution of the strategic reviews.
PR 9 Safety, Health & Wellbeing (Group Human Resources Director)	Unchanged	The safety, health and wellbeing of our workforce remains one of our highest priorities. Essentra has many manufacturing, distribution and administrative facilities across the world, along with internationally mobile employees. Manufacturing and distribution can be inherently risky given the use of industrial machinery and high-speed manufacturing processes. In addition, the Company must comply with national safety regulation in multiple jurisdictions. Should a serious incident occur involving members of our workforce or visitors, or should there be any breach of safety regulation, there is a risk of prosecution and considerable reputational damage as well as potentially significant financial costs. Increasingly, given the changes and ways of working resulting from the COVID-19 pandemic along with the uncertainty associated with the strategic reviews, the emotional wellbeing of our leaders, managers and workforce has an increased focus. There has been no change to the assessment of this risk.
PR 10 Talent and Workforce management (Group Human Resources Director)	Increasing	Failure to acquire, retain, develop and motivate the required management and leadership necessary to evolve our business, develop our culture and meet future customer needs. The change agenda, including the recently announced strategic reviews, coupled with workforce and labour market dynamics, requires us to continue our focus on retention of key talent, avoiding burn-out and presenteeism. Additionally, we must continue to grow the agile skills required to support and build on our future strategic direction.

		The experience of the past two and a half years has clearly indicated the effect major health events, be they global, regional or country specific, can have on the availability of resources. There remains a risk that future major health events could result in further labour disruption. There has been no change to the overall assessment of impact, but the probability of this risk is increasing as strategic review related reorganisations are finalised.
PR 11 Strategic Reviews (Company Secretary and General Counsel)	Unchanged	In October and November 2021, the Company announced strategic reviews of both the Filters and Packaging divisions. These reviews have a view to maximising shareholder value through focusing on the growth potential of pure-play global components business whilst Filters and Packaging benefit from new ownership structures. Whilst the strategic reviews create significant opportunities for the respective businesses and our people, the uncertainty, both internal and external, caused by these announcements creates a number of potential risks. These include but are not limited to: • a lack of focus on 'business-as-usual' activities • poor execution of the review and any resulting decisions • talent flight • customer, supplier and competitor behaviours, compliance issues • adverse investor feedback. The reviews comprise a number of complex projects with significant interdependencies; however, Essentra is well placed to deliver them and external/temporary resource has been identified where there are known capacity and capability gaps. There has been no change to the assessment of this risk.

Emerging Risks

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

The Emerging Risk remains broadly unchanged to those set out in the 2021 Annual Report and Accounts. Further detail is set out in the table below:

Risk (Owner)	Risk Description
ER1 Technology disruptors (Divisional Managing Directors)	The risk that Essentra does not manage its response to evolving technologies effectively. This may include losing competitive advantage as rivals deploy advanced manufacturing technologies, artificial intelligence and robotics to strengthen product development, marketing, production, distribution and support functions. We continue to monitor and review developments in the external market through our networks. This includes innovation and futures sessions with existing suppliers. We are also involved in a range of external technical focus groups to support the identification of future technology trends.

Further detail on these risks and how they are managed is available in the 2021 Annual Report and Accounts.

Condensed consolidated income statement

	Note	**Six months ended 30 Jun 2022 £m**	(restated)* Six months ended 30 Jun 2021 £m	(restated)* Year ended 31 Dec 2021 £m
Revenue	2	**340.8**	287.9	597.3
Operating profit		**11.0**	17.6	43.3

Finance income		**4.3**	1.1	2.8
Finance expense		**(16.2)**	(7.6)	(18.4)
(Loss)/profit before tax		**(0.9)**	11.1	27.7
Income tax (charge)/credit		**(3.7)**	0.3	(1.4)
(Loss)/profit for the period from continuing operations		**(4.6)**	11.4	26.3
(Loss)/profit from discontinued operations	16	**(182.8)**	5.2	2.0
(Loss)/profit for the period		**(187.4)**	16.6	28.3
Attributable to:				
Equity holders of Essentra plc		**(188.6)**	15.9	26.9
Non-controlling interests		**1.2**	0.7	1.4
(Loss)/profit for the period		**(187.4)**	16.6	28.3

* The prior periods have been restated for discontinued operations. See basis of preparation in note 1 for further details of prior period restatements.

(Loss)/earnings per share attributable to equity holders of Essentra plc:				
Basic	5	**(62.7)p**	5.3p	8.9p
Diluted	5	**(62.7)p**	5.2p	8.9p
(Loss)/earnings per share from continuing operations attributable to equity holders of Essentra plc:				
Basic	5	**(1.9)p**	3.6p	8.3p
Diluted	5	**(1.9)p**	3.5p	8.2p

Adjusted profit measure: continuing operations				
Operating profit		**11.0**	17.6	43.3
Amortisation of acquired intangible assets		**5.0**	4.2	8.6
Adjusting items	3,16	**19.3**	2.8	13.8
Adjusted operating profit		**35.3**	24.6	65.7

See note 3 for further details of the adjusted profit measure.

Condensed consolidated statement of comprehensive income

	Six months ended 30 Jun 2022 £m	(restated)* Six months ended 30 Jun 2021 £m	Year ended 31 Dec 2021 £m
(Loss)/profit for the period	**(187.4)**	16.6	28.3
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	**(6.0)**	11.9	28.5
Deferred tax on remeasurement of defined benefit pension schemes	**1.4**	(3.8)	(7.9)
	(4.6)	8.1	20.6
Items that may be reclassified subsequently to profit or loss:			
Changes attributable to cash flow hedges:			
Net change in fair value of cash flow hedges transferred to the income statement	**(12.6)**	(0.2)	(1.8)
Ineffective portion of changes in fair value of cash flow hedges transferred to the income statement	**2.6**	-	(0.5)
Effective portion of changes in fair value of cash flow hedges	**9.7**	0.3	0.9

Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations	**47.0**	(19.3)	(23.4)
Arising on effective net investment hedges	**(17.9)**	3.2	(0.4)
Income tax (expense)/credit	**(2.5)**	0.1	0.4
Attributable to non-controlling interests	**0.8**	(0.7)	(0.1)
	27.1	(16.6)	(24.9)
Other comprehensive income for the period, net of tax	**22.5**	(8.5)	(4.3)
Total comprehensive income for the period	**(164.9)**	8.1	24.0
Attributable to:			
Equity holders of Essentra plc	**(166.9)**	8.1	22.7
Non-controlling interests	**2.0**	-	1.3
Total comprehensive income for the period	**(164.9)**	8.1	24.0

* See basis of preparation in note 1 for further details of the prior period restatement.

