ESSENTRA

RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

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ESSENTRA PLC
(the "Company")

A leading global provider of essential components and solutions

RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

Resilient performance through HY with improving revenue and order trends across all three global divisions in Q2

Summary:

- Trading trends in all three divisions improving through Q2
    - COVID-19 pandemic (the "pandemic") had a significant impact on underlying markets in which Components operates, but revenue and order intake trend improved through Q2
    - Resilient performance in Packaging division with new business secured during HY 2020 and the division delivered growth in May and June
    - Filters division made strong progress on game changers with commencement of new outsourcing contracts in Q2 helping to return division to growth in June
- High level of engagement and resilience in the Essentra Family has helped maintain operational performance and support our customers throughout HY 2020
- All 71 manufacturing and warehouse facilities are fully operational
- Strong underlying liquidity (cash on hand plus undrawn available facilities less JV partner share of cash) position maintained throughout HY 2020 (and improved since the pandemic began)
- HY 2020 results displayed a resilient performance, notwithstanding the impacts of the pandemic
    - Revenue decline of 11.7%, to £448.4m (at constant FX)
        - -8.5%, on a like-for-like[1] (LFL) basis; pandemic impact predominantly felt in Q2
        - Improving trading trends seen as Q2 progressed - with the month of June being only -0.5% on a LFL basis
    - Adjusted[2] operating profit down 40% (at constant FX) to £29.0m. Portfolio simplification successfully completed in HY 2019 accounted for £6.0m of the £19.3m decline, with the remaining decline mainly driven by volume gearing effect
    - Reported operating profit of £15.6m versus £60.1m in HY 2019 (prior half year figures included gains of £19.5m made on business disposals)
    - Adjusted[2] basic EPS lower by 49% (at constant FX) at 6.2p (HY 2019: 12.0p)
    - Reported basic EPS of 2.3p compares to 11.6p in HY 2019
- Net debt of £297.0m (FY 2019: £284.4m), with net debt / EBITDA at 2.5x (on a covenant[3] basis net debt / EBITDA ratio is 2.3x)

[1] Excludes the impact of acquisitions, disposals and foreign exchange
[2] Before amortisation of acquired intangible assets and exceptional and other adjusting items
[3] Calculated as: Net Debt excluding IFRS 16 plus JV partner share of cash / EBITDA excluding IFRS 16 adjusted to include FY impact of acquired businesses

Results at a glance:

	HY 2020	HY 2019	% change Actual FX	% change Constant FX
Revenue	£448m	£507m	-11	-12
Adjusted[1] operating profit	£29m	£48m	-40	-40
Adjusted[1] pre-tax profit	£21m	£41m	-48	-48
Adjusted[1] net income[2]	£17m	£33m	-48	-48
Adjusted[1] basic earnings per share	6.2p	12.0p	-48	-49
Dividend per share	-	6.3p	n/a	n/a
Net debt (including lease liabilities)	£297m	£242m	+23	n/a
Net debt (excluding lease liabilities)	£238m	£193m	+23	n/a
Net debt to EBITDA	2.5x	1.6x	n/a	n/a
Free cash flow[3]	£12m	£23m	n/a	n/a
Reported operating profit	£16m	£60m	-74	-73
Reported pre-tax profit	£8m	£53m	-85	-85
Reported net income[2]	£7m	£32m	-78	-77
Reported basic earnings per share	2.3p	11.6p	-80	-79

[1] Before amortisation of acquired intangible assets and exceptional and other adjusting items

[2] Net income is defined as profit after tax, before minority interests

[3] A reconciliation of free cash flow is set out in the Financial Review

Statutory to Adjusted Reconciliation:

30 June 2020	Reported	Acquisitions and disposals	Amortisation of acquired intangible assets	Exceptional and other adjusting items	Tax on adjustments	Foreign Exchange	LFL / Adjusted
Revenue	£448m	£(16)m	-	-	-	-	£432m
Operating profit	£16m	-	£11m	£2m	-	-	£29m
Pre-tax profit	£8m	-	£11m	£2m	-	-	£21m
Net income	£7m	-	£11m	£2m	£(3)m	-	£17m

30 June 2019	Reported	Acquisitions and disposals	Amortisation of acquired intangible assets	Exceptional and other adjusting items	Tax on adjustments	Foreign Exchange	LFL / Adjusted [1]
Revenue	£507m	£(35)m	-	-	-	£1m	£473m
Operating profit	£60m	-	£11m	£(23)m	-	-	£48m
Pre-tax profit	£53m	-	£11m	£(23)m	-	-	£41m
Net income	£32m	-	£11m	£(23)m	£13m	£0m	£33m

1 - 2019 Adjusted figures are presented at constant FX rates

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

"The first half of 2020 really has been an unprecedented period and I am very proud of how the Company has responded during these challenging times. From the onset of the pandemic, we focused our energies on our initial three main priorities - employee physical and emotional wellbeing, continued high levels of customer support, and cash conservation. Indeed, with the advent of our newer fourth priority - building for our future - we are now focusing on ensuring that we are best placed to successfully emerge from the pandemic.

I would like to whole-heartedly thank all of our employees, whose dedication and resilience have been outstanding. Our people really have gone above and beyond in order to ensure that the world-class level of service that our customers are used to is maintained, despite the challenging circumstances presented by the pandemic.

The strength of our three distinct business models has been clearly demonstrated in this half year. Whilst customer demand in

Components was impacted by the crisis, the breadth of our portfolio, global footprint and flexible manufacturing have all helped to reduce its impact. In both Packaging and Filters, underlying customer demand has remained robust and despite some supply chain disruption, both divisions delivered growth towards the end of the half year.

I am pleased that we have delivered a resilient overall revenue and margin performance, backed up by robust cash generation and an improved liquidity position. Despite the immediate challenges posed by this pandemic, we have continued to pursue strategic initiatives that will drive medium to long term growth.

The fundamentals of our Company remain sound, and I am fully confident that the we will emerge from this unprecedented situation as an even better and stronger organisation."

Outlook Statement

Heading into H2 2020, the macro economic environment continues to remain uncertain. However, while our Components division is more exposed to industrial segments with a certain degree of cyclicality, much of our Group serves end-markets which are non-cyclical in nature.

We have delivered a resilient financial performance in the first half of the financial year, despite the pandemic. Although the timing and profile of recovery remains uncertain - and barring a major second wave to the pandemic - based on recent trading and internal forecasts, our current expectation for the year to 31 December 2020 is that the resilient performance seen to date will continue with revenue and adjusted operating profit within current range of analyst expectations.

On a divisional basis, the outlook for H2 suggests that; Components will see a continuation in the improvement on LFL trends, Filters will see a continued trend of year-on-year growth driven in part by outsourcing contract volumes, and in Packaging - due to some recent softness seen in certain end markets owing to a supply chain adjustment resulting from a reduction in prescriptions and surgeries through lockdown periods - Q3 should be broadly flat with a return to growth anticipated for Q4.

The HY 2020 interim dividend is cancelled. However, the Company's strong operating cash flow position, coupled with the Board's recognition of the importance of dividends to all shareholders, means that the Board will keep under review the possibility of a resumption of dividends for FY 2020.

The Company has a dedicated COVID-19 section within its corporate website, where regular updates are being posted (please see https://www.essentraplc.com/about-us/covid-19-approach/groupwide-approach).

Alternative Performance Measures

Constant foreign exchange rates. Movements in exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis ("constant FX") adjusts the comparative to exclude such movements, to show the underlying performance of the Company. The principal exchange rates for Essentra in HY 2020 were:

	-------- Average --------		-------- Closing --------	
	HY 2020	**HY 2019**	**HY 2020**	**HY 2019**
US$:£	1.27	1.29	1.23	1.27
€:£	1.14	1.14	1.10	1.12

Re-translating at HY 2020 average exchange rates increases the prior year revenue and adjusted operating profit by £1.1m and £0.0m 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 2020 LFL results are adjusted for the acquisition of the Innovative Components business on 26 June 2019, the acquisition of Nekicesa Packaging on 6 September 2019, the divestment of the Pipe Protection Technologies business on 14 January 2019, the divestment of the Extrusion business on 11 June 2019, the divestment of the Speciality Tapes business on 28 June 2019 and finally the divestment of the Card Solutions business on 23 July 2019.

Adjusted basis. The term "adjusted" excludes the impact of amortisation of acquired intangible assets and exceptional and other adjusting items, less any associated tax impact. In HY 2020, amortisation of acquired intangible assets was £10.9m (HY 2019: £11.1m), and there was an exceptional pre-tax charge of £2.5m (HY 2019: credit of £22.9m). This exceptional net charge mainly relates to external professional costs associated with certain corporate development activities which are still in progress, integration costs for recent acquisitions, professional fees and £0.2m of external advisory and consultancy costs in relation to the review of the compliance of certain group companies' export activities with US laws, as previously disclosed in the 2019 Annual Accounts. This is offset by a £1.4m release of excess provision held for potential penalties in relation to this activity as the Company does not anticipate any significant enforcement action. Further details on exceptional and other adjusting items are shown in note 3 to the condensed consolidated interim financial statements.

Constant FX, LFL and adjusted measures are provided to reflect the underlying financial performance of Essentra. For further details on the performance metrics used by Essentra, please refer to pages 16 to 19 of the 2019 Annual Report.

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

Operating Review

The HY 2020 result for the Group was resilient. Whilst Q1 trading was largely unaffected by the pandemic, as expected the impact was more profound in Q2, however trading trends have been improving through the course of Q2.

