

**THIS CIRCULAR AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, fund manager, solicitor, accountant or other appropriate independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

If you sell or transfer, or have sold or transferred, all of your Ordinary Shares in Essentra plc, please forward this Circular and the accompanying documents, as soon as possible, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. If you receive this Circular as a purchaser or transferee from another person, please contact the Registrar for a Proxy Form using the contact details on page 2 (*Directors, Company Secretary, Registered Office and Advisers*) of this Circular. If you sell or transfer, or have sold or transferred, only part of your holding of Ordinary Shares in Essentra plc, you should retain this Circular and the accompanying documents and consult with the bank, stockbroker or other agent through whom the sale or transfer was effected as to the action you should take. However, neither this Circular nor any accompanying documents should be released, published, distributed, forwarded or transmitted, in whole or in part, in, into or from any jurisdiction in which to do so would constitute a breach of the relevant laws of such jurisdiction.

Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this Circular to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any such action. The distribution of this Circular and any accompanying documents into jurisdictions other than the United Kingdom may be restricted by law. Any person not in the United Kingdom into whose possession this Circular and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.



**Essentra plc**

*(Incorporated and registered in England and Wales with registered number 05444653)*

**Proposed sale of the Packaging Business  
and  
Notice of General Meeting**

---

You should read the whole of this Circular and all documents incorporated into it by reference in their entirety. Your attention is drawn to the letter from Paul Lester, CBE, the Chair of Essentra plc, which is set out in Part I (*Letter from the Chair of Essentra plc*) of this Circular and which contains a unanimous recommendation from the Board that you vote in favour of the Resolution to be proposed at the General Meeting referred to below. Part II (*Risk Factors*) of this Circular includes a discussion of certain risk factors which should be taken into account when considering the matters referred to in this Circular.

**A notice convening a General Meeting of Essentra plc to be held at Oriental Club, Stratford House, Stratford Place, London W1C 1ES on 8 August 2022 at 12.30 p.m. is set out at the end of this Circular. A Proxy Form for use in connection with this General Meeting is enclosed with this Circular. Shareholders are welcome to attend the General Meeting in person and the Board look forward to meeting you if you are able to join in person. To help ensure your safety and manage the number attending the General Meeting, the Company is asking that only shareholders or their duly nominated proxies attend the General Meeting in person. Persons who are not shareholders or their duly nominated persons should not attend the General Meeting unless arrangements have been made in advance with the Company's company secretary.**

The Company may be required to change the arrangements for the General Meeting at short notice should government restrictions on public gatherings or other social distancing measure be reintroduced, for example in the event of a further outbreak of COVID-19. In the event of this change, the Company may be required to hold the General Meeting entirely in electronic form, without Shareholders being able to attend the General Meeting in person. If this is the case, the relevant information will be published on the Company's website [www.essentraplc.com](http://www.essentraplc.com) and there will be an announcement to the London Stock Exchange via the regulatory information service.

Whether or not you propose to attend the General Meeting in person, you are asked to complete and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be received by the Registrar by post (during normal business hours only) or by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or, if you prefer, electronically via the internet at [www.eproxyappointment.com](http://www.eproxyappointment.com), by no later than 12.30 p.m. on 5 August 2022.

If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform at [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by no later than 12.30 p.m. on 5 August 2022 in order to be considered valid.

CREST members may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures described in the CREST Manual (available at [euroclear.com/CREST](http://euroclear.com/CREST)) so that it is received by the Registrar (under CREST participant ID 3RA50) by no later than 12.30 p.m. on 5 August 2022.

The return of a completed Proxy Form, any other such instrument or any CREST Proxy Instruction will not prevent you from attending and voting in person at the General Meeting, if you wish to do so.

This document is a circular relating to the Transaction which has been prepared in accordance with the Listing Rules and approved by the Financial Conduct Authority.

No person has been authorised to give any information or make any representations other than those contained in this Circular and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this Circular shall not, under any circumstances, create any implication that there has been no change in the affairs of Essentra plc since the date of this Circular or that the information in it is correct as of any subsequent time.

Credit Suisse International ("**Credit Suisse**"), which is authorised in the United Kingdom by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Essentra plc as sponsor and for no one else in connection with the Transaction and will not be responsible to anyone other than Essentra plc for providing the protections afforded to clients of Credit Suisse or for providing advice in relation to the Transaction, the contents of this Circular or any transaction, arrangement or other matter referred to in this Circular. Apart from the responsibilities and liabilities, if any, which may be imposed upon Credit Suisse by FSMA or the regulatory regime established thereunder, Credit Suisse and its subsidiaries, branches and affiliates, and such entities' respective directors, officers, employees and agents do not accept any duty, responsibility or liability whatsoever or make any representation or warranty, express or implied, concerning the contents of this Circular, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with Essentra plc or the Transaction, and nothing in this Circular is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Credit Suisse accordingly disclaims, to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Circular or any such statement.

Lazard & Co., Limited ("**Lazard**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser to the Board of Essentra plc and no one else in connection with the Transaction and will not be responsible to anyone other than the Board of Essentra plc for providing the protections afforded to clients of Lazard nor for providing advice in relation to the Transaction or any other matters referred to in this Circular. Neither Lazard nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Lazard in connection with the Transaction, this Circular, any statement contained herein or otherwise.

This document is dated 15 July 2022.

## PRESENTATION OF INFORMATION

### FORWARD-LOOKING STATEMENTS

This Circular includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “intends”, “believes”, “anticipates”, “could”, “should”, “may”, “will”, “estimates”, “expects”, “plans” and “projects”, or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Circular and include, but are not limited to, statements regarding Essentra and its intentions, beliefs or current expectations concerning, among other things, the business, results of operations, prospects, growth and strategies of the Group, the Packaging Business and the Retained Group.

By their nature, all forward-looking statements are subject to assumptions, risks and uncertainties. Although Essentra believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that these expectations will prove to be correct and because these statements involve assumptions, risks and uncertainties, actual results may differ materially from those expressed or implied by those forward-looking statements. **Shareholders should specifically consider the factors identified in this Circular which could cause actual results to differ before making a decision on the Transaction.**

Each forward-looking statement speaks only as of the date of the particular statement. Essentra does not undertake any obligation to update or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by the Financial Conduct Authority, the London Stock Exchange, the Listing Rules, the Disclosure Guidance and Transparency Rules or any other applicable law or regulation.

The above explanatory wording regarding forward-looking statements does not qualify the statement regarding working capital in paragraph 10 of Part VI (*Additional Information*) of this Circular.

### ROUNDING

Percentages in tables have been rounded and accordingly may not add up to 100 per cent. Certain financial data have also been rounded. As a result of this rounding, the totals of data presented in this Circular may vary slightly from the actual arithmetic totals of such data.

### FINANCIAL INFORMATION

Unless otherwise stated, financial information relating to the Group, the Packaging Business or the Retained Group has been extracted without material adjustment from Essentra’s 2021 Annual Report and Accounts.

### CURRENCIES

Unless otherwise indicated, all references in this Circular to: (i) “sterling”, “pounds sterling”, “GBP” and “£” are to the lawful currency of the United Kingdom; (ii) “US dollars”, “USD”, “USD\$” or “US\$” are to the lawful currency of the United States; and (iii) “euro”, “EUR” or “€” are to the lawful currency of the European Union.

## **DEFINITIONS**

Capitalised terms have the meaning given to them in Part VIII (*Definitions*) of this Circular.

## **INCORPORATION BY REFERENCE**

Certain information relating to Essentra is incorporated by reference into this Circular. Further information is set out in Part VII (*Information Incorporated by Reference*). Unless expressly stated herein, the contents of the websites of the Group and any links accessible through such websites do not form part of this Circular.