Condensed consolidated balance sheet

	Note	**30 Jun 2022**	(restated)* 30 Jun 2021	31 Dec 2021
		£m	£m	£m
Assets				
Property, plant and equipment	6	**159.7**	249.9	254.3
Lease right-of-use asset	7, 16	**38.7**	45.9	50.4
Intangible assets	8	**206.4**	481.7	483.5
Long-term receivables		**2.8**	4.6	5.2
Derivative assets	14	**10.7**	-	0.7
Deferred tax assets		**8.8**	19.3	11.6
Retirement benefit assets	9	**22.9**	18.3	34.1
Total non-current assets		**450.0**	819.7	839.8
Inventories		**117.5**	110.3	128.7
Income tax receivable		**1.2**	3.9	1.5
Trade and other receivables		**143.4**	185.0	175.2
Derivative assets	14	**0.1**	0.3	0.5
Cash and cash equivalents	10, 16	**143.3**	132.5	136.3
Total current assets		**405.5**	432.0	442.2
Assets in disposal group held for sale	16	**409.0**	-	-
Total assets		**1,264.5**	1,251.7	1,282.0
Equity				
Issued share capital		**75.6**	75.6	75.6
Merger relief reserve		**385.2**	385.2	385.2
Capital redemption reserve		**0.1**	0.1	0.1
Other reserve		**(132.8)**	(132.8)	(132.8)
Cash flow hedging reserve		**(1.8)**	-	(1.5)
Translation reserve		**(20.9)**	(40.1)	(47.5)
Retained earnings		**145.3**	315.8	333.6
Attributable to equity holders of Essentra plc		**450.7**	603.8	612.7
Non-controlling interests		**18.2**	16.4	16.2
Total equity		**468.9**	620.2	628.9
Liabilities				
Interest bearing loans and borrowings	10	**142.7**	291.6	313.3
Lease liabilities	10, 16	**33.8**	42.7	46.1
Retirement benefit obligations	9	**22.1**	25.7	25.1

Provisions		**1.1**	2.5	2.5
Other financial liabilities	14	**1.3**	1.2	5.6
Other payables		**-**	1.1	-
Deferred tax liabilities		**17.5**	44.2	45.3
Total non-current liabilities		**218.5**	409.0	437.9
Interest bearing loans and borrowings	10	**270.5**	-	-
Lease liabilities	10, 16	**6.9**	10.4	11.6
Derivative liabilities	14	**0.4**	0.1	0.1
Income tax payable		**19.7**	28.2	21.5
Other financial liabilities	14	**4.6**	**-**	**-**
Trade and other payables		**151.5**	179.9	180.9
Provisions		**-**	3.9	1.1
Total current liabilities		**453.6**	222.5	215.2
Liabilities in disposal group held for sale	16	**123.5**	-	-
Total liabilities		**795.6**	631.5	653.1
Total equity and liabilities		**1,264.5**	1,251.7	1,282.0

* See basis of preparation in note 1 for further details of the prior period restatement.

Condensed consolidated statement of changes in equity

	Six months ended 30 June 2022								
	Issued capital £m	**Merger relief reserve £m**	**Capital redemption reserve £m**	**Other reserve £m**	**Cash flow hedging and cost of hedging reserves[2] £m**	**Translation reserve £m**	**Retained earnings £m**	**Non-controlling interests £m**	**Total equity £m**
At 1 January 2022	**75.6**	**385.2**	**0.1**	**(132.8)**	**(1.5)**	**(47.5)**	**333.6**	**16.2**	**628.9**
(Loss)/profit for the period							(188.6)	1.2	**(187.4)**
Other comprehensive income					(0.3)	26.6	(4.6)	0.8	**22.5**
Total comprehensive income for the period	-	-	-	-	(0.3)	26.6	(193.2)	2.0	**(164.9)**
Share option credit							1.6	-	**1.6**
Tax relating to share-based incentives							(0.6)	-	**(0.6)**
Net impact of IAS 29[3]							15.9	-	**15.9**
Dividends paid							(12.0)	-	**(12.0)**
At 30 June 2022	**75.6**	**385.2**	**0.1**	**(132.8)**	**(1.8)**	**(20.9)**	**145.3**	**18.2**	**468.9**

	Six months ended 30 June 2021 (restated)[1]								
	Issued capital	Merger relief reserve	Capital redemption reserve	Other reserve	Cash flow hedging and cost of hedging reserves	Translation reserve	Retained earnings	Non-controlling interests	Total equity

	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2021	75.6	385.2	0.1	(132.8)	(0.1)	(24.1)	300.8	13.3	618.0
Profit for the period (restated)[1]							15.9	0.7	16.6
Other comprehensive income					0.1	(16.0)	8.1	(0.7)	(8.5)
Total comprehensive income for the period	-	-	-	-	0.1	(16.0)	24.0	-	8.1
Equity issue to non-controlling interest							-	3.1	3.1
Share option expense							(0.5)	-	(0.5)
Tax relating to share-based incentives							1.4	-	1.4
Dividends paid							(9.9)	-	(9.9)
At 30 June 2021	75.6	385.2	0.1	(132.8)	-	(40.1)	315.8	16.4	620.2

Condensed consolidated statement of changes in equity (continued)

Year ended 31 December 2021

	Issued capital	Merger relief reserve	Capital redemption reserve	Other reserve	Cash flow hedging and cost of hedging reserves	Translation reserve	Retained earnings	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2021	75.6	385.2	0.1	(132.8)	(0.1)	(24.1)	300.8	13.3	618.0
Profit for the period							26.9	1.4	28.3
Other comprehensive income					(1.4)	(23.4)	20.6	(0.1)	(4.3)
Total comprehensive income for the period	-	-	-	-	(1.4)	(23.4)	47.5	1.3	24.0
Equity issue to non-controlling interest								3.1	3.1
Share option credit							0.8	-	0.8
Tax relating to share-based incentives							0.5	-	0.5
Dividends paid							(16.0)	(1.5)	(17.5)
At 31 December 2021	75.6	385.2	0.1	(132.8)	(1.5)	(47.5)	333.6	16.2	628.9

1 See basis of preparation in note 1 for further details of the prior period restatement.

2 See note 14 for details of hedging reserve movements in relation to derivatives.

3 See note 1 for details on the net impact on retained earnings as a result of the index-based adjustments in Turkey under IAS 29 'Financial Reporting in Hyperinflationary Economies'.