HY 2020 revenue decreased 11.5% (-11.7% at constant exchange) to £448.4m. On a LFL basis, revenue decreased 8.5%. The pandemic had a significant impact on the underlying markets in which Components operates, but the revenue and order intake trend improved through Q2. There was a resilient performance in Packaging, with new business secured during the half year and the division delivered growth in May and June. The Filters division made strong progress on game changers with the commencement of new outsourcing contracts in Q2 helping to return the division to growth in June.

On an adjusted basis, operating profit was down 40.0% (-40.0% at constant FX) at £29.0m. The 300bps drop in the margin (300bps at constant FX) to 6.5% was largely driven by the disposal of various businesses in HY 2019 (£6.0m of the £19.3m decline), volume gearing effect from the revenue decline, which was exacerbated by temporary manufacturing inefficiencies caused by pandemic related issues, as well as the HY 2019 period including a one-time benefit (in Packaging) of £1.7m from the release of provisions.

Including amortisation of acquired intangible assets of £10.9m and an exceptional pre-tax charge of £2.5m, operating profit as reported was £15.6m (HY 2019: £60.1m); HY 2019 included gains of £19.5m made on business disposals.

Net finance expense was above the prior year at £7.7m (HY 2019: £7.0m), this was partly driven by a proactive draw down made from our RCF as a counter measure to the pandemic impact, resulting in a higher interest charge. The effective tax rate on underlying profit before tax (before exceptional and other adjusting items) was 19.2% (HY 2019: 20.0%). This reduced tax rate is driven by a change in the geographical split of profits across the Company.

On an adjusted basis, net income of £17.2m was down 48.0% (48.4% at constant FX) and adjusted basic earnings per share decreased by 48.3% (48.5% at constant FX) to 6.2p. On a total reported basis, net income of £7.0m and earnings per share of 2.3p compared to £32.2m and 11.6p respectively in HY 2019.

Adjusted operating cash flow was 39.6% lower than the previous year at £22.1m (HY 2019: £36.6m), this equated to an operating cash conversion of 76% in the half year. Adjusted free cash flow of £11.5m compared to £22.6m in HY 2019. The decline in both adjusted operating cash flow and adjusted free cash flow was mainly due to aforementioned lower level of profitability in the Group. Additionally, cash flow was also impacted by a relatively consistent level of capex spend in both current and prior periods (current year planned capex savings will crystallise in H2).

As announced on 16 July 2020, a Deferred Prosecution Agreement was entered into with the US Department of Justice and a fine of $666,543.88 paid to settle certain sanctions violations by the Filters business in Dubai. As previously advised, the Company has made a voluntary disclosure to the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), with regards to certain other historical transactions by the Filters business dating as far back as 2015. The Company has co-operated extensively with OFAC and does not anticipate any significant enforcement action being taken by OFAC. The Company continues to embed its enhanced sanctions compliance programme.

Business Review

Summary growth in revenue by Division

% growth	LFL	Acquisitions / Disposals	Foreign Exchange	Total Reported
Components	-12.8	+2.6	-0.2	-10.4
Packaging	-3.0	+6.9	+0.9	+4.8
Filters	-11.2	-	-0.4	-11.6
Specialist Components	-	-100.0	-	-100.0
Total	**-8.5**	**-3.2**	**+0.2**	**-11.5**

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

Components

	HY 2020 £m	% growth Actual FX	% growth Constant FX
Revenue	129.7	-10.4	-10.2
Operating profit*	23.9	-27.1	-26.4
Operating margin*	18.4%	-430bps	-410bps

* Adjusted basis

Revenue for the HY decreased 10.2% to £129.7m. Adjusting for the acquisition of Innovative Components on 26 June 2019, like-for-like revenue was -12.8%. Within the Group, Components is the division which is more exposed to industrial cyclicality. Hence, with the pandemic taking hold towards the end of March, to fully understand LFL performance for the HY, Q1 and Q2 should be considered separately, as performance varied significantly between these two periods.

LFL revenue was 5% down in Q1. This was reflective of the pandemic causing disruption in China earlier than in rest of the world (though the underlying Chinese business was back on track by the end of the quarter), a soft end-market backdrop in the US and wider spread disruption from the pandemic beginning to be felt towards the end of the quarter. Europe was only marginally down on prior period, as wider spread impact from the pandemic late in Q1 was offset by more robust trading earlier in the year.

LFL revenue in Q2 was down 20%. The start of Q2 saw an accelerated slowdown in customer demand, with LFL revenue -24% on prior year in April. May and June showed an improvement from the April low. During this period, Asia fared considerably better than Europe and Americas, as the epicentre for the pandemic shifted from East to West.

Consistent with the commitment to providing customers with a "hassle-free" experience, along with reliable and timely delivery, further commercial and operational initiatives were progressed during the period. Key among these was the continued roll out of a new digital platform, a critical tool in upgrading the division's online presence. The new digital platform was launched in ten countries in 2019, and the roll out has continued in 2020 with a further eight countries going live. The platform provides greater ease of navigation for customers, a better ability to compare products, and improved visibility in search engines such as Google. Since the outbreak of the pandemic, we are seeing increased levels of online customer activity, driven by new customer engagement, accelerating the 'shift to digital'. Indeed, albeit small, in the month of June a new record was set for revenue generated online. Moreover, this platform has given the division the stage on which to promote an expanding range of products that have both been organically introduced and added from acquisitions. The first stages of cross sell functionality have gone live on the website, and further developments are in progress including the use of AI. In order to complement this increased functionality in our website, the division has carried out an extensive 'cross selling' training programme for sales staff, to drive even better knowledge and expertise of the division's full product portfolio.

Having suffered some logistical delays due to the pandemic, the German warehouse project is on course to open at the end of Q3 2020. This will not only further improve service levels through the division's supply chain in Europe, but will also provide a key mitigation against a hard Brexit.

Adjusted operating profit decreased by 26.4% to £23.9m, equating to a margin of 18.4% (HY 2019: 22.5%). This 410bps dilution reflected the aforementioned volume impact of a softer macro environment along with the dilutive impact of the acquired business (Innovative Components), partially being offset by continued successful pricing management and cost control actions.

Packaging

	HY 2020 £m	% growth Actual FX	% growth Constant FX
Revenue	185.3	+4.8	+3.9
Operating profit*	4.9	-38.0	-38.7
Operating margin*	2.6%	-190bps	-180bps

* Adjusted basis

Revenue increased 3.9% to £185.3m. Excluding the acquisition of Nekicesa Packaging on 6 September 2019, LFL revenue decline was -3.0%. As with Components, performance in Q1 and Q2 was quite varied, though underlying demand has remained robust throughout the half year.

LFL performance in Q1 was -5.2%. This was reflective of a tough prior year comparative - Q1 2019 was bolstered by short term customer demand on the back of the new regulatory requirements as prescribed by the Falsified Medicines Directive, which took effect in Europe in early 2019. Additionally, growth was somewhat hindered by specific customer supply chain issues impacting Americas growth rates in Q1 2020.

LFL performance in Q2 was -0.9%. Early in the quarter, the division was impacted by some pandemic induced supply chain performance issues and facility closures. However, the facility closures were rectified from May and the division delivered positive revenue growth in May and June.

During the pandemic, the combination of maintained high levels of service, along with a clear key account management structure, has meant that dialogue with customers has continued to be further strengthened and deepened, with the division collaborating with its customers to help meet a range of needs and objectives during these unprecedented times. The division has been awarded more than $5m (annualised) of new business as a result of its focus on supporting customers.

During the period, there was further investment in machine upgrades and value-added service capabilities to underpin the ongoing improvement in both commercial and operational effectiveness. This incremental investment included complex literature folding equipment in response to increasing demand trends, as well as capex spent in order to facilitate a newly won contract to supply the full suite of packaging for a COVID-19 anti-viral medicine. As industry trends (such as patient adherence and serialisation) and legislative requirements continue to evolve, the division is well placed to respond to customer needs that require even greater agility and value-added solutions from their packaging suppliers.

Adjusted operating profit decreased 38.7% to £4.9m, equating to a margin of 2.6% (180 bps decline). This was largely driven by the volume gearing effect from the revenue decline, which was exacerbated by temporary manufacturing inefficiencies caused by pandemic related issues. Additionally, prior period had a one-time benefit of £1.7m from the release of provisions.

Filters

	HY 2020 £m	% growth Actual FX	% growth Constant FX
Revenue	133.4	-11.6	-11.2
Operating profit*	10.8	-34.1	-34.9
Operating margin*	8.1%	-280bps	-300bps

* Adjusted basis

Total Filters divisional revenue was 11.2% down on the prior year period, of which the core Filters business (division excluding Tear Tapes) was down by 10.4%. This performance was broadly in line with revised expectations, given two short term factors; namely, the impact from government enforced facility closures in India and Paraguay (which have been fully operational since 4 May 2020), and the continued effect on prior period comparatives due to business disruption in the Middle East following the sanction compliance issues announced in our year end 2019 results.

Additionally, softer trading was also seen in China, due to our lack of local manufacturing presence. This further underlines the importance of the creation of the JV in China - which will give the division that local manufacturing presence, and thus provide a great platform to capture the market opportunities available in China.

In relation to the division's other game changers, the first of our significant outsourcing contracts was secured late last year; and this was supplemented by a second outsourcing award from another multinational company in February 2020. Both contracts are now operational, and invoicing has begun from June. We continue to build our pipeline of next generation products (NGP) opportunities - three patent applications were made for new products during HY 2020. Although a relatively small contributor to divisional revenue and operating profit, the division continued to work with various multinationals and independents to advance their respective potential - or next phase - Heat Not Burn offers. As an innovation leader, the division is well placed to play a leading role in developing biodegradable filters. The division has projects ongoing in collaboration with customers and suppliers and this could create a number of opportunities in the medium to long-term.