## **NO PROFIT FORECAST OR ESTIMATES**

No statement in this Circular is intended as a profit forecast or estimate for any period and no statement in this Circular should be interpreted to mean that earnings, earnings per share or income, cash flow from operations or free cash flow for the Group, the Packaging Business or the Retained Group, as appropriate, for the current or future financial years will match or exceed the historical published earnings, earnings per share or income, cash flow from operations or free cash flow for the Group, the Packaging Business or the Retained Group, as appropriate.

## **NO OFFER OR SOLICITATION**

This Circular is not a prospectus and does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to purchase, acquire, subscribe for, sell, dispose of or issue, any security.

## CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS	1
DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS	2
PART I LETTER FROM THE CHAIR OF ESSENTRA PLC	3
PART II RISK FACTORS	16
PART III PRINCIPAL TERMS OF THE TRANSACTION DOCUMENTS	23
PART IV HISTORICAL FINANCIAL INFORMATION RELATING TO THE PACKAGING BUSINESS	33
PART V UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE RETAINED GROUP	37
SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION	37
SECTION B: ACCOUNTANT'S REPORT	41
PART VI ADDITIONAL INFORMATION	43
PART VII INFORMATION INCORPORATED BY REFERENCE	54
PART VIII DEFINITIONS	55
PART IX NOTICE OF GENERAL MEETING	62

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

EVENTS	TIME AND/OR DATE
Announcement of the Transaction and entry into the Sale and Purchase Agreement	24 June 2022
Date of this Circular	15 July 2022
Latest time and date for receipt of Proxy Forms, CREST Proxy Instructions and electronic registration of proxy appointments	12.30 p.m. on 5 August 2022
Record time for entitlement to vote at the General Meeting	12.30 p.m. on 5 August 2022
General Meeting	12.30 p.m. on 8 August 2022
Expected date of Completion	Q4 2022
Long Stop Date for Completion	24 March 2023

### Notes:

1. Unless otherwise stated, references to times in this Circular are to London time.
2. Future dates are indicative only and may be subject to change by Essentra, in which event details of the new times and dates will be notified to the FCA and, where appropriate, Shareholders.

## DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	Paul Lester, CBE Paul Forman Jack Clarke Mary Reilly Ralf Wunderlich Adrian Peace Dupsy Abiola	<i>Chair</i> <i>Chief Executive Officer</i> <i>Chief Financial Officer</i> <i>Senior Independent Non-Executive Director</i> <i>Independent Non-Executive Director</i> <i>Independent Non-Executive Director</i> <i>Independent Non-Executive Director</i>
<b>Company Secretary &amp; General Counsel</b>	Jon Green	
<b>Registered office</b>	Langford Locks Kidlington Oxford OX5 1HX	
<b>Sponsor and financial adviser</b>	Credit Suisse International One Cabot Square London E14 4QJ	
<b>Financial adviser</b>	Lazard & Co., Limited 50 Stratton St London W1J 8LL	
<b>Legal adviser</b>	Slaughter and May One Bunhill Row London EC1Y 8YY	
<b>Reporting accountant and auditor</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH	
<b>Registrar</b>	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE	

**PART I**  
**LETTER FROM THE CHAIR OF ESSENTRA PLC**

*(Incorporated and registered in England and Wales with registered number 05444653)*

*Registered office:*

**Essentra plc**  
Langford Locks  
Kidlington  
Oxford OX5 1HX

*Directors:*

Paul Lester, CBE	<i>Chair</i>
Paul Forman	<i>Chief Executive Officer</i>
Jack Clarke	<i>Chief Financial Officer</i>
Mary Reilly	<i>Senior Independent Non-Executive Director</i>
Ralf Wunderlich	<i>Independent Non-Executive Director</i>
Adrian Peace	<i>Independent Non-Executive Director</i>
Dupsy Abiola	<i>Independent Non-Executive Director</i>

15 July 2022

Dear Shareholder,

**Proposed sale of the Packaging Business**

**1. Introduction**

On 26 October 2021, Essentra announced its intention to become a pure play components business. As a first step to realising this goal, the Board decided to review the full range of strategic options for the Filters business. On 26 November 2021, this was extended to include the Packaging Business. The Strategic Review has been carried out in respect of the Packaging Business and is ongoing in respect of the Filters Business.

In line with the stated outcome of the Strategic Review, the Sellers have entered into an agreement for the sale of the Packaging Business to the Purchaser (the “**Transaction**”) for the sum of £312 million (subject to adjustments after Completion by way of a standard completion accounts mechanic). The consideration for the Transaction implies a multiple of 12.4 times EBITDA (of £25.2 million for the 52 week ended 31 May 2022). After adjusting for net debt and estimated transaction costs, the net cash proceeds from the Transaction are expected to be £287.9 million (the “**Net Transaction Proceeds**”). The principal terms of the Sale and Purchase Agreement and details of the Net Transaction Proceeds are set out in paragraphs 4 and 5 of this letter and in Part III (*Principal Terms of the Transaction Documents*) of this Circular.



Due to its size, the Transaction constitutes a Class 1 transaction under the Listing Rules. As a consequence, Completion of the Transaction is conditional upon (amongst other things) the approval of Shareholders. Accordingly, you will find set out at the end of this Circular a notice convening a General Meeting to be held at 12.30 p.m. on 8 August 2022 at Oriental Club, Stratford House, Stratford Place, London W1C 1ES.

Completion is expected to occur in Q4 2022 subject to the satisfaction (or waiver, where applicable) of certain outstanding conditions prior to the Long Stop Date, including approval of the Resolution by Shareholders, which is being proposed as an ordinary resolution at the General Meeting.

I am writing to you on behalf of the Board to give you details of the Transaction, including the background to and reasons for the Transaction, and to explain why the Board considers the Transaction (and the Resolution necessary to implement the Transaction) to be in the best interests of Essentra and its Shareholders as a whole and, accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting.

The Directors that hold Ordinary Shares intend to vote in favour of the Resolution at the General Meeting in respect of their respective individual shareholdings, being in aggregate 575,325 Ordinary Shares, representing approximately 0.19 per cent. of Essentra's total issued ordinary share capital as at the Latest Practicable Date.

You should read the whole of this Circular and not rely solely on the summarised information contained in this Part I. Capitalised terms have the meaning ascribed to them in Part VIII (*Definitions*) of this Circular.

## **2. Background to and reasons for the Transactions**

Essentra is an international provider of components and solutions, produced and distributed across three different divisions: the Components Business, the Packaging Business and the Filters Business. The Company's purpose is to responsibly provide the products and services that its customers need to succeed.

Over the last five years, following the appointment of Paul Forman as Chief Executive Officer, the Company has been on a journey of "Stability, Strategy, Growth" and has developed solutions to increase stability and build strategies for the Components Business, the Packaging Business and the Filters Business.

A number of changes have been made to the Company's portfolio during the last five years which include the divestment of a number of smaller businesses that changed the shape of the Group and allowed the three strongest businesses to emerge as the focus of the Company. In addition to divestments, the Company also acquired businesses for the Components Business and the Packaging Business. These were carefully selected acquisitions that strengthened the breadth of these businesses' product offerings and provided geographical expansion into key markets that would align with the longer-term strategic plans for those businesses.

By 2020, the Group had transformed into three distinct divisions, each with a clear purpose and strategy. These businesses all have strong prospects and the potential to deliver compelling returns for investors but are at different stages of their development.