Condensed consolidated statement of cash flows

		(restated)*	
	Six months	Six months	Year

	Note	ended 30 Jun 2022 £m	ended 30 Jun 2021 £m	ended 31 Dec 2021 £m
Operating activities				
(Loss)/profit from continuing operations		**(4.6)**	11.4	26.3
(Loss)/profit from discontinued operations		**(182.8)**	5.2	2.0
(Loss)/profit for the period		**(187.4)**	16.6	28.3
Adjustments for:				
Income tax (credit)/expense		**(7.3)**	1.4	4.9
Net finance expense		**12.2**	7.0	16.5
Intangible amortisation		**12.9**	12.3	25.0
Adjusting items		**212.9**	(0.2)	11.8
Depreciation of property, plant and equipment		**19.7**	18.2	36.6
Lease right-of-use asset depreciation		**6.1**	5.8	12.0
Profit on disposal of fixed assets		**(0.1)**	(0.1)	-
Impairment of fixed assets		**-**	0.2	0.5
Share option expense/(credit)		**1.6**	(0.5)	0.8
Hedging activities and other movements		**-**	(0.7)	(0.5)
Increase in inventories		**(22.6)**	(10.9)	(28.3)
Increase in trade and other receivables		**(50.8)**	(35.5)	(27.9)
Increase in trade and other payables		**32.1**	31.3	26.3
Cash outflow in respect of adjusting items		**(24.6)**	(12.7)	(25.6)
Adjustment for pension contributions		**0.4**	(4.2)	(4.8)
Movement in provisions		**(0.2)**	0.1	(0.2)
Movement due to hyperinflation		**(1.7)**	-	-
Cash inflow from operating activities		**3.2**	28.1	75.4
Income tax paid		**(6.3)**	(7.3)	(12.2)
Net cash (outflow)/inflow from operating activities		**(3.1)**	20.8	63.2
Investing activities				
Interest received		**0.4**	1.0	0.4
Acquisition of property, plant and equipment		**(22.8)**	(16.1)	(38.5)
Proceeds from sale of property, plant and equipment		**0.2**	8.5	8.9
Payments for intangible assets		**(1.2)**	(1.4)	(3.2)
Acquisition of businesses net of cash acquired		**-**	(1.9)	(14.6)
Movement due to hyperinflation		**0.2**	-	-
Net cash outflow from investing activities		**(23.2)**	(9.9)	(47.0)
Financing activities				
Interest paid		**(8.1)**	(7.2)	(11.0)
Dividends paid to equity holders		**(12.0)**	(9.9)	(16.0)
Dividends paid to non-controlling interests		**-**	-	(1.5)
Arrangement fee paid for financing facilities		**-**	-	(4.4)
Prepaid facility fees		**-**	(1.0)	-
Repayments of long-term loans		**-**	-	(182.5)
Proceeds from long-term loans		**65.0**	10.0	211.4
Lease liability payments		**(6.8)**	(6.3)	(12.8)
Proceeds from equity issue to non-controlling interest		**-**	3.1	3.1
Net cash inflow/(outflow) from financing activities		**38.1**	(11.3)	(13.7)
Net increase/(decrease) in cash and cash equivalents		**11.8**	(0.4)	2.5
Net cash and cash equivalents at the beginning of the period		**136.3**	135.8	135.8
Net increase/(decrease) in cash and cash equivalents		**11.8**	(0.4)	2.5
Net effect of currency translation on cash and cash equivalents		**5.5**	(2.9)	(2.0)
Net cash and cash equivalents at the end of the period	10, 16	**153.6**	132.5	136.3

* See basis of preparation in note 1 for further details of the prior period restatement.

1. Basis of preparation

The condensed consolidated interim financial statements of the Group have been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. For the purposes of the condensed consolidated interim financial statements 'Essentra' or 'the Group' means Essentra plc and its subsidiaries.

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

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at 30 June 2021 and for the year ended 31 December 2021 which has been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by Essentra plc during the interim reporting period.

The comparative figures for the financial year ended 31 December 2021 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. These condensed consolidated interim financial statements have been reviewed but not audited.

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reporting amounts of revenues, expenses, assets and liabilities at 30 June 2022. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the condensed consolidated interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

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

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 24 June 2022, Essentra entered into a sale and purchase agreement with Mayr-Melnhof Group to dispose of the Group's operations in Packaging. The transaction is expected to complete in the fourth quarter of 2022. The results of Packaging are presented as results from a discontinued operation in the consolidated income statement, and the comparative information has been re-presented accordingly. The assets and liabilities of Packaging have also been presented as held for sale on the balance sheet as at 30 June 2022.

As part of the announcement made on 24 June 2022, it was noted that the Group's Indian packaging operations would not form part Mayr-Melnhof Group. The results of the Packaging India business, which are not material to the Group, are presented as part of discontinued operations and the assets and liabilities are included within held for sale within the Condensed consolidated balance sheet.

The accounting policies used in the presentation of the condensed consolidated interim financial statements are detailed below. These policies have been consistently applied to all periods presented.

Application of IAS 29 Financial Reporting in Hyperinflationary Economies

During the six month period, the Group held trade and assets denominated in Turkish Lira where IAS 29 has been applied for the first time. The Components division's business in Turkey holds property, plant and equipment, intangible assets, right-of-use assets and inventory that are classed as non-monetary and, along with any associated deferred tax, must be adjusted for the effect of inflation every reporting period. The income statement must be adjusted for the Consumer Price Index since the date of the transaction.

The application of the standard has a material impact on the condensed consolidated interim financial statements which includes the results and financial position of its Turkey operations restated to the measuring unit current at the end of the period. A summary of the impact is shown below:

Impact on the consolidated balance sheet:

	As at 30 June 2022 £m
Goodwill	9.5
Intangibles	3.7
Property, plant and equipment	3.2
Lease right-of-use asset	2.0
Inventories	1.8
Deferred tax liabilities	(2.3)
Impact on net assets	**17.9**
Impact on income statement	2.0
Impact on equity	15.9
Total equity	**17.9**

For the six months ended 30 June 2022 a monetary gain of £2.2m was included within net finance expense. Comparative amounts presented in the condensed consolidated interim financial statements were not restated. When applying IAS29 on an ongoing basis, comparatives in a stable currency are not restated and the effect of inflating opening balances to the measuring unit current at the end of the reporting period is presented in equity.

Software as a service ('SaaS') arrangements

Details on the impact of the change in accounting policy relating to software as a service arrangements can be found in the Essentra Annual Report 2021 on page 149. Prior periods were restated for this change in policy and accordingly, the balance sheet as at 30 June 2021 and consolidated income statement period ended 30 June 2021 have now also been restated in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The table below show the impact of the change in accounting policy on previously reported financial results and position.