During the period the division has continued to develop its cross-functional key account management structure, which will help to create a more in-depth understanding of customer needs, develop relevant value propositions and identify mutually beneficial strategic initiatives. This combined with the division's world class service and quality metrics having been maintained, despite any disruptions that have been caused by the pandemic, has further strengthened and deepened customer relationships.

Adjusted operating profit decreased 34.9% to £10.8m, equating to an operating margin of 8.1% (decline of 300 bps). This was largely driven by the volume gearing effect from the revenue decline, which was exacerbated by temporary manufacturing inefficiencies caused by pandemic related issues.

Financial Review

Net finance expense. Net finance expense of £7.7m was £0.7m above the prior year period, and is broken down as follows:

£m	HY 2020	HY 2019
Net interest charged on net debt	5.7	**5.3**
Amortisation of bank fees	0.4	**0.4**
IAS 19 pension finance charge	0.3	**0.3**
Interest on leases	1.0	**1.0**
Net other finance expense	0.3	**-**
Total net finance expense	**7.7**	**7.0**

Tax. The effective tax rate on underlying profit before tax (before exceptional and other adjusting items and amortisation of acquired intangible assets) was 19.2% (HY 2019: 20.0%). This reduced tax rate is driven by a change in the geographical split of profits across the Company.

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 2020	HY 2019
Inventories	125.4	**117.7**
Trade & other receivables	177.6	**192.9**
Trade & other payables	(180.4)	**(197.5)**
Adjustments	5.3	**7.5**
Net working capital	**127.9**	**120.6**

The increase in net working capital was largely due to higher inventory levels, driven mainly by Filters, caused by deliberate contingency builds (given the pandemic backdrop) and also in preparation for the commencement of the division's two outsourcing 'gamechanger' contracts towards the end of the half year. Additionally, there was a noteworthy movement in trade and other payables, which was driven by a conscious effort by the Company to be an ethical and supportive customer to our suppliers by paying invoices early, in order to share some of the burden being felt by our suppliers during these unprecedented times.

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

Adjusted operating cash flow was 39.6% lower than the previous year at £22.1m (HY 2019: £36.6m), this equated to an operating cash conversion of 76% in the half year (HY 2019: 76%). Adjusted free cash flow of £11.5m compared to £22.6m in HY 2019. The decline in both adjusted operating cash flow and adjusted free cash flow was mainly due to aforementioned lower level of profitability in the Group. Additionally, cash flow was also impacted by a relatively consistent level of capex spend in both current and prior periods (post pandemic planned capex savings will crystallise in H2). Capex spend in the period was mainly driven by the German warehouse project in Components, the Group Business Process Redesign (BPR) project, as well as the aforementioned investments in new machinery for Packaging.

In HY 2020, there was a £87.2m net increase in cash and cash equivalents to £160.2m (HY 2019: increase of £118.4m to £185.1m).

£m	**HY 2020**	**HY 2019**
Operating profit - adjusted	**29.0**	**48.3**
Depreciation and amortisation of non-acquired intangible assets	19.8	18.0
Right-of-use asset depreciation	6.2	5.2
Share option expense / other movements	(0.5)	3.0
Change in working capital	(10.0)	(14.9)
Net capital expenditure (excluding exceptional PP&E disposal proceeds)	(22.4)	(23.0)
Operating cash flow - adjusted	**22.1**	**36.6**
Tax*	(4.3)	(7.4)
Cash outflow in respect of exceptional and other adjusting items	(2.2)	(15.5)
Pension obligations	(0.3)	(0.4)
Add back: net capital expenditure (excluding exceptional PP&E disposal proceeds)	22.4	23.0
Net cash inflow from operating activities	**37.7**	**36.3**
Operating cash flow - adjusted	**22.1**	**36.6**
Tax*	(4.3)	(7.4)
Net interest paid	(6.0)	(6.2)
Pension obligations	(0.3)	(0.4)
Free cash flow - adjusted	**11.5**	**22.6**
Net increase in cash & cash equivalents	**87.2**	**118.4**

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

Net debt. Net debt at the end of the period was £297.0m, a £12.6m increase from 1 January 2020 (after applying IFRS 16), primarily due to foreign exchange. Additionally, it should be noted that an increase in lease liability movements (driven by a new lease for the aforementioned Components Germany warehouse project along with a recently extended lease on our Components Turkey facility) broadly nets off the free cash inflow generated from operating activities.

£m	**HY 2020**
Net debt as at 1 January 2020	**284.4**
Free cash flow	(11.5)
Cash outflow in respect of exceptional and other adjusting items (net of exceptional PP&E disposal proceeds)*	2.2
Foreign exchange	12.5
Disposals**	(0.0)

Acquisitions	(0.2)
Shares issued in JV	(2.9)
Lease liability movements	12.5
Employee trust shares	(0.1)
Other	0.1
Net debt as at 30 June 2020	**297.0**

* Includes exceptional tax paid on business disposals
** Excludes £5.0m cash received from the settlement of the promissory note as this already excluded part of net debt

The Company's financial ratios remain healthy. The ratio of net debt to EBITDA as at 30 June 2020 was 2.5x (31 December 2019: 2.0x) and interest cover was 4.8x (31 December 2019: 6.6x).

Pensions. As at 30 June 2020, the Company's IAS 19 net pension liability was £24.6m (FY 2019: £17.4m), as a result of a change in discount rate partially offset by an increase in asset valuations. The net liability has been calculated after updating the asset values and certain liability assumptions as at 30 June 2020.

Dividends. Earlier in the year, in light of the unprecedented uncertainty due to the pandemic, the Company announced that the Board had concluded that all reasonable steps should be taken to conserve cash and, accordingly, decided to cancel the 2019 final dividend. The Board has since considered the overall dividend payment for this financial year and, taking into consideration the interests of all stakeholders, concluded that it remains prudent for there not to be a resumption of dividend payments at this stage, hence the HY 2020 interim dividend is cancelled. However, recognising the importance of dividends to all shareholders, Board will keep under review the possibility of a resumption of dividends for FY 2020.

Board changes. As reported in the FY 2019 results announcement, Lorraine Trainer stepped down as a Non-Executive Director and Chair of the Remuneration Committee, following the Company's 2020 Annual General Meeting on 21 May 2020. Lorraine has been replaced as Chair of the Remuneration Committee by Nicki Demby, who has been with the Company since 1 June 2019.

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

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

Foreign exchange risk. The majority of Essentra's net assets are in currencies other than sterling. The Company's normal policy is to reduce the translation exposure and the resulting impact on shareholders' funds through measures such as borrowing in those currencies in which the Group has significant net assets. As at 30 June 2020, Essentra's US dollar-denominated assets were approximately 31% hedged by its US dollar-denominated borrowings, while its euro-denominated assets were approximately 33% hedged by its euro-denominated borrowings.

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

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

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

Now that the European Union (Withdrawal Agreement) Act has come into force, the Company's focus has shifted to preparing the business for the end of the transition period in December 2020. As previously noted, the Company has already put in place various actions to mitigate the impact of Brexit, including alternative supply routings, changing supply networks and implementing stock builds to minimise supply chain disruption. Our focus continues to be on detailed planning, supporting any affected staff and ensuring appropriate customs processes and documentation are in place. Overall, we do not foresee any material impact to the Company.

Business Process Redesign ("BPR")

In 2019 the Company embarked on a business process redesign project, supported by implementation of a new ERP system. This project supports the strategic growth agenda of the divisions, along with improving process efficiencies and business controls. The focus in 2019 was on scoping and process design for the Components division, as well as finance and procurement functions. In 2020, project activity has been focused on system design, development and deployment - Finance and Procurement processes have recently 'gone live' for main headquarters' entities. The planned roll-out to the first Components locations has been delayed due to pandemic-induced travel restrictions, with the first Components site now expected to 'go live' in Q1 2021.

Over the cycle, the tangible benefits of the BPR programme are estimated to offset the cost. With streamlined processes and modern technology, the Company expects to become a much more agile and nimble business, which will not only deliver better service to customers but also allow the better attraction and retention of high-quality talent.

Enquiries

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Presentation

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

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

There are two options for participating in the event:

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

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

Dial-in number:	+44 (0)20 7192 8338 (UK / international participants) +1 646 741 3167 (US participants)
Toll-free number:	0800 279 6619 (UK participants) +1 877 870 9135 (US participants)
Event Plus Passcode:	3193976

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

Replay number:	+44 (0)333 300 9785 (UK / international participants) +1 917 677 7532 (US participants)
Toll-free number:	0808 238 0667 (UK participants) +1 866 331 1332 (US participants)
Replay access code:	3193976
Replay available:	For 7 days

Notes to Editors

About Essentra plc

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

Headquartered in the United Kingdom, Essentra's global network extends to 34 countries and includes 7,552 employees, 50 principal manufacturing facilities, 34 sales & distribution operations and 4 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 29 countries worldwide, 14 manufacturing facilities and 29 logistics centres serve more than 84,000 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 24 facilities across four geographic regions. The division's innovative products include cartons, leaflets, self-adhesive labels and printed foils used in blister packs, which help customers to meet the rapidly-changing requirements of these end-markets and can also be combined with Essentra's authentication solutions to help the fight against counterfeiting.