Towards the latter end of 2020 and through 2021, the Board reviewed the key strengths and challenges unique to each division, and ultimately how to optimise each division's growth potential for shareholders and other stakeholders. Based on the outcome of this review, the Board decided that retaining the Company's portfolio remained a challenge to realising full value for all stakeholders and that, in order to maximise shareholder value, the Company should transition to become a pure play global components business over time. This would see the Retained Group focus on both organic and inorganic growth and continue to establish itself as a world-leading, responsible and sustainable supplier of essential industrial components.

In October and November 2021, the Company announced the Strategic Reviews in respect of the Filters Business and the Packaging Business and the start of a new and transformational chapter in the Company's journey that set a clear direction for the Company to become a pure play components business over time. Consistent with the announced Strategic Review, the Board decided that future ownership structures of the Packaging Business should be explored. Following a competitive sale process, the Board has received multiple proposals to acquire the Packaging Business from both strategic and financial sponsors and believes the Packaging Business should be sold.

On 24 June 2022, the Company announced that it had agreed terms for the sale of the Packaging Business with the Purchaser. The Board believes the Transaction is in the best interests of Shareholders for the following reasons:

- (A) it is the first step on the path to re-position Essentra as a leading manufacturer and distributor of components with a clear and defined business model which provides clarity to investors, customers, suppliers, employees and other stakeholders on the Retained Group's future focus and purpose;
- (B) the sale has been achieved at a purchase price which unlocks value for Shareholders today through intended use of sale proceeds/returning sales proceeds to Shareholders;
- (C) it supports the Retained Group's investment in organic growth for the Components Business, using significant levers to accelerate and leverage the Components Business' highly attractive financial model, offering a leading proposition to customers across a wide range of products and a geographical reach that supports the business scaling up to take a greater market share;
- (D) it provides opportunities for market expansion by realising and enabling operational efficiencies, flexible and extensive international sourcing and supply chain and production infrastructure;
- (E) it enables the Retained Group to concentrate its resources and time on developing sustainability initiatives best aligned to the Retained Group's customers and stakeholders reflecting that, in moving towards being a pure play business, the Retained Group can drive forward industry solutions that are best suited to its business model; and

- (F) it strengthens the financial position of the Retained Group, providing greater flexibility to pursue inorganic growth opportunities and rejuvenates the Components Business with a clarity of purpose and focused leadership team.

### **3. Information on the Packaging Business**

The Packaging Business designs, develops and manufactures folding cartons, printed literature, labels and foil for the world's leading healthcare and personal care companies.

The Packaging Business has a direct presence in 10 countries and sells its products in more than 55 countries. The Packaging Business is focused on healthcare and personal care markets, accounting for around 88 per cent. of the division's reported revenue. Its key products and services include folding cartons; leaflets and literature; self-adhesive labels; and printing capabilities. It employs approximately 3,300 people, is headquartered in the UK and operates 22 manufacturing sites and two additional offices which are shared with the Components Business and the Filters Business.

This strong presence across key markets means the Packaging Business is very well positioned to work with its customers and suppliers to provide solutions through delivery of innovative and sustainable products. The Packaging Business' ability to provide agile and responsive support to customers' local manufacturing locations whilst also having the scale and capability to support customers globally makes it a valued and trusted partner with a distinct competitive advantage.

In 2021, the Packaging Business generated £360.4 million of revenue, £ 21.7 million of adjusted EBITDA and a loss before tax of £16.0 million. As at 31 December 2021 the Packaging Business had gross assets of £947.9 million. The financial information set out in this paragraph 3 has been extracted without adjustment from the financial information contained in Part IV (*Historical Financial Information relating to the Packaging Business*).

### **4. Information on the Purchaser and principal terms of the Transaction**

The Purchaser is part of the Mayr-Melnhof Karton AG group ("**MM Group**"), which was founded in 1888 and has been traded on the Vienna Stock Exchange since 1994. MM is a company with a family core shareholder group and a proud history of over 130 years. The MM Group continues to grow organically and through acquisition (with a focus on growing markets) and currently has 53 production sites in 22 countries on three continents, serving customers worldwide. It is headquartered in Vienna, Austria and is organized in two divisions, "MM Board & Paper" and "MM Packaging" employing approximately 13,000 employees.

MM Group is a global producer and leading player in Europe for cartonboard and folding cartons with an offer in kraft paper and uncoated fine papers for various end applications. MM promotes sustainable development through innovative, recyclable packaging and paper products.

MM Board & Paper is the leading cartonboard producer in Europe (excluding liquid board) with a total capacity of approximately 2 million tons of cartonboard and approximately 630,000 tons of papers in six board mills.

MM Packaging is a leading manufacturer of folding cartons in Europe with 46 locations across Europe, America and Asia. The main sales area is cartonboard packages for consumer staples. With technologically dedicated locations and broad market expertise, MM Packaging's core business covers the large volume market of food and specialities as well as highly specialized printing and packaging services for the premium market.

On 24 June 2022, the Sellers entered into the Sale and Purchase Agreement, pursuant to which the Sellers agreed, on the terms and subject to the conditions of the Sale and Purchase Agreement, to sell the Packaging Business to the Purchaser. The consideration payable by the Purchaser at Completion is £312 million in cash, subject to adjustments after Completion by way of a standard completion accounts mechanic.

Completion under the Sale and Purchase Agreement is subject to, and can only occur upon satisfaction (or waiver, where applicable) of certain outstanding conditions prior to the Long Stop Date, including:

- (A) the passing of the Resolution at the General Meeting;
- (B) the completion of certain reorganisation steps (the "**Pre-Completion Reorganisation**") required to separate the Packaging Business from the Retained Business (including the Filters Business) and the Retained Group;
- (C) the exercise of the Put Option in relation to the UK Shares;
- (D) specified antitrust and foreign investment approvals being undertaken with the requisite antitrust and foreign investment approvals having been obtained, the relevant time periods in respect of those approvals having expired, or decisions that the relevant antitrust or foreign investment legislation does not apply to the Transaction being obtained (as applicable) including those required by: (i) the German Federal Cartel Office pursuant to the German Act against Restraints of Competition (Gesetz gegen Wettbewerbsbeschränkungen); (ii) the Irish Competition and Consumer Protection Commission pursuant to the Competition Act 2002 (iii) the Polish President of the Office of Competition and Consumer Protection pursuant to the Polish Competition Act; (iv) the Spanish National Markets and Competition Commission (Comisión Nacional de los Mercados y la Competencia) pursuant to Spanish Law No. 15/2007, of 3 July (Ley de Defensa de la Competencia); (v) in the event that that the Transaction or any part of it is to be examined by the European Commission as a result of a decision under Article 22(3), the European Commission pursuant to Council Regulation (EC) No 139/2004 of 20 January 2004 (vi) the Serbian Commission for Protection of Competition pursuant to the Zakon o zaštiti konkurencije, Official Gazette nos. 51/2009 and 95/2013; (vii) the French Minister for the Economy pursuant to the French Code Monétaire et Financier; and (viii) the Presidency of the Italian Council of Ministers or the Italian Government pursuant to the Law Decree no. 21 dated 15 March 2012 converted into law by Law No. 56 dated 11 May 2012, and Law Decree no. 105 dated 21 September 2019, converted into law-by-Law no. 133 dated 18 November 2019, as subsequently amended, supplemented and integrated.

As part of the Transaction, for a limited time following Completion, Essentra and the Purchaser have agreed that each of the Retained Group and the Packaging Business will provide certain transitional services to the other pursuant to the Transitional Services Agreements (including services to be provided to the Packaging Business).