Impact on the consolidated balance sheet:

	As at 30 June 2021 £m
Property, plant and equipment	(0.9)
Intangibles	(21.2)
Net deferred tax liabilities	4.9

Reduction in net assets	**(17.2)**

Increase in adjusting items (reduction in continuing profit)	(5.3)
Decrease in depreciation (increase in continuing profit)	0.2
Deferred tax credit	1.1
Impact on income statement	**(4.0)**

Pronouncements

The Group adopted the following new pronouncements during the period to 30 June 2022, which did not have a material impact on the Group's condensed consolidated interim financial statements:

- Amendments to IAS 16 *Property Plant and Equipment:* Proceeds before Intended Use
- Amendments to IAS 37 *Onerous Contracts:* Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018 - 2020
- Amendments to IFRS 3 *Reference to the Conceptual Framework*

Going concern

At 30 June 2022, the Group's financing arrangements amounted to £564.3m, comprising United States Private Placement (USPP) of US$350.0m (with a range of expiry dates from November 2024 to July 2033) and a revolving credit facility (RCF) of £275.0m

At 30 June 2022, £150.8m of the RCF facility was undrawn. The facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITA to net finance charges. The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performances and considering the existing banking facilities, including the available liquidity, have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months following the date of approval of the financial statements, and no breaches of covenants are expected.

On 24 June the Group announced an agreement to sell the Packaging business for proceeds of £312m on a cash free debt free basis.

As a consequence of this, Essentra's current intention is to reduce the drawings under its RCF to nil (as of 30 June 2022, the drawing on the RCF loan was £124.2m). The Company also intends to prepay, with a make-whole premium the entirety of the $100m outstanding notes issued under the Group's 2017 and 2019 note purchase agreements. Furthermore, the Company also intends to repay a proportion of the $250m loan notes issued in 2021. The amount to be repaid for these is estimated to be $74m. These prepayments are expected to result in an aggregate payment to the holders of notes of USD174m in addition to any make whole payments. The loans have been classified as current liabilities however their early repayment is conditional on receipt of the proceeds from the sale of the Packaging business. This classification as current liabilities does not indicate a going concern problem.

As part of the going concern assessment, the Board has considered a downside scenario in 2023 that reflects the current uncertainty in the global economy and which management consider to be severe but plausible. The results of this scenario show that there is sufficient liquidity in the business for a period of at least 12 months from the date of approval of these condensed consolidated interim financial statements, and do not indicate any covenant breach during the test period. The downside scenario in H2 2022 includes an assumption of a similar extent to disruptions as seen in 2021, with no assumed increase in revenue or profit, as well as modelling a further macro-economic decline in 2023, especially for the Components business and a year on year decline in sales of 10%. Set against this were mitigating actions including tight management of capital expenditure, sales and general overhead, and working capital control.

At 30 June 2022, the Group's liquidity position (defined as the headroom available under the banking facilities plus cash resources) amounted to £304.4m. Excluding amount attributable to minority interests, the liquidity was £292.2m.

The severe but plausible scenario does not indicate a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern. The outcome of the Packaging strategic review and uses of proceeds has been included as a separate scenario as part of the going concern testing, given the announcement of the sale on 24 June 2022. No breaches of covenants and facility limits are anticipated in this event, which has also been tested alongside the downside scenario. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the condensed consolidated interim financial statements.

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

Critical Accounting Judgements and Estimates

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

Accounting Estimates

i Business combinations and intangible assets

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

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

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

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

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

ii Taxation

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

Included in the tax payable is a liability of £6.3m (31 December 2021: £7.4m) for transfer pricing matters and £12.3m (31 December 2021: £12.3m) for other uncertain tax positions. The movement is due to adjustments for current year transactions including foreign exchange movements, expiry of statute of limitations following the passage of time and agreement reached with tax authorities on previous matters.

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

iii Pensions

Essentra accounts for its defined benefit pension schemes in accordance with IAS 19. The application of IAS 19 requires the exercise of judgement in relation to the assumptions used and for each assumption there is a range of possible outcomes. In consultation with Essentra's actuaries, management decides the point within those ranges that most appropriately reflects Essentra's circumstances. Small changes to these assumptions can have a significant impact on valuations. The Group performs a sensitivity analysis for the significant assumptions used in determining post-employment costs and liabilities, as detailed in note 18 of the Essentra Annual Report 2021.

iv Assets held for sale - estimation of costs to sell

Where a business is classified as assets held for sale, management is required to estimate certain future costs to sell the business in order to calculate the net assets' fair value (being proceeds less cost to sell). In determining the estimated costs to sell, management considers all the information available to them at the time and where appropriate may engage with external advisors to provide support in making of these estimates.

Accounting Judgements

i Adjusting items

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

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

ii Consolidation of subsidiary

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

iii Leases and lease right-of-use assets

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

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

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

iv Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

We assessed the status of the currently ongoing strategic review for the Filters division, and considered the applicability of the requirements in relation to assets held for sale. At present no decision or commitment has been entered into by management. Management therefore concluded that the business under strategic review does not meet the requirements under IFRS 5 to be classified as 'held for sale' as at 30 June 2022.

2. Segment analysis

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

The operating segments are as follows:

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

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

Packaging is one of only two multi-continental suppliers of a full secondary packaging range to the health and personal care sectors. On 24 June 2022 the Group announced the sale of the Packaging business and in accordance with IFRS 5 this segment has been presented within discontinued operations. The Packaging business will continue to operate until the sale is complete, which is expected to be later this year.

The adjusted operating profit 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.

						Six months ended 30 June 2022
	Components	Filters	Central Services[2]	Total Continuing Operations	Discontinued Operations	Total Group
	£m	£m	£m	£m	£m	£m
External revenue	175.9	164.9	-	340.8	205.6	**546.4**
Total revenue	175.9	164.9	-	340.8	205.6	**546.4**
Adjusted operating profit[3]	35.9	15.1	(12.9)	38.1	3.9	**42.0**
Segment assets	212.4	225.9	23.8	462.1	270.2	**732.3**
Intangible assets	178.8	23.4	4.2	206.4	122.8	**329.2**
Unallocated items [4]	-	-	187.0	187.0	16.0	**203.0**
Total assets	**391.2**	**249.3**	**215.0**	**855.5**	**409.0**	**1,264.5**
Segment liabilities	78.7	79.5	39.6	197.8	98.5	**296.3**
Unallocated items [4]	-	-	472.9	472.9	26.4	**499.3**
Total liabilities	**78.7**	**79.5**	**512.5**	**670.7**	**124.9**	**795.6**

2. Segment analysis (continued)

						(restated)[1] Six months ended 30 June 2021
	Components	Filters	Central Services[2]	Total Continuing Operations	Discontinued Operations	Total Group
Restated	£m	£m	£m	£m	£m	£m