Essentra Filters

Essentra Filters is the only global independent cigarette filter supplier. The seven worldwide locations, plus a dedicated Technology Centre supported by three regional development facilities, provide a flexible infrastructure strategically positioned to serve the tobacco sector. The business supplies a wide range of value-adding high quality innovative filters, packaging solutions to the roll your own segment and analytical laboratory services for ingredient measurement to the industry: Essentra's offering also includes Heat Not Burn and e-cigarette solutions to the rapidly evolving market for Next Generation Products. The division now also includes the Tear Tapes business, which is globally recognised as the leading manufacturer and supplier of pressure-sensitive tear tapes, that are largely used in the tobacco, food and drink and specialist packaging sectors.

Risk Report

Our risk management activities aim to improve performance, encourage 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, which is where we believe it should be.

Our risk management framework continues to evolve in line with best practice to ensure that it supports the Company's ongoing growth and strategic objectives. A robust, but flexible, approach to the management of risk is fundamental to the continued success of the Company. There is a risk management framework for identifying and managing risk within defined appetite levels, in relation to both operations and strategy. The framework has been designed to provide the Group Risk Committee ("GRC") and the Board with a clear line of sight over Principal, Key and Emerging Risks and enables them to manage risks within the Company.

COVID-19

The COVID-19 pandemic has become a worldwide crisis, and at the date of this report the situation is still evolving. As a result of COVID-19 the Company's risk landscape has changed. We have considered the impact of COVID-19 on our Principal and Emerging Risks and we have reviewed our risk profile and appetite. Where needed we have identified additional mitigating actions as part of continued focus on risk management.

The significant increase in employees working at home has increased our Cyber Security risk. We have an ongoing communication and awareness programme to remind all users of the associated risks and have issued advice on secure home working best practices. We have also introduced stronger authentication for remote access services to reflect changing IT Security threats.

Increasingly, especially given recent COVID-19 related events, the mental and emotional health and wellbeing of our employees is becoming a focus. Staff are being asked to work in different ways, with different teams, often remotely, and this creates a new and different set of challenges which employees need to respond to. A comprehensive wellbeing support programme was launched to support people to work remotely as well as manage the personal impact of COVID-19.

We have experienced multi-site disruption given our global footprint. COVID-19 also brought the challenge of a disruptive supply chain across a number of our sites. We have been successful in securing alternative sources of supply for key raw materials and supply guarantees. These actions have mitigated this risk.

Principal Risks

Our Risk Management approach in relation to COVID-19 has been to consider the completeness and appropriateness of our Principal Risks. As part of our approach we have considered the impact on each of our Principal Risks and our risk appetite. Where necessary we have identified suitable mitigating actions.

A number of our risks have been amplified as a result of COVID-19. Additionally, one new Principal Risk has been added to acknowledge the impact cyclical industrial downturns may have on our Components Division. The table below sets out movements in our Principal Risks.

Principal Risk	Movement from 2019	Description
PR1 Failure to Achieve Acceptable Returns from the Packaging Division (Managing Director, Packaging)	No change	There is a risk that the Packaging turnaround fails to deliver new business wins, expected cost savings, or takes longer or costs more to implement than expected resulting in failure to achieve Packaging strategic and/or financial objectives. There has been no change in the risk profile; during COVID-19, the Packaging Division has shown relatively high resilience demonstrating the defensive nature of the pharmaceutical end markets served.
PR 2 Tobacco Industry Dynamics (Managing Director, Filters)	No change	This is a risk in relation to failure to deliver on one or more game changers and failure to increase our innovation capability in 2020 to grow the filters business, which is declining at the moment due to increasing health awareness and legislation against the use of tobacco and derived products. This risk includes potential litigation related to adverse impacts of tobacco use on health. There has been no change to the overall assessment of this risk. It is considered too early to conclude on the impact COVID-19 has had on this risk. There will be ongoing monitoring and continued assessment of any changes.
PR 3 Delivery of Strategic Projects (Strategy and Commercial Director)	Up	There is a risk that failure to deliver key projects effectively and efficiently (including the current Business Process Redesign project) could result in increased project costs and impede our ability to execute our strategic plans. This risk has heightened as a result of COVID-19; there is an increased likelihood of delays in project delivery due to COVID-19 restrictions and added complexity in project co-ordination due to remote working and travel restrictions. Mitigating actions include continued close monitoring of project costs and no such escalation is currently envisaged.
PR 4 Regulatory Governance (Company Secretary and General Counsel)	No change	There is a risk that failure to comply with governance regulation including in respect of anti-trust, anti-bribery, sanctions and data privacy results in significant fines, costs and reputational damage. No change to the overall assessment of probability or impact. COVID-19 has potentially increased the future risk in relation to data privacy given the additional collection of personal data. Changes in supply chains and remote working environments potentially increase compliance and control risks. We have not seen a significant change in other regulatory risks. Mitigating actions include ongoing review and continuous improvement of our compliance activities.
PR 5 Cyber-Attack (Chief Information Officer)	Up	There is a risk that a significant cyber-attack penetrates IT systems resulting in regulatory breaches and fines, suspension of production, reputational damage, loss of customer and employee information and loss of stakeholder confidence. The risk has been heightened, primarily due to a significant increase in remote working as part of COVID-19 crisis management. The Group is mitigating these additional risks through consistent deployment of our security controls to devices away from the office, maintaining software updates and the introduction of stronger authentication for remote access services.
PR 6 Macro-economic and Trade Deal Uncertainty (including Brexit) (Group Operations Director)	No change	This is a risk in relation to the business not being effective in managing the uncertainty surrounding the terms of the UK's exit from the EU or anticipating or assessing broader economic or market events and developments including a general move towards protectionism. Failure to plan for any potentially negative impacts, or to capture any opportunities that may be presented, could lead to cash pressures for customers and suppliers. We may also experience fluctuations in inflation, increased supply chain risks (e.g. solvency, people and materials) and reduced revenue and pressure on margins.

Principal Risk	Movement from 2019	Description
		There has been no change to the risk profile. Post COVID-19, there could be a trend to reverse globalisation. Essentra is responding by securing alternative and/or local sources of supply facing this change. This has been built into the response to the Principal Risk "Business Continuity Planning and Management".
PR 7 Business Continuity Planning and Management (Group Operations Director)	Up	This is a risk in relation to a lack of robust business continuity planning and management activity, including operational resilience (e.g. natural catastrophe and fire) and single point supply chain failure topics, given Essentra's complex, interlinked global operational and supply chain footprint. This risk has been broadened to account for multi-site disruption risks as has been the case with COVID-19 given our global footprint. COVID-19 has heightened this risk and brought the challenge of a disruptive supply chain. Mitigation efforts include ensuring alternative sources of supply for key raw materials and supply guarantee are in place. We continue to review and update our business continuity processes.
PR 8 Environmental, Social Governance (ESG) (Group Operations Director)	Up	There is a risk that failure to meet stakeholder expectations on increasing environmental and/or social governance obligations could lead to reputational risk for the Group. This includes risks arising from changing investor attitudes, impacting our ability to secure funding from investors, social attitudes towards the health and environmental impact of our products which may impact on our ability to market them, along with ability to attract and retain talent, given increasing employee focus on sustainability related topics. The Group is underway on its journey relating to ESG topics, including sustainability. The short-term Principal Risk is that the Group is not being comprehensive in its approach, and not covering material ESG topics for the Group. In the medium-term, we expect that ESG will be integrated into other risks and opportunities across the business including sustainability, social and governance topics relating to those risks and opportunities. This risk has heightened. COVID-19 has imposed additional shareholder and public expectations on environmental and social governance obligations on the Company. This risk has also been broadened to reflect increased stakeholder expectations in relation to ESG. Mitigation efforts include a continued focus on the fulfillment of environmental and social obligations during COVID-19, particularly protecting employee wellbeing and supporting customers playing a role in the frontline responding to the crisis. Recently, the Group has conducted its initial sustainability materiality matrix exercise, to ensure comprehensive coverage of material issues and opportunities for the business.
PR 9 Internal Processes and Control (Chief Financial Officer)	Up	A failure to document and embed key processes, including standard operating procedures, will increase operational risk including the risk of loss resulting from inadequate or failed internal processes This risk has heightened; primarily due to the change in the work environment such as remote working, and the focus of attention and efforts on crisis management. Monitoring controls and processes continue to be performed to prevent and detect inappropriate and unethical behaviour. This includes fraud, deliberate financial misstatement and improper accounting practices. Mitigation efforts being undertaken include enhanced balance sheet reviews undertaken by Group Finance, and continued communications to teams regarding the importance of controls.
PR 10 Safety, Health & Wellbeing ***(Renamed)*** (Group Operations	Up	The 2019 Principal Risk titled 'Safety (including Regulatory)' has been redefined and renamed to 'Safety, Health & Wellbeing'. There is a risk of inadequate health and safety processes and practices, employee or visitor injury or fatality, and/or non-compliance with regulation(s) resulting in prosecution. This risk has heightened given the increased health risks due to