The Board expects that, subject to the satisfaction and/or waiver (where applicable) of the conditions precedent to the Transaction, Completion will occur in Q4 2022.

## **5. Use of proceeds and financial effects of the Transaction on the Retained Group**

### *Use of proceeds*

The Net Transaction Proceeds are expected to be approximately £287.9 million.

The Board intends firstly to use a proportion of the Net Transaction Proceeds to reduce Essentra's financial indebtedness. As at the date of this Circular, Essentra's current intention is to reduce the drawings under its RCF (details of which are set out in paragraph 8.1(E) of Part VI (*Additional Information*) of this Circular) to nil (as at the date of this document, such drawings amount to approximately £124.2 million). Essentra also currently intends to prepay, with make-whole premium the entirety of the outstanding notes issued under the Group's 2017 and 2019 note purchase agreements (details of which are set out in paragraph 8.1(F) of Part VI (*Additional Information*) of this Circular). This prepayment is expected to result in an aggregate payment of principal and make-whole premium to the holders of these notes of c. £85.0 million based on exchange rates at the date of this Circular. In addition, in accordance with the terms of the Group's 2021 note purchase agreement (details of which are set out in paragraph 8.1(F) of Part VI (*Additional Information*) of this Circular), Essentra currently intends to offer to prepay on a pro rata basis at par and without make-whole premium notes issued under its 2021 note purchase agreement. The portion of the notes offered to be prepaid will depend on the net proceeds from disposals received by Essentra in the year up to the date of the disposal. It will be open to each holder of notes issued under its 2021 note purchase agreement to elect whether or not to take up this offer. The current intentions to prepay financial indebtedness and their details outlined above are subject to change, in particular, in connection with any developments stemming from Essentra's on-going Strategic Review. The timing of such prepayments may also be affected by such developments. In any event, Essentra intends to comply with the terms applicable to its financial arrangements.

The Board also intends to contribute £5.0 million to Essentra's defined benefit pension schemes and, following completion of the Strategic Review of the Filters Business, to return a part of the residual Net Transaction Proceeds to Shareholders. The timing, quantum and method of any return of proceeds to Shareholders will be subject to the Board's consideration at the appropriate time.

The proposed debt repayments are consistent with the Group's previously stated objective to reduce leverage and will provide the Retained Group with a strengthened balance sheet and flexibility to pursue value creating opportunities within the Components Business. Further debt repayments may be made following conclusion of the Strategic Review of the Filters Business, subject to the outcome of that process.

### *Financial effects of the Transaction on the Retained Group*

Shareholders' attention is drawn to Part V (*Unaudited Pro Forma Financial Information Relating to the Retained Group*), Section A of which contains the unaudited pro forma net assets statement of the Retained Group prepared (for illustrative purposes only) to show the effect of the Transaction as if it had completed as at 31 December 2021.

In the financial year ended 31 December 2021, the Packaging Business incurred an operating loss of £4.3 million (after adjusting items and allocation of certain Group functional costs) to the Group. As at 31 December 2021, the total assets of the Packaging Business were £947.9 million. Following Completion, the Retained Group will no longer receive the contribution the Packaging Business currently makes to the Group's operating profit.

On Completion, Essentra expects to receive Net Transaction Proceeds of approximately £287.9 million after customary adjustments and transaction costs. This excludes certain separation costs to be incurred up to Completion and estimated tax payable on the Transaction, together currently expected to be not more than £ 8.1 million.

It is expected that the Transaction will have a significant near-term dilutive effect on earnings per share. However, the Board believes that the Group's simplified and more stable growth profile will result in greater predictability of earnings, with the ability to generate attractive profits and operating cash flow.

Given the Purchaser is expected to acquire 100 per cent. of the Packaging Business, Essentra will no longer control the Packaging Business and therefore will cease to consolidate the Packaging Business in its financial statements on and from Completion. As described in further detail below, the Packaging Business will be disclosed as held for sale, in line with IFRS 5, in the results for the six months ended 30 June 2022. Comparative financial information will also be restated in Essentra's results for the six months ending 30 June 2022 and the year ending 31 December 2022, for classification of discontinued operations (but not for classification as "held-for-sale"). Essentra will deconsolidate its interest in the Packaging Business following Completion.

## **6. Information on the Retained Group**

Following Completion, the Retained Group will consist of the Components Business and the Filters Business. At the point of writing this Circular, management do not have certainty on the outcome of the Strategic Review of the Filters Business, but as announced during the Strategic Review it is not seen as a long-term part of Essentra's strategic direction.

The Board believes that the strategic decision to become a pure play components business will enable accelerated growth for the Components Business which, with a continued strong margin performance delivering attractive earnings and cash flow, will enable a progressive dividend policy. As reported in Essentra's 2021 Annual Report and Accounts, the Components Business generated £302 million of sales and £57 million of Adjusted Operating Profit at 18.9 per cent. Adjusted Operating Margin before the allocation of central service costs and adjusting items.

The Components Business is both a manufacturer and distributor of low cost components used by equipment manufacturers in their production processes. It is this combination of manufacturing expertise, distribution range and service which provides the Components Business with its competitive edge. The Components Business serves a broad range of industrial customers in a diverse spectrum of end markets giving it relative stability through sector and geographic diversification. The Components Business is differentiated by offering a digitally-led, responsible customer experience, seeking to give customers peace of mind in the sourcing of these typically low cost but critically important components.

The Components Business operates in a highly fragmented market, which is estimated to be worth in the region of £8 billion to £10 billion market. The extensive sector experience of the Components Business' leadership team has led the division to a c.3.4 per cent. organic compound annual growth rate over the five calendar years ending 31 December 2021 coupled with a track record of successful bolt-on acquisitions. The Components Business has built a pipeline of potential strategic acquisition targets, ranging in size from bolt-on businesses to large-scale acquisitions. The Transaction supports a further strengthening of the Retained Group's balance sheet enabling Essentra to pursue these attractive acquisition opportunities.

As the Group transitions towards becoming a pure play components business, the Board intends to support the Components Business by transitioning the composition of both the Board and the senior leadership team to reflect the changing needs of the remaining Group businesses. Proposed changes to the Board and the senior leadership team of Essentra will be carefully timed to take into consideration the expected completion of the Strategic Review to ensure that the businesses are supported by teams with the necessary breadth of experience and careful consideration has been given to the leadership teams and structure of the organisation.

In summary, the Board believes the focus on a pure play components business will enable the acceleration of the delivery of the Board's vision of becoming the world-leading, responsible supplier of essential industrial components. Given its relative scale, its ability to differentiate itself through its digital capabilities and its leading position in the innovation of more sustainable product solutions, management are confident the foundations are in place to achieve this ambition.