	Components £m	Filters £m	Central Services[2] £m	Total Continuing Operations £m	Discontinued Operations £m	Total Group £m
External revenue	148.4	139.5	-	287.9	187.0	**474.9**
Total revenue	148.4	139.5	-	287.9	187.0	**474.9**
Adjusted operating profit[3]	27.0	11.5	(12.2)	26.3	9.6	**35.9**
Segment assets	163.8	191.4	23.3	378.5	217.1	**595.6**
Intangible assets	150.6	22.7	5.5	178.8	302.9	**481.7**
Unallocated items [4]	-	-	174.4	174.4	-	**174.4**
Total assets	**314.4**	**214.1**	**203.2**	**731.7**	**520.0**	**1,251.7**
Segment liabilities	69.6	60.4	28.7	158.7	83.0	**241.7**
Unallocated items [4]	-	-	389.8	389.8	-	**389.8**
Total liabilities	**69.6**	**60.4**	**418.5**	**548.5**	**83.0**	**631.5**

(restated)[1]

Year ended 31 December 2021

	Components £m	Filters £m	Central Services[2] £m	Total Continuing Operations £m	Discontinued Operations £m	Total Group £m
External revenue	301.7	295.6	-	597.3	362.4	**959.7**
Total revenue	301.7	295.6	-	597.3	362.4	**959.7**
Adjusted operating profit[3]	56.9	28.2	(16.6)	68.5	15.4	**83.9**
Segment assets	172.4	199.7	21.8	393.9	219.9	**613.8**
Intangible assets	158.9	23.0	4.5	186.4	297.1	**483.5**
Unallocated items [4]	-	-	184.7	184.7	-	**184.7**
Total assets	**331.3**	**222.7**	**211.0**	**765.0**	**517.0**	**1,282.0**
Segment liabilities	74.2	66.7	29.2	170.1	77.7	**247.8**
Unallocated items [4]	-	-	405.3	405.3	-	**405.3**
Total liabilities	**74.2**	**66.7**	**434.5**	**575.4**	**77.7**	**653.1**

[1] See basis of preparation in note 1 for further details of the prior period restatements.

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

[3] Operating profit before acquired intangible amortisation and adjusting items. This also includes the allocation of certain costs using an internal management methodology between continuing and discontinued operations.

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

3. Adjusting items

	Six months ended 30 Jun 2022 £m	(restated)* Six months ended 30 Jun 2021 £m	(restated)* Year ended 31 Dec 2021 £m

Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses[1]	**192.6**	(4.3)	(2.9)
Customisation and configuration costs of significant software as a service ("SaaS") arrangements	**6.2**	5.3	11.8
Acquisition integration and restructuring costs	**-**	0.2	0.6
Other[2]	**14.1**	(1.4)	2.3
Adjusting items in total Group	**212.9**	(0.2)	11.8
Adjusting items in continuing operations	**19.3**	2.8	13.8
Adjusting items in discontinued operations	**193.6**	(3.0)	(2.0)

* Year ended 31 December 2021 has been restated to reallocate £0.5m of separation fees relating to the sale of the Packaging business to transaction costs relating to acquisitions and disposals. See basis of preparation in note 1 for further details of the prior year restatement due to SaaS arrangements.

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

1 Losses/gains and transaction costs relating to acquisitions and disposals of businesses are made up of a £181.6m anticipated loss on disposal of the packaging business due to an impairment of goodwill, £0.3m impairment of property, plant and equipment and £1.1m relating to intangible assets in India following an impairment review triggered by the divestment of the Packaging division. £9.6m relates to advisory costs in relation to the separation of the Packaging division.

2 The other adjusting items of £14.1m for the six months ended 30 June 2022 relates to:

- £9.7m of advisory costs in relation to the strategic review of the Filters divisions.
- £3.4m of advisory costs in relation to a strategic review of the Group's operational structure and cost profile, and certain redundancies in enabling functions made as part of the review.
- £0.5m in relation to Filters restructuring, including rationalisation of the division's R&D facilities in the US.
- £1.0m restructuring costs in the Packaging division, involving management restructuring and redundancies at various sites.
- £0.5m net credit relating to Components restructuring, comprising £0.2m costs in relation to restructuring activities, offset by a £0.1m credit relating to the reversal of historical provisions within the Components Europe and in the Americas businesses, comprising £0.1m costs in relation to restructuring activities, offset by a £0.7m credit relating to adjustment on the carrying value of lease right-of-use assets.

4. Taxation

The taxation charges for the continuing operations for the six months ended 30 June 2022 and 30 June 2021 are based on the expected effective tax rate for the full year, including the impact of prior period tax adjustments. The enacted tax rates and forecast profits of the jurisdictions the Group operate in determines this effective tax rate. The taxation charges for the discontinued operations are based on the results for the period applying the relevant tax rates by jurisdiction.

The Group's underlying effective rate has been affected by the application of IAS 29 in respect of hyperinflation in Turkey and accounting adjustments required for discontinued operations in accordance with IFRS 5. The impact of these accounting standards is an increase in the underlying effective tax rate of 5.2%.

5. Earnings per share

	Six months ended 30 Jun 2022 £m	(restated)* Six months ended 30 Jun 2021 £m	(restated)* Year ended 31 Dec 2021 £m
Earnings: Continuing operations			
(Loss)/earnings attributable to equity holders of Essentra plc	**(5.8)**	10.7	24.9

Adjustments			
Amortisation of acquired intangible assets	**5.0**	4.2	8.6
Adjusting items	**19.3**	2.8	13.8
	24.3	7.0	22.4
Tax on adjustments	**(2.5)**	(1.9)	(3.1)
Adjusted earnings	**16.0**	15.8	44.2

Earnings: Discontinued operations			
(Loss)/earnings attributable to equity holders of Essentra plc	**(182.8)**	5.2	2.0
Adjustments			
Amortisation of acquired intangible assets	**6.6**	6.9	13.8
Adjusting items	**193.6**	(3.0)	(2.0)
	200.2	3.9	11.8
Tax on adjustments	**(12.5)**	(1.5)	(3.2)
Adjusted earnings	**4.9**	7.6	10.6

Weighted average number of shares			
Basic weighted average ordinary shares outstanding (million)	**301.0**	301.0	301.0
Dilutive effect of employee share option plans (million)	**2.2**	1.2	1.3
Diluted weighted average ordinary shares (million)	**303.2**	302.2	302.3
Earnings per share: Continuing operations (pence)			
Basic (loss)/earnings per share	**(1.9)p**	3.6p	8.3p
Adjustment	**7.2p**	1.6p	6.4p
Basic adjusted earnings per share	**5.3p**	5.2p	14.7p
Diluted (loss)/earnings per share	**(1.9)p**	3.5p	8.2p
Adjustment	**7.2p**	1.7p	6.4p
Diluted adjusted earnings per share	**5.3p**	5.2p	14.6p
Earnings per share: Discontinued operations (pence)			
Basic (loss)/earnings per share	**(60.7)p**	1.7p	0.7p
Adjustment	**62.3p**	0.8p	2.8p
Basic adjusted earnings per share	**1.6p**	2.5p	3.5p
Diluted (loss)/earnings per share	**(60.7)p**	1.7p	0.7p
Diluted adjusted earnings per share	**1.6p**	2.5p	3.5p
Earnings per share: Total Group (pence)			
Basic (loss)/earnings per share	**(62.7)p**	5.3p	8.9p
Adjustment	**69.6p**	2.4p	9.3p
Basic adjusted earnings per share	**6.9p**	7.7p	18.2p
Diluted (loss)/earnings per share	**(62.7)p**	5.2p	8.9p
Diluted adjusted earnings per share	**6.9p**	7.7p	18.1p

* See basis of preparation in note 1 for further details of the prior period restatements.