Principal Risk	Movement from 2019	Description
Director)		COVID-19 and the need for new approaches to working, including social distancing. Increasingly, especially given recent COVID-19 related events, the mental and emotional health and wellbeing of our employees is becoming a focus. Staff are being asked to work in different ways, with different teams, often remotely, and this creates a new and different set of challenges which employees need to respond to. We continue to manage this proactively including undertaking emotional wellbeing counselling sessions to support employees and providing personal protection equipment (PPE) to all our workforce to maintain their safety.
PR 11 Talent to Deliver our Future (Group HR Director)	No change	The 2019 Principal Risk titled 'Talent to Deliver Our Future' has been redefined to capture the broader set of needs in relation to our workforce. This is a risk in relation to a failure to attract and retain the required management, leadership and technical skills necessary to evolve our business, develop the culture and meet future customer needs. The talent market is changing and is less favourable towards the manufacturing sector. Our ability to attract candidates may become easier in the short-term, but in evolving areas such as digital, IT development and data analytics, it will continue to be a challenge as the market for certain skills becomes more competitive. This may mean the ability to retain key talent with specific skills will become an issue as the market settles post COVID. The impact of COVID-19 will reshape business needs and we must continue to invest in our talent to meet our future needs. Key mitigation actions include a more refined people strategy that will underpin the approach to enhance the employee experience and drive the changes needed. A full talent mapping and succession planning process will continue in 2020. Communication with employees, and potential employees, is seen as critical. Increased communication and engagement will strengthen and enhance the Company's profile and perception of the Company as an employer of choice. People risk mitigation plans are in place throughout the Group.
PR 12 Exposure to the Cyclical Industrial Market - Components Division ***(NEW)*** (Managing Director, Components)	***NEW***	This is a new Principal Risk for 2020 in light of the global economic impact presented by COVID-19. There is a risk that changes to the Components division cost base and business model do not happen quickly enough or are not robust enough to minimise the impact on operating margins as a result of cyclical downturns in global industrial production. The proposed impact and probability assessments are 'Critical' and 'Unlikely'. The key mitigating actions being taken include optimising the Division's fixed cost base such that it is a lower proportion of the operating costs. Additionally, focus is being given to diversifying the market sectors that we sell to; both within the industrial sector and also beyond it.

Emerging Risks

The Emerging Risks we identified in 2019 continue to apply with geopolitical change and technology disruptors being amplified as a result of COVID-19.

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

The Emerging Risks remain broadly unchanged to those set out in the 2019 Annual Report and Accounts. An additional Emerging Risk in relation to the changing structure of the debt market has been identified. Further detail is set out in the table below:

Risk (Owner)	Risk Description
ER1 Climate change (Group Operations Director)	The risk that Essentra fails to anticipate the impact of climate change including the consequential increase in frequency and severity of natural disasters. The Group needs to consider the impact of climate change on its global operations through forward-looking consideration of business continuity risks in vulnerable locations. These considerations need to be built into our M&A strategy.
ER2 Geopolitical (Group Operations Director)	As a global company, Essentra will need to adapt to geopolitical changes that impact on patterns of trade and the movement of labour and capital. A trend towards protectionism, regionalism and a rebalancing from West to East creates risks and opportunities that Essentra will need to manage and exploit.
ER3 Regulatory change (Company Secretary and General Counsel)	Essentra is a global company that must comply with regulatory requirements in many countries. Regulation is increasing worldwide and may potentially impact our products, operations, workforce and relationships with suppliers, customers and stakeholders. We must be alert to longer term regulatory developments including those related to single use plastics and tobacco-related and tobacco-alternative products.
ER4 Technology disruptors (Chief Information Officer)	The risk that Essentra does not manage its response to evolving technologies effectively. This may include losing competitive advantage as rivals deploy advanced manufacturing technologies, artificial intelligence and robotics to strengthen product development, marketing, production, distribution and support functions.
ER5 Evolving conditions of the Debt Market ***(NEW)*** (Chief Financial Officer)	The debt market is evolving, and the lending condition and appetite can be impacted by key events, we have recently observed the effect from the COVID pandemic. Essentra continues to have strong liquidity and we will stay alert to the change of investors' appetite and respond optimally to it and maintain our profile in the debt market.

Further detail on these risks and how they are managed is available in the 2019 Annual Report and Accounts.

Condensed consolidated income statement

	Note	**Six months ended 30 Jun 2020 £m**	Six months ended 30 Jun 2019 £m	Year ended 31 Dec 2019 £m
Revenue	2	**448.4**	506.6	974.1
Operating profit before intangible amortisation and exceptional and other adjusting items		**29.0**	48.3	87.5
Amortisation of acquired intangible assets		**(10.9)**	(11.1)	(22.9)
Exceptional and other adjusting items	3	**(2.5)**	22.9	15.4
Operating profit		**15.6**	60.1	80.0
Finance income		**0.7**	0.6	2.1
Finance expense		**(8.4)**	(7.6)	(16.6)
Profit before tax		**7.9**	53.1	65.5
Income tax expense		**(0.9)**	(20.9)	(24.3)
Profit for the period		**7.0**	32.2	41.2
Attributable to:				
Equity holders of Essentra plc		**6.1**	30.5	38.4
Non-controlling interests		**0.9**	1.7	2.8
Profit for the period		**7.0**	32.2	41.2

Earnings per share attributable to equity holders of Essentra plc:

Basic	4	**2.3p**	11.6p	14.7p
Diluted	4	**2.3p**	11.5p	14.5p

Condensed consolidated statement of comprehensive income

	Six months ended 30 Jun 2020 £m	Six months ended 30 Jun 2019 £m	Year ended 31 Dec 2019 £m
Profit for the period	**7.0**	32.2	41.2
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	**(4.9)**	(3.2)	(4.9)
Deferred tax credit on remeasurement of defined benefit pension schemes	**1.1**	0.7	1.0
	(3.8)	(2.5)	(3.9)
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges:			
Net change in fair value of cash flow hedges transferred to the income statement	**(0.8)**	0.1	0.8
Effective portion of changes in fair value of cash flow hedges	**0.3**	(0.4)	(0.6)
Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations	**32.0**	(13.7)	(42.9)
Arising on effective net investment hedges	**(9.8)**	(0.8)	7.5
Income tax (expense)/credit	**(1.6)**	(0.1)	1.6
Attributable to non-controlling interests	**0.1**	-	(0.6)
	20.2	(14.9)	(34.2)
Other comprehensive income for the period, net of tax	**16.4**	(17.4)	(38.1)
Total comprehensive income for the period	**23.4**	14.8	3.1
Attributable to:			
Equity holders of Essentra plc	**22.4**	13.1	0.9
Non-controlling interests	**1.0**	1.7	2.2
	23.4	14.8	3.1

Condensed consolidated balance sheet

	Note	**30 Jun 2020 £m**	30 Jun 2019 £m	31 Dec 2019 £m
Assets				
Property, plant and equipment	5	**279.2**	267.5	276.0
Lease right-of-use asset	6	**51.4**	41.4	43.4
Intangible assets	7	**505.7**	493.2	486.3
Long-term receivables		**5.9**	6.7	5.6
Deferred tax assets		**13.1**	13.1	13.6
Retirement benefit assets	8	**18.8**	17.0	16.9
Total non-current assets		**874.1**	838.9	841.8
Inventories		**125.4**	117.7	113.1
Income tax receivable		**9.2**	2.3	7.0
Trade and other receivables		**177.6**	192.9	166.9
Derivative assets	13	**0.4**	0.1	0.8
Cash and cash equivalents	9	**160.2**	185.1	70.4
Other financial assets		**-**	5.0	6.2
Total current assets		**472.8**	503.1	364.4
Total assets		**1,346.9**	1,342.0	1,206.2
Equity				
Issued share capital		**66.0**	66.0	66.0

Merger relief reserve		**298.1**	298.1	298.1
Capital redemption reserve		**0.1**	0.1	0.1
Other reserve		**(132.8)**	(132.8)	(132.8)
Cash flow hedging reserve		**(0.2)**	(0.2)	0.3
Translation reserve		**9.6**	8.2	(11.0)
Retained earnings		**314.0**	320.6	312.4
Attributable to equity holders of Essentra plc		**554.8**	560.0	533.1
Non-controlling interests		**11.6**	8.0	7.7
Total equity		**566.4**	568.0	540.8
Liabilities				
Interest bearing loans and borrowings	9	**398.1**	319.9	249.0
Lease liabilities	9	**47.1**	38.3	39.3
Retirement benefit obligations	8	**43.4**	34.5	34.3
Provisions		**6.4**	6.9	6.0
Other financial liabilities		**4.4**	4.5	3.4
Deferred tax liabilities		**45.7**	43.0	45.3
Total non-current liabilities		**545.1**	447.1	377.3
Interest bearing loans and borrowings	9	**-**	63.0	60.7
Lease liabilities	9	**12.0**	10.9	11.4
Derivative liabilities	13	**0.8**	0.4	0.3
Income tax payable		**40.7**	50.6	37.9
Trade and other payables		**180.4**	197.5	174.5
Provisions		**1.5**	4.5	3.3
Total current liabilities		**235.4**	326.9	288.1
Total liabilities		**780.5**	774.0	665.4
Total equity and liabilities		**1,346.9**	1,342.0	1,206.2

Condensed consolidated statement of changes in equity

Six months ended 30 June 2020

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

Six months ended 30 June 2019

	Issued capital £m	Merger relief reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2019	66.0	298.1	0.1	(132.8)	0.1	22.8	338.3	11.6	604.2
Impact on adoption of IFRS 16							(5.2)	-	(5.2)

Restated total equity at the beginning of the financial year	66.0	298.1	0.1	(132.8)	0.1	22.8	333.1	11.6	599.0
Profit for the period							30.5	1.7	32.2
Other comprehensive income					(0.3)	(14.6)	(2.5)	-	(17.4)
Total comprehensive income for the period	-	-	-	-	(0.3)	(14.6)	28.0	1.7	14.8
Acquisition of non-controlling interest							(6.3)	(5.3)	(11.6)
Share options exercised							0.2	-	0.2
Share option expense							3.0	-	3.0
Tax relating to share-based incentives							0.3	-	0.3
Dividends paid							(37.7)	-	(37.7)
At 30 June 2019	66.0	298.1	0.1	(132.8)	(0.2)	8.2	320.6	8.0	568.0