## **7. Current trading and outlook**

On 18 March 2022, Essentra published its full year results for the year ended 31 December 2021. These results included the following summary of the significant trends in the financial performance of the business:

- (A) 2021 financial year results displayed a strong performance with operating profit within the range of analyst forecasts, demonstrating Essentra's strong market positions, clear market share gain strategy and agile operations, including:
  - (i) a revenue increase of 8.4 per cent. on a like-for-like ("LFL") basis (across the Group +12.6 per cent.) to £959.7 million;

- (ii) Adjusted Operating Profit up 46.5 per cent. (at constant foreign exchange) to £83.9 million; and
  - (iii) Adjusted Operating Margin of 8.7 per cent. which is slightly ahead of 2019 levels.
- (B) Despite challenges arising from the pandemic and supply chain disruption, all three businesses have shown progress:
- (i) the Components Business delivered a strong trading performance with revenue up 21.7 per cent. on a LFL constant currency basis, adjusting for the acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd. Successful navigation of ongoing supply chain disruptions and mitigation of inflationary cost increases, whilst satisfying accelerated demand, resulted in operating profit increasing to £56.9 million with 110 basis points margin expansion to 18.9 per cent. on a constant currency basis;
  - (ii) the Packaging Business' revenue declined 3.6 per cent. on a LFL constant currency basis due to the ongoing impact of the pandemic on prescription and elective surgery volumes. Operating profit reached £15.4 million with 40 basis points margin expansion to 4.2 per cent. on a constant currency basis. A fourth quarter margin of 7.9 per cent. was achieved as a result of uplifted trading performance and timing related one-off benefits. Strong customer relationships and signs of market recovery have resulted in encouraging order book trends; and
  - (iii) the Filters Business' sales grew 12.9 per cent. on a constant currency basis underpinned by growing volumes of outsourced contract business wins. There has been an increased commercial interest in proprietary eco and tobacco heating products. Operating profit increased to £28.2 million with margin expanding 50 basis points to 9.5 per cent. on a constant currency basis.

#### *Inventory and cash*

- (C) Adjusted operating cash flow<sup>1</sup> for the 2021 financial year was £64.5 million (2020: £86.7 million), equating to a cash conversion of 77 per cent.
- (D) Outflow of net working capital for the year of £29.9 million, and an increase in net working capital to £129.7 million, with the latter predominately due to higher inventory and receivables levels, supporting growth and increased trading volumes as well as helping with Essentra's mitigation of supply chain disruption. Essentra's average net working capital to sales ratio improved by 140 basis points to 12.8 per cent. when compared to 2020 and 2019 levels.

---

<sup>1</sup> Adjusted operating cash flow is presented to exclude the impact of tax, adjusting items, interest and other items not impacting operating profit



- (E) Capex outflow of £41.3 million (4.3 per cent. of revenue), to support with investment in the Filters Business' joint venture in China and outsourcing contracts, components and packaging machine expansion and efficiency programmes and components digital investment.
- (F) Net debt of £234.7 million (2020: £210.4 million), with net debt to EBITDA 1.7x (2020: 1.8x) and 1.5x excluding lease liabilities (unchanged from 2020).

*Costs and selling prices since the end of the last financial year*

- (G) With the inflationary environment currently, each division is looking to implement further surcharges to offset raw material and further cost pressures faced.
- (H) At the start of 2022 all three businesses increased their prices as part of an annual cycle by 1.8-8.5 per cent.
- (I) As seen across 2021, the businesses demonstrated agility and success in implementing additional price increases, in particular the Components Business and the Packaging Business which implemented a second tranche of price increases in the second half of 2021 after facing more significant exposure to raw materials, freight and labour inflation.

*Trends, uncertainties, demands, commitments and post year-end events*

- (J) Essentra has no significant operations or infrastructure in Russia or Ukraine and does not have employees in either country. Sales to these markets are c.0.25 per cent. of total revenue. All direct sales to Russia have been suspended until further notice.
- (K) Expected energy price inflation of c.27 per cent. will increase exposure from 1 per cent. to c.1.5 per cent. of revenue, and Essentra expects the impact of this to be neutralised through price increases passed through to customers across the year. In 2022, as the supply chain and inflationary pressures continue to be managed, a strong start to the first quarter has been experienced across all three businesses with LFL sales and orders significantly ahead of last year.

*Outlook for the full year to 31 December 2022*

- (L) *Components Business* – continued market share gains from enhanced digital customer experience and cross-selling activities plus strong underlying demand as reflected in purchasing managers' index data.
- (M) *Packaging Business* – to return to historic levels of growth as prescriptions and elective surgery volumes recover.
- (N) *Filters Business* – strong growth enabled by the ramp up of the Filters Business' Chinese joint venture and outsourcing contracts.

On 7 July 2022, Essentra published its pre-close trading update for the half year ending 30 June 2022. This trading update included the following summary of trading performance for the first six months of 2022 and focused on the continuing operations of the business:

- (O) On a continuing operations basis, the Group has experienced a strong start to 2022 with the first half delivering LFL revenue growth of 14.0% compared to the same period in the prior year, supported by pricing initiatives and volume growth. Q2 trading continued to show good growth momentum albeit against tougher comparatives as expected, with LFL growth of 9.0% compared with Q2 2021.
- (P) The Components division delivered 12.1% LFL growth in H1, with LFL Q2 2022 working day adjusted revenue growth up 9.3% against a tougher comparative. The business has continued to deliver whilst actively managing supply chain headwinds and the impact of COVID lockdowns in China. We have passed through inflationary cost pressures in Q2 and will continue to review price increases in H2.
- (Q) The Filters division had LFL growth of 15.4% in H1, with LFL Q2 2022 revenue growth of 14.9%. This strong performance has been supported by price and volume growth, and continues to be driven by outsourcing contracts which are delivering in line with expectations. The China JV continues to grow production volumes, despite recently being impacted by temporary COVID restrictions. Business Continuity Plan volumes with multi-national companies have continued through Q2 and our range of proprietary eco-products continue to generate interest, as we support our customers with commercial launches.

## **8. Risk factors and further information**

Whilst the Board considers the Transaction to be in the best interests of Essentra and its Shareholders as a whole, there are a number of potential risks and uncertainties that Shareholders should consider before voting on the Resolution. Your attention is drawn to the further discussion of certain of these risks and uncertainties set out in Part II (*Risk Factors*).

Essentra will also incur a number of other customary costs in relation to the Transaction more generally (including legal, accounting, financial adviser, sponsor and other transaction fees), some of which will be payable regardless of whether the Transaction proceeds to Completion.

## **9. General Meeting**

The Transaction is of sufficient size relative to the Group to constitute a Class 1 transaction for Essentra under the Listing Rules. As such, Completion of the Transaction is conditional upon the approval of Shareholders at the General Meeting.

Set out at the end of this Circular is a Notice convening the General Meeting which is to be held at 12.30 p.m. on 8 August 2022 at Oriental Club, Stratford House, Stratford Place, London W1C 1ES, at which the Resolution will be proposed. The Resolution is set out in full at the end of this Circular in the Notice of General Meeting. As a Class 1 transaction for the purposes of the Listing Rules, the Transaction may only be completed if it is first approved by Shareholders. Voting on the Resolution will be taken on a poll to reflect the

number of shares held by a Shareholder. The Resolution requires the approval of a majority of the votes cast (in person or by proxy) at the General Meeting in order to be passed.

If you wish to vote by proxy, you are asked to complete and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be received by the Registrar by no later than 12.30 p.m. on 5 August 2022. As an alternative to completing the hard-copy Proxy Form, you can appoint a proxy electronically by visiting [www.eproxyappointment.com](http://www.eproxyappointment.com). To be valid, your proxy appointment(s) and instructions should reach Computershare Investor Services PLC no later than 12.30 p.m. on 5 August 2022. If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform at [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by no later than 12.30 p.m. on 5 August 2022 in order to be considered valid. If you are a member of CREST you may be able to use the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by no later than 12.30 p.m. on 5 August 2022.

For further details in respect of the General Meeting, please see Part IX (*Notice of General Meeting*).

#### **10. Action to be taken**

You can appoint a proxy in any of the following ways:

- (A) by completing and returning the Proxy Form in accordance with the instructions printed thereon and contained in this Circular so as to be received by the Registrar by no later than 12.30 p.m. on 5 August 2022;
- (B) by registering the appointment of your proxy electronically at [www.eproxyappointment.com](http://www.eproxyappointment.com);
- (C) if you are an institutional investor, via the Proxymity platform at [www.proxymity.io](http://www.proxymity.io);  
or
- (D) if you hold your Ordinary Shares in CREST, by completing and transmitting a CREST Proxy Instruction to the Registrar (CREST participant ID 3RA50) so that it is received by no later than 12.30 p.m. on 5 August 2022.