Adjusted earnings per share is provided to reflect the underlying earnings performance of Essentra. The basic weighted average number of ordinary shares in issue excludes shares held in treasury and shares held by an employee benefit trust.

6. Property, plant and equipment

During the period, the additions of land and buildings, plant and machinery and fixtures, fittings and equipment amounted to £22.1m (six months ended 30 June 2021: £16.3m; year ended 31 December 2021: £38.8m) and there was an increase of £16.3m (six months ended 30 June 2021: decrease of £6.1m; year ended 31 December 2021: decrease of £6.9m) in net book value due to foreign exchange movements which includes the impact from the application of IAS 29.

Land and buildings, plant and machinery and fixtures, fittings and equipment with a net book value of £0.5m (six months ended 30 June 2021: £3.7m; year ended 31 December 2021: £4.8m) were disposed of for proceeds of £0.2m (six months ended 30 June 2021: £8.5m; year ended 31 December 2021: £8.9m).

At 30 June 2022 property, plant and equipment with a net book value of £159.7m excludes £112.8m which has been classified within assets held for sale (see note 16).

The impact of IAS 29 'Financial Reporting in Hyperinflationary Economies' on property, plant and equipment is shown within note 1.

7. Lease right-of-use assets

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

During the period, the additions to right-of-use assets amounted to £7.0m (six months ended 30 June 2021: £1.0m; year ended 31 December 2021: £10.0m) and the depreciation of right-of-use assets amounted to £6.1m (six months ended 30 June 2021: £5.8m; year ended 31 December 2021: £12.0m).

During the period the right-of-use assets net book value increased by £2.9m (six months ended 30 June 2021: decrease of £1.6m; year ended 31 December 2021: decrease of £2.7m) due to foreign exchange movements.

Right-of-use assets with a net book value of £nil (six months ended 30 June 2021: £nil; year ended 31 December 2021: £2.0m) were acquired through business combinations in the period (see note 16).

At 30 June 2022 lease right-of-use assets with a net book value of £38.7m excludes £18.6m which has been classified within assets held for sale (see note 16).

The impact of IAS 29 'Financial Reporting in Hyperinflationary Economies' on lease right-of-use assets is shown within note 1.

8. Intangible assets

During the period, the additions of intangible assets (excluding acquisitions) amounted to £1.2m (six months ended 30 June 2021: £1.4m; year ended 31 December 2021: £3.2m) and there was an intangible net book value increase of £28.4m (six months ended 30 June 2021: decrease of £10.0m; year ended 31 December 2021: decrease of £9.9m) due to foreign exchange movements.
Included within intangibles were goodwill assets of £158.0m (six months ended 30 June 2021: £322.4m; year ended 31 December 2021: £327.0m) and there was a goodwill net book value increase of £16.7m (six months ended 30 June 2021: decrease of £5.8m; year ended 31 December 2021: decrease of £5.7m) due to foreign exchange movements.

Included in gross carrying amount of goodwill assets at 1 January 2022 was £354.9m and the accumulated impairment losses were £27.9m. As at 30 June 2022 gross carrying amount was £382.2m and accumulated losses were £210.8m. This includes goodwill within assets held for sale.

As at 30 June 2022 intangible assets with a net book value of £206.4m excludes £122.8m which has been classified within assets held for sale (see note 16).

On 24 June 2022 the Group announced the sale of the Packaging business to Mayr-Melnhof Group for a consideration of £312m on a cash-free, debt-free basis. The sale is expected to complete in Q4 2022 and in accordance with IFRS 5 the assets and liabilities of the discontinued business has been presented as held for sale on the balance sheet as at 30 June 2022. Further in accordance with IFRS 5 an impairment expense is required if the net assets are higher than the fair value (being the proceeds less estimated cost to sell). As a consequence, the Group has recognised an expense of £181.6m within discontinued operations for the six months ended 30 June 2022.

For the Filters and Components businesses impairment tests for goodwill and intangible assets are based on the

Board approved business plan (the "Plan"). Cash flow projections are over five years using the approved annual budget for the first year and subsequent years based on the Group and Divisional Strategic Plan. Impairment test assumptions used by the Group can be found within the Annual Report 2021 Financial Statements on page 170.

The impact of IAS 29 'Financial Reporting in Hyperinflationary Economies' on intangible assets is shown within note 1.

9. Retirement benefit obligations

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

	Six months ended 30 Jun 2022 £m	Six months ended 30 Jun 2021 £m	Year ended 31 Dec 2021 £m
Movements			
Beginning of period	**9.0**	(23.9)	(23.9)
Current service cost and administrative expense	**(1.1)**	(0.9)	(1.8)
Employer contributions	**0.7**	5.1	6.4
Reduction on plan assets excluding amounts in net finance income	**(73.8)**	(12.3)	(0.6)
Actuarial gains arising from changes in financial assumptions	**57.6**	23.1	18.8
Actuarial gains arising from change in demographic assumptions	**4.8**	-	4.5
Actuarial gains arising from experience adjustment	**5.4**	1.1	5.8
Net finance cost	**-**	(0.3)	(0.6)
Curtailments	**-**	-	0.2
Currency translation	**(2.4)**	0.7	0.2
End of period - total Group	**0.2**	(7.4)	9.0
End of period - continuing operations	**0.8**	(6.8)	9.6
End of period - liabilities held for sale	**(0.6)**	(0.6)	(0.6)

The assets and liabilities of the principal defined benefit schemes were reviewed by independent qualified actuaries as at 30 June 2022. The assets of the schemes have been updated to the balance sheet date to take account of the investment returns achieved by the schemes and the contributions made during the period. The liabilities of the schemes at the balance sheet date have been updated to reflect the latest discount rates and other assumptions as well as benefit payments. The principal assumptions used by the independent qualified actuaries were as follows:

Europe

	30 Jun 2022	30 Jun 2021	31 Dec 2021
Rate of increase in pensions			
At RPI capped at 5%	**3.00%**	3.00%	3.10%
At CPI capped at 5%	**2.60%**	2.50%	2.70%
At CPI minimum 3%, capped at 5%	**3.20%**	3.20%	3.30%
At CPI capped at 2.5%	**2.10%**	2.10%	2.20%
Discount rate	**3.70%**	1.90%	1.90%
Inflation rate - RPI	**3.10%**	3.10%	3.20%
Inflation rate - CPI	**2.60%**	2.50%	2.70%

US

	30 Jun 2022	30 Jun 2021	31 Dec 2021
Discount rate	**4.59%**	2.78%	2.80%

Included within reduction on plan assets is an actuarial loss of £7.1m relating to an investment decision to purchase a bulk purchase annuity ('buy-in') contract. A premium of £38.2m was paid to purchase buy-in to insure against liabilities within the UK defined benefits scheme. The loss represented the difference between the premium paid and the estimated present value of the obligations and is included within other comprehensive income.