Condensed consolidated statement of changes in equity (continued)

Year ended 31 December 2019

	Issued capital	Merger relief reserve	Capital redemption reserve	Other reserve	Cash flow hedging reserve	Translation reserve	Retained earnings	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2019	66.0	298.1	0.1	(132.8)	0.1	22.8	338.3	11.6	604.2
Impact on adoption of IFRS 16							(5.2)	-	(5.2)
Restated total equity at the beginning of the financial year	66.0	298.1	0.1	(132.8)	0.1	22.8	333.1	11.6	599.0
Profit for the period							38.4	2.8	41.2
Other comprehensive income					0.2	(33.8)	(3.9)	(0.6)	(38.1)
Total comprehensive income for the period	-	-	-	-	0.2	(33.8)	34.5	2.2	3.1
Acquisition of non-controlling interest							(6.3)	(5.3)	(11.6)
Share options exercised							0.4	-	0.4
Share option expense							4.4	-	4.4
Tax relating to share-based incentives							0.5	-	0.5
Dividends paid							(54.2)	(0.8)	(55.0)
At 31 December 2019	66.0	298.1	0.1	(132.8)	0.3	(11.0)	312.4	7.7	540.8

Condensed consolidated statement of cash flows

	Six months ended 30 Jun 2020	Six months ended 30 Jun 2019	Year ended 31 Dec 2019
	£m	£m	£m
Operating activities			
Profit for the period	**7.0**	32.2	41.2
Adjustments for:			
Income tax expense	**0.9**	20.9	24.3
Net finance expense	**7.7**	7.0	14.5
Intangible amortisation	**12.3**	11.3	23.8
Exceptional and other adjusting items	**2.5**	(22.9)	(15.4)
Depreciation of property, plant and equipment	**18.4**	17.8	35.5
Lease right-of-use asset depreciation	**6.2**	5.2	11.3
Impairment of fixed assets	**-**	-	0.5
Share option expense	**(0.3)**	2.7	3.9

Hedging activities and other movements		**-**	0.8	0.4
Increase in inventories		**(7.6)**	(1.9)	(1.1)
(Increase)/decrease in trade and other receivables		**(3.3)**	(11.2)	7.3
Increase/(decrease) in trade and other payables		**0.9**	(1.8)	(16.5)
Cash outflow in respect of exceptional and other adjusting items		**(2.0)**	(13.5)	(24.6)
Adjustment for pension contributions		**(0.3)**	(0.4)	(1.3)
Movement in provisions		**(0.2)**	(0.5)	(1.3)
Cash inflow from operating activities		**42.2**	45.7	102.5
Income tax paid		**(4.5)**	(9.4)	(26.1)
Net cash inflow from operating activities		**37.7**	36.3	76.4
Investing activities				
Interest received		**1.2**	0.4	1.3
Acquisition of property, plant and equipment		**(15.6)**	(23.3)	(48.4)
Proceeds from sale of property, plant and equipment		**0.1**	1.0	2.6
Payments for intangible assets		**(6.8)**	(0.4)	(10.5)
Acquisition of businesses net of cash acquired		**0.2**	(15.4)	(26.1)
Proceeds from sale of businesses net of cash disposed		**5.0**	111.4	113.7
Short term investments		**0.6**	-	(0.6)
Net cash (outflow)/inflow from investing activities		**(15.3)**	73.7	32.0
Financing activities				
Interest paid		**(7.2)**	(6.6)	(14.6)
Dividends paid to equity holders		**-**	(37.7)	(54.2)
Dividends paid to non-controlling interests		**-**	-	(0.8)
Acquisition of non-controlling interests		**-**	(11.7)	(11.6)
Prepaid facility fees		**(0.1)**	-	-
Repayments of short-term loans		**-**	-	(0.1)
Repayments of long-term loans		**(119.7)**	(95.0)	(207.3)
Proceeds from long-term loans		**195.2**	165.4	197.3
Lease liability payments		**(6.4)**	(6.2)	(12.4)
Proceeds from sale of employee trust shares		**0.1**	0.2	0.4
Proceeds from equity issue to non-controlling interest		**2.9**	-	-
Net cash inflow/(outflow) from financing activities		**64.8**	8.4	(103.3)
Net increase in cash and cash equivalents		**87.2**	118.4	5.1
Net cash and cash equivalents at the beginning of the period		**70.4**	66.2	66.2
Net increase in cash and cash equivalents		**87.2**	118.4	5.1
Net effect of currency translation on cash and cash equivalents		**2.6**	0.5	(0.9)
Net cash and cash equivalents at the end of the period	9	**160.2**	185.1	70.4

1. Basis of preparation

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019 which comply with International Financial Reporting Standards as adopted by the EU and also in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority. The financial statements have been reviewed not audited.

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

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 2020. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the condensed set of financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The comparative figures for the financial year ended 31 December 2019 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

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

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

Going concern

At 30 June 2020, the Group's financing arrangements amounted to £507.9m, comprising United States Private Placement (USPP) of US$100.0m (with a range of expiry dates from November 2024 to April 2030), a multi-currency revolving credit facility (RCF) of £376.6m (expiring in November 2022), and a bridging loan facility of £50.0m (whose term under the Company's option is up to October 2021, with a further option to be extended for a further six months at lenders' discretion). Subsequent to 30 June 2020, the bridging loan facility reduced to £24.0m following a voluntary repayment made by the Company in July 2020.

At 30 June 2020, £108.0m of the RCF facility was undrawn. The facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITA to net finance charges. Despite the current macro-economic uncertainty, the Group has not sought to change either of the two covenants. The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performances and considering the existing banking facilities, including the available liquidity, have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months following the date of approval of the financial statements, and no breaches of covenants are expected.

The uncertainty as to the future impact on the Group of the current COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis. As at 30 June 2020 and as at the date of approval of these financial statements, all of the Group's 71 manufacturing and distribution facilities are operational and have broadly resumed to pre-pandemic levels of service. Across the Group, public health measures advised by governments are being followed in support of their efforts to contain the spread of the virus, and the supply chain is being proactively managed as are operating costs and the timing of capital expenditure. The Board has also resolved not to recommend a final dividend for the year ended 2019 and will consider future dividends as and when conditions stabilise and normalise.

As part of the going concern assessment, the Board has also considered a downside scenario that reflects the current unprecedented uncertainty in the global economy and which it considers to be severe but plausible. The results of this scenario show that there is sufficient liquidity in the business for a period of at least 12 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period. The scenario includes an assumption for the impact of a 'second wave' of localised outbreaks. Set against this were mitigating actions including, the cancellation of the 2019 final dividends, and tight management of capital expenditure, sales and general overhead, and working capital. Since the first Covid-19 external announcement issued by the Company, the Group has been cash generative and hence the liquidity position has further improved. Overall liquidity (defined as available undrawn borrowing facility plus cash and cash equivalent excluding the amount attributable to non-controlling interests) at the end of June was approximately £260m - this has been achieved by diligent cash flow management in the Company.

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

Further information on the Group's borrowing facilities, cash resources and other financial instruments can be found in notes 9 and 13 to the interim 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, as detailed in note 7.

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.

ii 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 2019.

iii 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 £14.6m (31 December 2019: £15.3m) for transfer pricing matters and £19.2m (31 December 2019: £18.7m) 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.

In April 2019, the European Commission issued its decision in a state aid investigation into the Group Financing Exemption in the UK controlled foreign company rules. The European Commission found that part of the Group Financing Exemption, which was introduced in legislation by the UK Government in 2013, constitutes state aid. In common with other UK-based international companies whose arrangements were in line with UK CFC legislation Essentra may be affected by the ultimate outcome of this investigation.

In June 2019 the UK Government and other UK-based international companies, including Essentra, appealed to the General Court of the European Union against the decision. In the meantime, the UK Government is required to follow the decision as it stands and assess the impact on UK companies and ultimately issue collection proceedings. Essentra has responded to an information request from HMRC in regard to this matter and await a response. The potential amount payable for this risk as at 30 June 2020, excluding interest, is estimated to be to between £nil and £16m depending on the outcome of the legal appeal process and the basis of calculation. The final impact on the Group remains very uncertain but based on the current legal analysis the Group does not consider any provision to be required for this risk.

iv) Leases and lease right-of-use assets

A key judgement on application of IFRS 16 is determining the incremental borrowing rates on inception of new leases and on in-life lease modifications. Management considers all factors that incorporate the three key elements: risk-free rate, credit spread and an adjustment to asset class. Increasing or decreasing the incremental borrowing rate by 1% will not have a material impact to the Group.

Another key judgement in determining the right-of-use asset and lease liability is establishing whether it is reasonably certain that an option to extend the lease will be exercised. Distinguishing whether a lease will be extended or otherwise will have a material impact on the value of the right-of-use assets and lease liabilities recognised on the balance sheet, but 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.

Accounting Judgements

i Exceptional and other adjusting items

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

ii Consolidation of subsidiary

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

2. Segment analysis

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

The operating segments are as follows:

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

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

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

Specialist Components was dissolved in 2019, and for the purposes of the comparative information, it comprised the following smaller businesses which were divested in 2019:

- The **Extrusion** business was a leading custom profile extruder located in the Netherlands which offers a complete design and production service.
- The **Pipe Protection Technologies** business specialised in the manufacture of high performance innovative products from commodity resins to engineering-grade thermoplastics and polymer alloys for use in the oil & gas industry.
- The **Speciality Tapes** business had expertise in coating multiple adhesive systems in numerous technologies, and its products ranged from foam, magnetic, finger lift and acrylic high bond tapes to hook and loop and non-skid foam.
- The **Card Solutions** business was a leading European provider of ID card printers, systems and accessories to direct and trade customers.