#### **11. Financial advice**

Credit Suisse acted as financial advisor to the Board in relation to the Transaction.

Additionally, Lazard has provided financial advice to the Board in relation to the Transaction.

In providing their advice to the Board, both Credit Suisse and Lazard have relied upon the Board's commercial assessment of the Transaction.

**12. Recommendation**

The Board considers the Transaction (and the Resolution necessary to implement the Transaction) to be in the best interests of Essentra and its Shareholders as a whole and, accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting.

The Directors that hold Ordinary Shares intend to vote in favour of the Resolution at the General Meeting in respect of their own respective individual shareholdings, being in aggregate 575,325 Ordinary Shares, representing approximately 0.19 per cent. of Essentra's total issued ordinary share capital as at the Latest Practicable Date.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'P. Lester', with a horizontal line underneath.

**Paul Lester, CBE**

*Chair*

## **PART II RISK FACTORS**

*Prior to making any decision to vote in favour of the Resolution at the General Meeting, Shareholders should carefully consider, together with all other information contained in this Circular, the specific factors and risks described below.*

*Essentra considers the risks disclosed below to be: (i) the material risks relating to the Transaction; (ii) the material new risks to the Retained Group as a consequence of the Transaction; and (iii) the existing material risks for the Group that will be impacted by the Transaction. The risk factors set out in this Circular are those that are required to be disclosed under the Listing Rules, and do not seek to cover all of the material risks which generally affect the Group. Further information on the material risks which generally affect the Group are set out in Essentra's 2021 Annual Report.*

*The risks disclosed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. There may be other risks of which the Board is not aware or which it believes to be immaterial which may, in the future, individually or cumulatively, have a material adverse effect on the business, financial condition, results of operations or future prospects of the Group.*

*If any or a combination of these risks actually materialise, the business, financial condition, results of operations and future prospects of the Group could be materially and adversely affected to the detriment of the Group and the Shareholders. Additional risks and uncertainties which are not known to the Directors as at the date of this Circular, or that the Directors currently deem immaterial, may also have a material adverse effect on the Group if they materialise. If this occurs, the market price of Ordinary Shares could decline and investors could lose all or part of their investment.*

*The information given is as of the date of this Circular and, except as required by the FCA, the London Stock Exchange, the Listing Rules, the Disclosure Guidance and Transparency Rules or any other applicable law or regulation, will not be updated. Any forward-looking statements are made subject to the reservations specified under "Forward-looking statements" at the beginning of this Circular.*

### **1. MATERIAL RISKS RELATING TO THE TRANSACTION**

#### **1.1 The Transaction may have a disruptive effect on the Packaging Business**

The Transaction and the Strategic Review have required, and will continue to require, substantial amounts of time and focus from the management teams and employees of the Packaging Business and the central functions and senior management of the Group which could otherwise be spent operating the Packaging Business in the ordinary course. Key managers, employees, suppliers and/or customers may have been and/or may become distracted by the Transaction and the Strategic Review and may defer, delay or change commitment decisions due to any perceived uncertainty in respect of the future ownership of the Packaging Business. If key managers and employees of the Packaging Business decide to leave, the Packaging Business may incur additional costs in recruiting and attempting to recruit appropriate replacements, and there can be no assurance that the Packaging Business will be able to identify suitably talented or qualified replacements.

If suppliers or customers delay, defer or change commitment decisions, the revenues of the Packaging Business could be adversely impacted and the Packaging Business could incur increased cost of sales.

Any disruption to the Packaging Business as a result of the Transaction and the Strategic Review could impact the value, position and prospects of the Packaging Business and the Group, in particular if the Transaction does not proceed to Completion and it is necessary to extend or revisit the Strategic Review.

## **1.2 The Transaction may be delayed or may not proceed to Completion**

Completion of the Transaction is subject to, and can only occur upon the satisfaction or (where applicable) waiver of, certain conditions under the Sale and Purchase Agreement including, without limitation, the passing of the Resolution at the General Meeting, the Put Option in relation to the UK Shares having been exercised, the applicable antitrust and foreign investment approvals having been obtained (or waived or deemed not required by the relevant authority) and completion of the Pre-Completion Reorganisation, in each case prior to the Long Stop Date. The applicable antitrust and foreign investment approvals consist of: (i) antitrust approvals in Germany, Ireland, Poland and Spain, or in the event that the Transaction or any part of it is to be examined by the European Commission following a referral of jurisdiction, the European Union; (ii) antitrust approval in Serbia; and (iii) foreign investment approvals in Italy and France. For the avoidance of doubt, the Transaction will not proceed if these conditions are not met or waived, including if Shareholders do not vote to pass the Resolution. While the Sellers and the Purchaser have obligations in relation to the satisfaction of the conditions to the Transaction, there can be no assurance that any or all of the conditions will be satisfied or waived (as applicable) by the Long Stop Date. The Transaction may therefore be delayed or not complete at all. Moreover, the Sale and Purchase Agreement contains covenants and agreements applicable to the Sellers and Purchaser prior to the date of Completion. Completion is also subject to the Sellers and Purchaser having delivered certain deliverables prior to or on the date of Completion. Any failure on the part of the Sellers and/or the Purchaser to comply with any of the aforementioned obligations could result in the Transaction being delayed or not completing at all.

Having considered the full range of options for the Packaging Business as part of the Strategic Review, Essentra believes that the Transaction currently provides the best opportunity to maximise value for Shareholders and growth potential with respect to the Packaging Business. If the Transaction does not proceed to Completion, the Group will not receive the Net Transaction Proceeds from, nor realise any of the potential benefits of, the Transaction and Essentra's ability to deliver Shareholder value may be prejudiced and it may have an impact on other transactions in the pipeline and impact the perceived value of the Packaging Business. There can be no guarantee of another transaction involving the Packaging Business on terms more favourable than, or equivalent to, the Transaction. Further, irrespective of whether Completion occurs, the Group will have incurred material costs in connection with the Transaction, including the costs of negotiating the Transaction Documents.

Essentra believes that the future success of the Retained Group depends on the conclusion of its Strategic Review and the achievement of its goal to become a pure-play global components business. If the Transaction does not proceed to Completion, the

Strategic Review will need to be extended or revisited and the achievement of Essentra's long-term strategic goal may be prejudiced. Further, the reputation of Essentra and/or the Packaging Business may be adversely impacted as a result of media attention in connection with the attempted Transaction. This could, in turn, have a material adverse effect on the Group's business, results of operations and overall financial condition, as well as the market price of the Ordinary Shares.

### **1.3 Essentra may incur liability under the Sale and Purchase Agreement**

The Sale and Purchase Agreement contains customary warranties, indemnities and other contractual protections given by the Sellers in favour of the Purchaser, as further described in Part III (*Principal Terms of the Transaction Documents*) of this Circular. The Purchaser has undertaken a customary due diligence and disclosure exercise against the warranties, and, in addition, has obtained warranty and indemnity insurance (the "**W&I Insurance Policy**") which, following Completion, will be its sole recourse for any claim in respect of the warranties given by the Company in the Sale and Purchase Agreement (save in respect of claims for fraud) and under the Tax Covenant (other than in respect of certain specified clauses of the Tax Covenant). Claims other than in respect of the warranties given by the Company in the Sale and Purchase Agreement and the Tax Covenant (other than in respect of certain specified clauses of the Tax Covenant) would not be covered by the W&I Insurance Policy and would fall to be made against the Sellers subject to the terms of the Sale and Purchase Agreement. Any liability to make a payment arising from a successful claim by the Purchaser under any of the relevant provisions of the Sale and Purchase Agreement would reduce the Net Transaction Proceeds and could have an adverse effect on the cash flow and financial condition of the Group.