10. Analysis of net debt

	30 Jun 2022	31 Dec 2021
	£m	£m
Cash at bank and in hand	**132.3**	123.9
Short-term deposits and investments	**21.3**	12.4
Cash and cash equivalents	**153.6**	136.3
Derivative financial instruments hedging placement loans	**10.7**	-
Loans and borrowings due within one year	**(270.5)**	-
Loans and borrowings due after one year	**(142.7)**	(313.3)
Lease liabilities within one year	**(11.6)**	(11.6)
Lease liabilities after one year	**(49.4)**	(46.1)
Net debt	**(309.9)**	(234.7)

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

At 30 June 2022, the Group's committed facilities primarily comprised a series of US Private Placement Loan Notes from various financial institutions totalling US$350.0m and a syndicated revolving credit facilities of £275.0m from its banks. At 30 June 2022, the available bank facilities totalled £275.0m (31 December 2021: £275.0m) of which £124.2m (31 December 2021: £59.2m) has been drawn down and £150.8m (31 December 2021: £215.8m) was undrawn.

The Group issued $250m of additional USPP loan notes on 27 July 2021 with terms of 7 ($80m), 10 ($85m) and 12 ($85m) years.

As a consequence of the commitment to sell the Packaging business the business the Group has obtained lenders' consent under terms which requires repayment of drawn down loan balances within 60 days of receiving the proceeds from the sale. For this reason, loans of £124.2m have been classified as due within one year. The requirement to pay within one year is conditional on the completion of the sale of Packaging.

Furthermore, under the terms of US Private Placement Loan Notes, the Group is required to make an offer for a proportion of its loan notes. The portion of the notes offered to be repaid will depend on the net proceeds from disposals received by Essentra in the year up to the date of the disposal. The Company intends to pay back the $100m 2017 and 2019 loan notes in full including any make whole payments. For 2021 loan notes, it will be open to each holder of notes issued under its purchase agreement to elect whether or not to take up this offer. We estimate the total loan note uptake to be $74.0m. The repayment of these $174m US Loan Notes is also only conditional on the sale of Packaging completing. The current liabilities for all loans recognised totalling £270.5m will not become due within one year if the sale does not complete.

11. Acquisitions

Acquisition of Hengzhu

On 2 August 2021, Essentra acquired the majority of the share capital of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd ("Hengzhu"), an access hardware manufacturer and distributor in China. Essentra initially acquired 73% of the business for ¥103m (approximately £11.8m), with the remaining 27% stake subject to put and call options whereby Essentra may acquire the minority shareholding for consideration determined by the future operating performance of the business to 31 December 2022 and capped at a maximum of ¥37.5m (approximately £4.2m) and are exercisable 18 months after the acquisition. The capped consideration has not changed since acquisition. The remaining 27% stake does not confer any shareholder right (including voting right, entitlement to dividends and right to transfer to other parties) to the vendor shareholder. Therefore, it is concluded that the amount payable under the put option in substance represents deferred consideration and is accounted for as a financial liability. No non-controlling interest is recognised in respect of this acquisition.

Acquisition of Micro Plastics

On 12 December 2017, Essentra acquired 100% of the share capital of Micro Plastics Inc. The transaction was settled with cash consideration of £19.7m and deferred consideration of £3.7m. As at 31 December 2021 £2.5m of deferred consideration was paid out to the vendor, with the remainder to be paid in the future.

12. Dividends

			Per share			**Total**
	Six months ended 30 Jun 2022	Six months ended 30 Jun 2021	Year ended 31 Dec 2021	**Six months ended 30 Jun 2022**	Six months ended 30 Jun 2021	Year ended 31 Dec 2021
	p	p	p	**£m**	£m	£m
2021 interim:						
paid 29 October 2021		2.0	2.0		6.0	6.0
2021 final:						
paid 1 June 2022			4.0			12.1
2022 interim:						
payable 28 October 2022	2.3			6.9		
	2.3	2.0	6.0	6.9	6.0	18.1

The interim dividend for 2022 of 2.3p per 25p ordinary share will be paid on 28 October 2022 to equity holders on the register of shares on 23 September 2022.

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

13. Related party transactions

Essentra has not entered into any material transactions with related parties since the last Annual Report.

14. Financial instruments

Essentra held the following financial instruments at fair value at 30 June 2022. 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, are the deferred considerations relating to the acquisitions of Micro Plastics and Hengzhu. The fair value of the deferred considerations are estimated based on an assessment of the likely outcome of the acquired business' financial performance, and reflects management's expectation of the performance during the earn out period. The other financial instruments included in the table below are determined to be level 2 in the fair value hierarchy. There have been no transfers between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

	30 Jun 2022	31 Dec 2021
	£m	£m
Financial assets		
Derivatives - foreign exchange swaps	**0.1**	0.5
Derivatives - cross currency interest rate swaps on USPP loan	**10.7**	0.7

Financial liabilities		
Derivatives - foreign exchange swaps	**(0.4)**	(0.1)
Deferred consideration	**(5.9)**	(5.6)
Net assets/(liabilities)	**4.5**	(4.5)

Essentra had US dollar and euro denominated borrowings which it designated as hedges of its net investments in subsidiary undertakings. The euro borrowings were repaid in the second half of 2021. The exchange losses of £17.6m (30 June 2021: £0.5m gain) on the US dollar borrowings and the gain of £nil (30 June 2021: £2.6m gains) on the euro borrowings were recognised in other comprehensive income.
At 30 June 2022, the carrying amount of the US Private Placement Loan Notes were £289.3m with a fair value of £254.4m. At 30 June 2021, the carrying amount of the US Private Placement Loan Notes were £72.5m with a fair value of £78.3m. For all other financial instruments, the fair value approximates to the carrying amount.