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

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

2. Segment analysis (continued)

Restated	Components £m	Packaging £m	Filters £m	Specialist Components £m	Eliminations £m	Central Services[1] £m	June 2019 Total £m
External revenue	144.7	176.8	150.7	34.4	-	-	**506.6**
Intersegment revenue	0.1	-	0.2	0.3	(0.6)	-	**-**
Total revenue	144.8	176.8	150.9	34.7	(0.6)	-	**506.6**
Adjusted operating profit/(loss)[2]	32.8	7.9	16.4	4.8	-	(13.6)	**48.3**
Segment assets	172.3	210.3	202.4	2.9	-	38.3	**626.2**
Intangible assets	178.4	291.5	22.0	1.3	-	-	**493.2**
Unallocated items [3]	-	-	-	-	-	222.6	**222.6**
Total assets	**350.7**	**501.8**	**224.4**	**4.2**	**-**	**260.9**	**1,342.0**
Segment liabilities	59.6	96.3	66.6	2.6	-	37.5	**262.6**
Unallocated items [3]	-	-	-	-	-	511.4	**511.4**
Total liabilities	**59.6**	**96.3**	**66.6**	**2.6**	**-**	**548.9**	**774.0**

	Components £m	Packaging £m	Filters £m	Specialist Components £m	Eliminations £m	Central Services[1] £m	December 2019 Total £m
External revenue	283.1	352.7	303.3	35.0	-	-	**974.1**
Intersegment revenue	0.2	-	0.3	0.2	(0.7)	-	**-**
Total revenue	283.3	352.7	303.6	35.2	(0.7)	-	**974.1**
Adjusted operating profit/(loss)[2]	60.3	15.1	36.2	4.8	-	(28.9)	**87.5**
Segment assets	164.1	218.9	193.9	-	-	28.1	**605.0**
Intangible assets	171.1	283.6	22.3	-	-	9.3	**486.3**
Unallocated items [3]	-	-	-	-	-	114.9	**114.9**
Total assets	**335.2**	**502.5**	**216.2**	**-**	**-**	**152.3**	**1,206.2**
Segment liabilities	54.1	89.2	59.0	-	-	35.6	**237.9**
Unallocated items [3]	-	-	-	-	-	427.5	**427.5**
Total liabilities	**54.1**	**89.2**	**59.0**	**-**	**-**	**463.1**	**665.4**

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

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

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

3. Exceptional and other adjusting items

	Six months ended 30 Jun 2020 £m	Six months ended 30 Jun 2019 £m	Year ended 31 Dec 2019 £m

Losses/(gains) and transaction costs relating to acquisitions and disposals of businesses[1]	**3.5**	(18.8)	(15.9)
Acquisition integration and restructuring costs[2]	**0.2**	0.2	0.7
Other[3]	**(1.2)**	(4.3)	(0.2)
Exceptional and other adjusting items	**2.5**	(22.9)	(15.4)

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

1 Losses/gains and transaction costs relating to acquisitions and disposals of businesses are made up of £0.3m gain relating to a VAT refund on the costs of a previous business disposal and £0.1m consisting of acquisition related costs in relation to Innovative Components. The remaining £3.7m cost relates to external professional costs associated with certain corporate development activities still in progress.

2 Acquisition integration and restructuring costs relate to the integration of Nekicesa, acquired in 2019, into the existing business.

3 Other exceptional items for the six months ended 30 June 2020 comprises £0.2m of external advisory and consultancy costs in relation to the review of the compliance of certain group companies' export activities with US laws, as previously disclosed in the 2019 Annual Report. This is offset by a £1.4m release of excess provision held for potential penalties in relation to this activity as the Company does not anticipate any significant enforcement action.

4. Earnings per share

	Six months ended 30 Jun 2020 £m	Six months ended 30 Jun 2019 £m	Year ended 31 Dec 2019 £m
Earnings: Continuing operations			
Earnings attributable to equity holders of Essentra plc	**6.1**	30.5	38.4
Adjustments			
Amortisation of acquired intangible assets	**10.9**	11.1	22.9
Exceptional and other adjusting items	**2.5**	(22.9)	(15.4)
	13.4	(11.8)	7.5
Tax (relief)/charge on adjustments	**(3.2)**	12.7	9.8
Adjusted earnings	**16.3**	31.4	55.7
Weighted average number of shares			
Basic weighted average ordinary shares outstanding (million)	**262.2**	262.0	262.0
Dilutive effect of employee share option plans (million)	**1.6**	2.8	3.6
Diluted weighted average ordinary shares (million)	**263.8**	264.8	265.6
Earnings per share: Continuing operations (pence)			
Basic earnings per share	**2.3p**	11.6p	14.7p
Adjustment	**3.9p**	0.4p	6.6p
Basic adjusted earnings per share	**6.2p**	12.0p	21.3p
Diluted earnings per share	**2.3p**	11.5p	14.5p
Adjustment	**3.9p**	0.4p	6.5p
Diluted adjusted earnings per share	**6.2p**	11.9p	21.0p

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

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

5. Property, plant and equipment

During the period, the additions of land and buildings, plant and machinery and fixtures, fittings and equipment amounted to £12.6m (six months ended 30 June 2019: £23.4m; year ended 31 December 2019: £49.5m) and there was an increase of £10.4m (six months ended 30 June 2019: £2.1m; year ended 31 December 2019: decrease of £6.3m) in net book value due to foreign exchange movements.

Land and buildings, plant and machinery and fixtures, fittings and equipment with a net book value of £0.1m (six months ended 30 June 2019: £1.2m; year ended 31 December 2019: £2.4m) were disposed of for proceeds of £0.1m (six months ended 30 June 2019: £1.0m; year ended 31 December 2019: £2.6m).

6. Lease right-of-use assets

Following the adoption of IFRS 16, effective from 1 January 2019 the Group's non-current assets include right-of-use assets from asset leasing arrangements. Depreciation is charged to the income statement so as to depreciate 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 £12.5m (six months ended 30 June 2019: £6.3m; year ended 31 December 2019: £13.3m) and the depreciation of right-of-use assets amounted to £6.3m (six months ended 30 June 2019: £5.2m; year ended 31 December 2019: £11.3m).

During the period the right-of-use assets net book value increased by £2.0m (six months ended 30 June 2019: £0.2m; year ended 31 December 2019: decrease of £1.2m) due to foreign exchange movements.

Right-of-use assets with a net book value of £nil (six months ended 30 June 2019: £0.3m; year ended 31 December 2019: £3.8m) were acquired through business combinations in the period. Right-of-use assets with a net book value of £nil (six months ended 30 June 2019: £1.0m; year ended 31 December 2019: £1.0m) were disposed through business disposals during the period.

7. Intangible assets

During the period, the additions of intangibles (not through acquisitions) amounted to £6.8m (six months ended 30 June 2019: £0.4m; year ended 31 December 2019: £10.5m) and there was an intangible net book value increase of £23.6m (six months ended 30 June 2019: £0.5m; year ended 31 December 2019: decrease of £16.8m) due to foreign exchange movements.

During the year to date, Essentra reassessed the fair value adjustments and made changes to goodwill under purchase price accounting. The impact was an increase of £1.1m to goodwill. Further details on purchase price accounting can be found in note 10.

An assessment was made at 30 June 2020 as to whether there is any indication that internal or external factors may have caused cash flows to decline and therefore increased the risk that the carrying amount of goodwill (and other intangible assets) may exceed its recoverable amount (primarily based on discounted cash flows), particularly under the uncertain economic climate triggered by the Covid-19 pandemic. In management's view, the significant global economic impact that Covid-19 has caused, and the resulting effect it has had on the Group's profits and cash flows, requires the Group to perform a full impairment review for the Group's operating segments (Components, Packaging and Filters). Following the impairment assessment, no impairment loss was recognised in the interim period.

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

The impairment tests for goodwill and intangible assets are based on each of the division's latest forecasts which cover 2020 and 2021 (the "Forecast period"). These forecasts were revised as a result of COVID-19 and have been subject to detailed assessment and review by the Group. Further cash flow projections are made over a further three years, with key assumptions broadly based on the Group's Strategic Plan. The Group's impairment test incorporates the following assumptions:

- In relation to the test for the Components and Filters divisions, cash flows beyond the Forecast period (i.e. 2022-2024) are calculated by applying growth rates specific to each business of up to 6.5% to the 2021 cash flows.
- The estimated cash flows are discounted using a pre-tax discount rate based upon Essentra's estimated post-tax weighted average cost of capital of 7.7% (31 December 2019: 7.5%). The specific pre-tax discount rates applied for each group of cash generating units to which significant goodwill is allocated are as follows: 9.2% for Packaging, 9.3% for Components and 9.7% for Filters (31 December 2019: 9.0% for Packaging and 9.2% for Components and 9.5% for Filters).
- In relation to the test for the Packaging division, management carried out a detailed assessment of the growth and profit margin assumptions for each of the next 3 years after the Forecast period, and applied a terminal growth rate of 1.5% (31 December 2019: 1.5%) subsequently. The growth and profit margin assumptions are based on management's assessment of market condition and scope for cost and profitability improvement, taking into account realisable synergies following the previous and recent integration activities.

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

- An increase in discount rate of 250 basis points
- A reduction of 440 basis points in the operating profit margin in the terminal year
- A reduction of 310 basis points in the terminal growth rate (i.e. a negative growth rate of 1.6% p.a.)