### **1.4 Third party interference with the Transaction**

Essentra may receive unsolicited competing offers for all or part of the Packaging Business prior to the date of the General Meeting. In addition, as a listed company, Essentra could be exposed to approaches from third parties seeking to instigate a public takeover of Essentra prior to the date of the General Meeting. In either circumstance and in accordance with their fiduciary duties, the Directors might be required to amend or withdraw their recommendation in favour of the Resolution and the Transaction and/or to postpone or cancel the General Meeting.

## **2. NEW MATERIAL RISKS RELATING TO THE RETAINED GROUP**

### **2.1 The Retained Group will be less diversified and its income stream will be reduced**

Following Completion, the Retained Group will be less diversified, including geographically, and will be more susceptible to adverse developments in the remaining markets and segments in which the Retained Business operates. Depending on the outcome of the Strategic Review, the potential impact of these risks may become more pronounced if Essentra is able to deliver further on its long-term strategic objective to become a pure-play global components business.

A material change in the trading, operations or outlook of the Retained Business or the Packaging Business could make the terms of the Transaction less attractive for the Retained Group.

## **2.2 Complexity of the separation of the Packaging Business from the Retained Group**

The process of separating the Packaging Business from the Retained Group (including separating the Packaging Business from the Filters Business) involves the separation of a number of significant business systems and certain group reorganisation steps, including but not limited to those steps under the Pre-Completion Reorganisation. The Pre-Completion Reorganisation is complex and will, amongst other things, involve the transfer of shares, cash, receivables, liabilities, balance sheet provisions, stock, intellectual property and employees. The Pre-Completion Reorganisation has and will continue to involve the incurring of significant costs for the Retained Group, and there is a risk of additional costs that have not been anticipated.

Moreover, although each of the Packaging Business, Filters Business and the Retained Group have entered into the Reorganisation Indemnity Agreement, pursuant to which they have cross-indemnified one another so that certain liabilities and costs incurred by the Packaging Business, Filters Business and Components Business are borne by the relevant business going forward, the Retained Group may not be able to eliminate all of the costs allocated to the Packaging Business due to certain exclusions and limitations under the Reorganisation Indemnity Agreement. Such exclusions and limitations include, but are not limited to, tax liabilities, liabilities that have been agreed to be dealt with separately, and claims that would not have arisen but for any voluntary acts carried out by the indemnifying party. Additionally, in the longer-term, it may not be possible to fully separate every aspect of the Packaging Business from the Retained Group. If this were to occur, the Retained Group's operational functionality could continue to be adversely impacted and the Retained Group could continue to incur material additional costs beyond Completion.

Pursuant to the Components/Packaging TSA, the Retained Group has agreed to provide or procure the provision of certain services relating to the Packaging Business for a period of up to 9 months following Completion while separation is taking place, with the right to extend by up to a further 9 months subject to a charges ratchet. The Retained Group could suffer material loss in the event that the Purchaser fails to make payments due under the Components/Packaging TSA for services which the Retained Group has provided and incurred costs or if the Packaging Business fails to provide the services it is required to provide to the Retained Group. There is also the possibility that the Retained Group could suffer losses as a result of any claims brought by the Packaging Business under or in respect of the Components/Packaging TSA. Further details on the terms of the Transitional Services Agreements are provided at paragraph 2.1 of Part III (*Principal Terms of the Transaction Documents*).

## **2.3 The Transaction, Pre-Completion Reorganisation and Strategic Review may have a disruptive effect on the Retained Group**

The Transaction, Pre-Completion Reorganisation and the ongoing Strategic Review have required, and will continue to require, substantial amounts of time and focus from the management teams and employees of the Retained Group and the central functions of the Group which could otherwise be spent operating the Retained Business in the ordinary course. Key managers and employees may become distracted by the Transaction, Pre-Completion Reorganisation and/or the Strategic Review and, accordingly, decision-making by the Retained Group may be delayed, deferred or



otherwise impacted. In particular, the Retained Group may delay or forego potential acquisition opportunities as a result of the Transaction, Pre-Completion Reorganisation and/or the Strategic Review. This disruption could be prolonged if the Transaction does not proceed to Completion and it is necessary to extend or revisit the Strategic Review.

The attraction, development, integration, retention, reputation and succession of senior management and individuals with key skills are critical factors in the successful execution of the Group's strategy and operation of the Group's businesses. The reduction in size and diversification of the Retained Group following the Transaction may make it more difficult for the Group to attract and retain appropriately qualified personnel, which could compromise the achievement of the Group's strategic objectives. Further, a number of individuals with key experience and skills that are required in connection with the Transaction and the Strategic Review have been engaged on a temporary or short-term basis and therefore if the Transaction and/or the Strategic Review do not complete within the intended timeframe, this could impact Essentra's ability to deliver the Strategic Review.

A number of existing roles within the central functions of the Retained Group may change significantly or no longer be required as a result of the Transaction and the ongoing Strategic Review, which may result in increased costs or reputational issues for, or disruption to, the Retained Business. These factors could be compounded if the Transaction does not proceed to Completion and, in particular, it may not be possible in such circumstances for Essentra to retain all the individuals who have been engaged on a temporary or short-term basis.

#### **2.4 The Retained Group will be a smaller business and may be less attractive to investors**

The Transaction and any outcome of the Strategic Review in respect of the Filters Business involve a material change to the Group's business and the Group will be smaller as a result. This could have a significant impact on the Company's share price and may mean that the Company is less attractive to investors. This could also result in the Company being more susceptible to a takeover approach, which may have adverse consequences for Shareholders (whether by reason of resulting share price fluctuation or a change in ownership of the Company on terms unfavourable or potentially unfavourable to existing Shareholders).

While the Company's objective of the Strategic Review is to deliver Shareholder value, maximise the potential of each of its three businesses and to provide the Components Business with the best platform for growth, there is no guarantee that this will succeed.

### **3. EXISTING MATERIAL RISKS TO THE GROUP THAT WILL BE IMPACTED BY THE TRANSACTION**

#### **3.1 The Retained Group will be more dependent on the performance of the Retained Business**

Following the Transaction, the Retained Group will be more dependent on the financial performance of the Components Business and the Filters Business and accordingly the

potential consequences to the Group of the risks faced by those businesses will be amplified.

In particular, the Components Business' operations may be adversely affected if the use of its assets (such as its site in Langford Locks, Kidlington) is interrupted or altered, for instance by natural disasters, collective action, regulatory changes or health risks. The Components Business is also reliant on the digital ecosystem within its supply chain and is therefore more exposed to cyber events, such as denial of service attacks, data breaches or leaks. The Components Business serves a broad range of industrial customers and, as such, is exposed to global industrial production trends, including the historically cyclical nature of the sector. In the event of a downturn in the industrials sector, the Components Business may experience reduced demand and a decrease in operating margins. Depending on the outcome of the Strategic Review, the potential impact of these risks may become more pronounced if Essentra becomes a pure-play global components business.