Fair values of forward foreign exchange contracts and cross currency swaps have been calculated at period end forward exchange rates compared to contracted rates.

During the period, no fair value gain or loss (30 June 2021: £nil) was recognised in respect of financial instruments at level 3 fair value hierarchy, and £nil (30 June 2021: £nil) was settled in cash.

15. Post balance sheet event

Further to an announcement on 15 July 2022 by Essentra plc regarding the publication of a shareholder circular relating to the proposed disposal of ESNT Packaging & Securing Solutions Limited and Essentra Packaging US Inc and their respective subsidiary companies to the Mayr-Melnhof Group (the "Disposal"), on 8 August 2022 an ordinary resolution to approve the Disposal was duly passed by the Company's shareholders.

16. Discontinued operations

Disposal of Packaging business

On 24 June 2022, Essentra entered into a sale and purchase agreement with Mayr-Melnhof Group to dispose of the Group's Packaging business. The transaction is expected to complete in H2 2022. The results of Packaging are presented as results from a discontinued operation in the consolidated income statement, and the comparative information has been re-presented accordingly. Assets and liabilities relating to the Packaging business have been separately disclosed as items held for sale.
The results of continuing and discontinued operations are as follows:

	Six months ended 30 June 2022		
	Continuing Operations	Discontinued Operations	Total Group
	£m	£m	£m
External revenue	**340.8**	**205.6**	**546.4**
Adjusted operating profit	**35.3**	**6.7**	**42.0**
Amortisation of acquired intangible assets	**(5.0)**	**(6.6)**	**(11.6)**
Adjusting items*	**(19.3)**	**(193.6)**	**(212.9)**
Operating profit/(loss)	**11.0**	**(193.5)**	**(182.5)**
Finance income	**4.3**	**0.1**	**4.4**
Finance expense	**(16.2)**	**(0.4)**	**(16.6)**
Loss before tax	**(0.9)**	**(193.8)**	**(194.7)**
Income tax (expense)/credit	**(3.7)**	**11.0**	**7.3**
Loss after tax	**(4.6)**	**(182.8)**	**(187.4)**

* Adjusting items from discontinued operations includes £181.6m of loss on disposal due to goodwill impairment.

Six months ended 30 June 2021

	Continuing Operations £m	Discontinued Operations £m	Total Group £m
External revenue	287.9	187.0	474.9
Adjusted operating profit	24.6	11.3	35.9
Amortisation of acquired intangible assets	(4.2)	(6.9)	(11.1)
Adjusting items	(2.8)	3.0	0.2
Operating profit	17.6	7.4	25.0
Finance income	1.1	-	1.1
Finance expense	(7.6)	(0.5)	(8.1)
Profit before tax	11.1	6.9	18.0
Income tax credit/(expense)	0.3	(1.7)	(1.4)
Profit after tax	11.4	5.2	16.6

16. Discontinued operations (continued)

		Year ended 31 December 2021	
	Continuing Operations £m	Discontinued Operations £m	Total Group £m
External revenue	597.3	362.4	959.7
Adjusted operating profit	65.7	18.2	83.9
Amortisation of acquired intangible assets	(8.6)	(13.8)	(22.4)
Adjusting items	(13.8)	2.0	(11.8)
Operating profit	43.3	6.4	49.7
Finance income	2.8	-	2.8
Finance expense	(18.4)	(0.9)	(19.3)
Profit before tax	27.7	5.5	33.2
Income tax expense	(1.4)	(3.5)	(4.9)
Profit after tax	26.3	2.0	28.3

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.

16. Discontinued operations (continued)

Cash flows of discontinued operations are as follows:

	Six months ended 30 Jun 2022 £m	Six months ended 30 Jun 2021 £m	Year ended 31 Dec 2021 £m
Net cash outflow from operating activities	**(9.3)**	12.9	17.9
Net cash inflow from investing activities	**(10.8)**	1.8	(6.9)
Net cash inflow from financing activities	**(2.3)**	(3.0)	(5.8)
Net cash flows for the period	**(22.4)**	11.7	5.2

The assets and liabilities of the Packaging Business which were presented as assets and liabilities in the disposal group held for sale, and the assets and liabilities of the rest of the Group were as follows:

As at 30 June 2022	**Rest of Group £m**	**Held for Sale £m**	**Total Group £m**
Property, plant and equipment	159.7	112.8	272.5
Lease right-of-use asset	38.7	18.6	57.3

Intangible assets	206.4	122.8	329.2
Long-term receivables	2.8	1.7	4.5
Derivative assets	10.8	-	10.8
Income tax receivable	1.2	0.5	1.7
Deferred tax asset	8.8	5.2	14.0
Inventories	117.5	42.0	159.5
Trade and other receivables	143.4	95.1	238.5
Retirement benefit assets	22.9	-	22.9
Cash and cash equivalents	143.3	10.3	153.6
Total assets	**855.5**	**409.0**	**1,264.5**

Trade and other payables	151.5	74.8	226.3
Interest bearing loans and borrowings due less than one year	270.5	-	270.5
Interest bearing loans and borrowings due greater than one year	142.7	-	142.7
Lease liabilities due less than one year	6.9	4.7	11.6
Lease liabilities due greater than one year	33.8	15.6	49.4
Retirement benefit obligations	22.1	0.6	22.7
Other financial liabilities	5.9	-	5.9
Provisions	1.1	2.0	3.1
Deferred tax liabilities	17.5	24.6	42.1
Derivative liabilities	0.4	-	0.4
Income tax payable	19.7	1.2	20.9
Total liabilities	**672.1**	**123.5**	**795.6**

The cumulative income or expenses included in other comprehensive income relating to the Packaging business included forex gains on subsidiaries denominated in non-sterling currencies. On completion of the disposal, these gains will then be recycled to loss on business disposals.

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

We confirm that to the best of our knowledge:

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

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

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

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

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

Paul Forman — Chief Executive Officer

Jack Clarke — Chief Financial Officer

16 August 2022

Independent review report to Essentra plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Essentra plc's condensed consolidated interim financial statements (the "interim financial statements") in the Results for the Half Year Ended 30 June 2022 of Essentra plc for the 6 month period ended 30 June 2022 (the "period").

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

The interim financial statements comprise:

- the Condensed consolidated balance sheet as at 30 June 2022;
- the Condensed consolidated income statement and Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of cash flows for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Results for the Half Year Ended 30 June 2022 of Essentra plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

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

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

We have read the other information contained in the Results for the Half Year Ended 30 June 2022 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Results for the Half Year Ended 30 June 2022, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Results for the Half Year Ended 30 June 2022 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Results for the Half Year Ended 30 June 2022, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Results for the Half Year Ended 30 June 2022 based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Milton Keynes
16 August 2022

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