Management considered the following reasonably possible changes in the key assumptions, and the associated impact on the impairment assessment, in relation to the Packaging division:

- A 1.2% increase in discount rate would reduce headroom to £85.4m
- A 1.5% reduction in the terminal growth rate (i.e. to assume no growth) would reduce headroom to £81.5m
- A 1.5% reduction in each year's growth rate would reduce headroom to £164.7m

8. Retirement benefit obligations

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

	Six months ended 30 Jun 2020 £m	Six months ended 30 Jun 2019 £m	Year ended 31 Dec 2019 £m
Movements			
Beginning of period	**(17.4)**	(13.9)	(13.9)
Current service cost and administrative expense	**(0.6)**	(1.0)	(2.2)
Employer contributions	**0.9**	1.4	3.5
Return on plan assets excluding amounts in net finance income	**21.0**	23.6	29.6
Actuarial losses arising from changes in financial assumptions	**(26.0)**	(26.8)	(38.3)
Actuarial gains arising from change in demographic assumptions	**-**	-	3.0
Actuarial gains arising from experience adjustment	**0.1**	-	0.8
Net finance cost	**(0.3)**	(0.3)	(0.7)
Currency translation	**(2.3)**	(0.5)	0.8
End of period	**(24.6)**	(17.5)	(17.4)

The principal defined benefit schemes were reviewed by independent qualified actuaries as at 30 June 2020. The assets of the schemes have been updated to the balance sheet date to take account of the investment returns achieved by the schemes and the level of contributions. The liabilities of the schemes at the balance sheet date have been updated to reflect latest discount rates and other assumptions as well as the level of contributions. The principal assumptions used by the independent qualified actuaries were as follows:

Europe

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Rate of increase in pensions			
At RPI capped at 5%	**2.80%**	3.00%	2.90%
At CPI capped at 5%	**1.90%**	2.10%	2.10%
At CPI minimum 3%, capped at 5%	**3.10%**	3.10%	3.10%
At CPI capped at 2.5%	**1.70%**	1.90%	1.90%
Discount rate	**1.50%**	2.30%	2.10%
Inflation rate - RPI	**2.80%**	3.10%	3.00%
Inflation rate - CPI	**1.90%**	2.10%	2.10%

US

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Discount rate	**2.70%**	3.50%	3.15%

9. Analysis of net debt

	30 Jun 2020 £m	31 Dec 2019 £m
Cash at bank and in hand	**149.9**	62.6
Short-term deposits and investments	**10.3**	7.8
Cash and cash equivalents	**160.2**	70.4
Loans and borrowings due within one year	**-**	(60.7)
Loans and borrowings due after one year	**(398.1)**	(249.0)
Loan receivable and deposits	**-**	5.6
Lease liabilities within one year	**(12.0)**	(11.4)
Lease liabilities after one year	**(47.1)**	(39.3)
Net debt	**(297.0)**	(284.4)

The Group's lease liabilities are included in net debt effective from 1 January 2019 following the adoption of IFRS 16. Lease liabilities are measured at the present value of future lease payments, including variable lease payments and the exercise price of purchase options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable, or alternatively the lessee's incremental borrowing rate.

In April 2020, $80.0m of US Private Placement Loan Notes were repaid. In February 2020, the Company entered into an agreement with certain banks for a bridging loan facility for £50.0m, with an initial term of 12 months, plus a further six months at Essentra's option, and thereafter another six months at the lenders' discretion. The facility was fully drawn in April 2020 which remained outstanding as at 30 June 2020, and on 27 July 2020 the Company voluntarily repaid £26.0m of this facility. The amount repaid was considered cancelled, and therefore the facility decreased to £24.0m as at the date of approval of these financial statements.

Furthermore, in December 2019 the Company entered into a note purchase agreement for a new USPP facility for $25m ($15m due in April 2027 and $10m due in April 2030), which was drawn in April 2020.

At 30 June 2020, the Group's committed facilities primarily comprised a series of US Private Placement Loan Notes from various financial institutions totalling US$100.0m, syndicated multi-currency 5-year revolving credit facilities of £285.0m and €100.8m from its banks, and the afore mentioned £50.0m bridging loan that expires in October 2021 with an option to extend for another six months at lender's discretion. At 30 June 2020, the available bank facilities totalled £426.6m (31 December 2019: £370.4m) of which £318.6m (31 December 2019: £194.3m) was drawn down and £108.0m (31 December 2019: £176.1m) was undrawn.

10. Acquisitions

Acquisition of Innovative Components

On 26 June 2019, Essentra acquired 100% of the share capital of Innovative Components Inc. and Componentes Innovadores Limitada (together "Innovative Components"). Due to the timing of the transaction, the purchase price allocations including the goodwill and fair value adjustments included in the financial statements for the year ended 31 December 2019 were provisional.
During the year to date, Essentra reassessed the fair value adjustments and made changes to certain accruals, payables, receivables, provisions and deferred tax balances. In addition to this Essentra received back £0.2m of the consideration originally paid from the vendors on finalisation of the completion accounts. The net impact on goodwill is an increase of £0.2m.

Acquisition of Nekicesa

On 6 September 2019, Essentra acquired 100% of the share capital of Nekicesa Packaging S.L. ("Nekicesa"). Due to the timing of the transaction, the purchase price allocations including the goodwill and fair value adjustments included in the financial statements for the year ended 31 December 2019 were provisional.

During the year to date, Essentra reassessed the fair value adjustments and made changes to certain plant, property and equipment, inventory, payables and deferred tax balances. The impact on goodwill is an increase of £0.9m.

Establishment of Filters China joint venture

On 2 April 2020 Essentra plc confirmed that it has completed the establishment of the new joint venture company, China Tobacco Essentra (Xiamen) Filters Co., Ltd. The Company's capital contribution into this business is US$10.3m, to be paid in three equal instalments over 18 months following its establishment. As at 30 June 2020 the Company has paid the first of these three instalments.

11. Dividends

	Per share			**Total**		
	Six months ended 30 Jun 2020 p	Six months ended 30 Jun 2019 p	Year ended 31 Dec 2019 p	**Six months ended 30 Jun 2020 £m**	Six months ended 30 Jun 2019 £m	Year ended 31 Dec 2019 £m
2019 interim: paid 30 October 2019	-	6.3	6.3	-	16.5	16.5

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).

12. Related party transactions

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

13. Financial instruments

Essentra held the following financial instruments at fair value at 30 June 2020. The only financial instrument with fair value determined by reference to significant unobservable inputs, which is classified as level 3 in the fair value hierarchy, is the deferred contingent consideration relating to the acquisition of Micro Plastics and Innovative Components which increased by £0.3m due to foreign exchange movements to £4.6m (31 December 2019: £4.3m). The fair value of the deferred contingent consideration is estimated based on an assessment of the likely outcome of the acquired business' financial performance. The other financial instruments included in the table below are determined to be level 2 in the fair value hierarchy. There have been no transfers between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

	30 Jun 2020	31 Dec 2019
	£m	£m
Financial assets		
Derivatives	**0.4**	0.8
Financial liabilities		
Derivatives	**(0.8)**	(0.3)
Deferred contingent consideration	**(4.6)**	(4.3)
Total	**(5.0)**	(3.8)

Essentra had US dollar and euro denominated borrowings which it designated as hedges of its net investments in subsidiary undertakings. The exchange losses of £8.2m (six months ended 30 June 2019: £0.8m losses; year ended 31 December 2019: £3.7m gains) on the US dollar borrowings and the losses of £4.3m (six months ended 30 June 2019: £nil; year ended 31 December 2019: £3.9m gains) on the euro borrowings were recognised in other comprehensive income.

At 30 June 2020, the carrying amount of the US Private Placement Loan Notes were £81.3m with a fair value of £88.0m. At 31 December 2019, the carrying amount of the US Private Placement Loan Notes were £117.1m with a fair value of £121.1m. For all other financial instruments the fair value approximates to the carrying amount.

14. Post balance sheet event

As described in note 9, on 27 July 2020 the Company voluntarily repaid £26.0m of the bridging loan facility. The amount repaid was considered cancelled, and therefore the facility decreased to £24.0m as at the date of approval of these financial statements.

15. Contingent liabilities

In April 2019, the European Commission issued its decision in a state aid investigation into the Group Financing Exemption in the UK controlled foreign company rules. The European Commission found that part of the Group Financing Exemption, which was introduced in legislation by the UK Government in 2013, constitutes state aid. In common with other UK-based international companies whose arrangements were in line with UK CFC legislation, Essentra may be affected by the ultimate outcome of this investigation.

In June 2019 the UK government and other UK-based international companies, including Essentra, appealed to the General Court of the European Union against the decision. In the meantime, the UK Government is required to follow the decision as it stands and assess the impact on UK companies and ultimately issue collection proceedings. Essentra has responded to an information request from HMRC in regard to this matter and the potential amount payable for this risk as at 30 June 2020, excluding interest, is estimated to be to between £nil and £16m depending on the outcome of the legal appeal process and the basis of calculation. The final impact on the Group remains very uncertain, however based on the current legal analysis the Group does not consider any provision to be required for this risk as at 30 June 2020.

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

We confirm that to the best of our knowledge:

• the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

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

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim 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

Lily Liu
Chief Financial Officer

28 August 2020

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 2020 of Essentra plc for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements, comprise:

- the Condensed consolidated balance sheet as at 30 June 2020;
- 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 2020 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Results for the Half Year Ended 30 June 2020, 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 2020 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Results for the Half Year Ended 30 June 2020 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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

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

We have read the other information contained in the Results for the Half Year Ended 30 June 2020 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Milton Keynes
28 August 2020

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