The Filters Business has operations in a number of low cost production locations and emerging markets, including China, and accordingly may be adversely affected by political and economic conditions in those production locations and emerging market currency fluctuations. Essentra has suspended its Russia operations due to the Ukraine/Russia conflict (other than for indirect pharmaceutical sales relating to over the counter and prescription medication due to humanitarian reasons), which has impacted its business there. The success of the Filters Business is dependent, in part, on joint venture partners, including a 50:50 joint venture in India with All India Tobacco Co Limited and a 49:51 joint venture agreement in China with China Tobacco Fujian Industrial Co Ltd (and other state-owned China Tobacco companies). These arrangements create reliance upon the operational performance and resilience of these joint venture partners, and failure to adequately oversee such partners, the insolvency of such a partner or a failure of a partner's key operational systems and processes could result in significant disruption to the Filters Business' operations and customers.

A significant amount of the Filters Business relates to the supply of filters and tear tape to manufacturers in the tobacco industry. Accordingly, the performance of the Filters Business may be affected by changes in conditions within the tobacco industry and markets, such as changes in the consumption of cigarettes and the decline of combustible markets, the evolving regulatory environment in respect of tobacco, a shift towards next generation products and other tobacco substitutes and any tobacco-related litigation (although Essentra has had no involvement in tobacco-related litigation to date). As the Filters Business will become proportionally a larger portion of the Retained Group following Completion, this could also cause issues for investors with environmental, social and governmental policy restrictions in place governing the level of investment they are permitted to have in a business involved in the tobacco industry.

### **3.2 The market price of the Ordinary Shares may fluctuate on the basis of market sentiment surrounding the Transaction**

The value of an investment in the Ordinary Shares may go down as well as up. This is because the price of the Ordinary Shares will be influenced by a large number of factors, some specific to the Retained Group and its operations and some which may affect the markets and segments in which the Retained Group operates as a whole. Another factor

that will affect the value of the Ordinary Shares is the sentiment of the stock market (both over the long and short term) regarding the Transaction. The other factors that may affect the Company's share price include (but are not limited to): (i) actual or anticipated fluctuations in the financial performance of the Retained Group; (ii) market fluctuations (including the current inflationary environment); (iii) legislative or regulatory changes in the markets and segments in which the Retained Group operates; and (iv) the sentiment of the stock market regarding the Strategic Review.

**PART III**  
**PRINCIPAL TERMS OF THE TRANSACTION DOCUMENTS**

**1. The Sale and Purchase Agreement**

The following is a summary of the principal terms of the Sale and Purchase Agreement.

**1.1 Parties and structure**

The Sale and Purchase Agreement was entered into on 24 June 2022 between the Sellers and the Purchaser and the Purchaser's guarantor.

Under the terms of the Sale and Purchase Agreement, the Purchaser has irrevocably granted to the UK Seller an option (the "**Put Option**") to require the Purchaser to purchase the UK Shares from the UK Seller. The Put Option may be exercised within five business days following the date on which the information and consultation process with the works council of Essentra Packaging S.a.r.l. is deemed to have completed in accordance with the laws of France.

Subject to the exercise of the Put Option by the UK Seller, the UK Seller has agreed to sell, and the Purchaser has agreed to purchase, the UK Shares free from all encumbrances and from all other rights exercisable by third parties, together with all rights attached or accruing to them, at Completion. In addition, the US Seller has agreed to sell, and the Purchaser has agreed to purchase, the US Shares free from all Encumbrances and from all other rights exercisable by third parties, together with all rights attached or accruing to them, at Completion.

The Purchaser's guarantor has agreed to guarantee the obligations of the Purchaser under the Sale and Purchase Agreement.

**1.2 Consideration**

The consideration payable by the Purchaser at Completion is £312 million, subject to adjustments after Completion by way of a standard completion accounts mechanics to allow for changes in cash, working capital, inter-company payables and inter-company receivables.

**1.3 Conditions to Completion**

Completion is subject to, and can only occur upon, satisfaction or waiver of, a number of outstanding conditions, including:

- (A) the passing of the Resolution at the General Meeting;
- (B) the completion of certain reorganisation steps (the "**Pre-Completion Reorganisation**") required to separate the Packaging Business from the Retained Business (including the Filters Business) and the Retained Group;
- (C) the exercise of the Put Option in relation to the UK Shares;

- (D) specified antitrust and foreign investment approvals being undertaken with the requisite antitrust and foreign investment approvals having been obtained, the relevant time periods in respect of those approvals having expired, or decisions that the relevant antitrust or foreign investment legislation does not apply to the Transaction being obtained (as applicable) including those required by: (i) the German Federal Cartel Office pursuant to the German Act against Restraints of Competition (Gesetz gegen Wettbewerbsbeschränkungen); (ii) the Irish Competition and Consumer Protection Commission pursuant to the Competition Act 2002 (iii) the Polish President of the Office of Competition and Consumer Protection pursuant to the Polish Competition Act; (iv) the Spanish National Markets and Competition Commission (Comisión Nacional de los Mercados y la Competencia) pursuant to Spanish Law No. 15/2007, of 3 July (Ley de Defensa de la Competencia); (v) in the event that that the Transaction or any part of it is to be examined by the European Commission as a result of a decision under Article 22(3), the European Commission pursuant to Council Regulation (EC) No 139/2004 of 20 January 2004 (vi) the Serbian Commission for Protection of Competition pursuant to the Zakon o zaštiti konkurencije, Official Gazette nos. 51/2009 and 95/2013; (vii) the French Minister for the Economy pursuant to the French Code Monétaire et Financier; and (viii) the Presidency of the Italian Council of Ministers or the Italian Government pursuant to the Law Decree no. 21 dated 15 March 2012 converted into law by Law No. 56 dated 11 May 2012, and Law Decree no. 105 dated 21 September 2019, converted into law-by-Law no. 133 dated 18 November 2019, as subsequently amended, supplemented and integrated.

#### 1.4 Representations, warranties and covenants

The Sellers have given certain warranties to the Purchaser that are customary for a transaction of this nature and size. These include, among other things, warranties that the Sellers own the shares in the Target Companies free and clear from any encumbrances and that each Seller has the requisite power and authority to enter into and perform the Sale and Purchase Agreement and other Transaction Documents. The Sellers' warranties also include statements regarding the UK Shares and the US Shares; financial statements; material contracts; insolvency; licences; litigation and compliance with laws; intellectual property, information technology and business information; property; environmental matters; employment and incentives; pensions; and tax affairs.

The Purchaser has obtained a warranty and indemnity insurance policy (the "**W&I Insurance Policy**"). Other than in respect of fraud, the Purchaser's sole recourse (whether contractual, tortious or otherwise) in respect of any claim under any of the warranties or under the Tax Covenant (other than in respect of certain specified clauses of the Tax Covenant) in excess of £1 will be under the W&I Insurance Policy (to the extent applicable) and not in any circumstances against any of the Sellers.

The Purchaser and the Purchaser's Guarantor have given certain warranties to the Sellers that are customary for a transaction of this nature and size. These include, among other things, warranties that the Purchaser and the Purchaser's Guarantor has the requisite power and authority to enter into and perform its obligations under the Sale and Purchase Agreement and other Transaction Documents.

## **1.5 Conduct of business between signing and Completion**

The Sellers have given certain customary covenants to the Purchaser in relation to the conduct of the Packaging Business during the period between signing of the Sale and Purchase Agreement and Completion. Such obligations include ensuring the conduct of the Packaging Business in the ordinary course of that business (as carried on in the 12 month prior to the Sale and Purchase Agreement), and refraining from taking certain actions in respect of the Packaging Business. The covenants are subject to certain customary exceptions, including where the Purchaser has given (or is deemed to have given) its prior written consent to any action and an exception to allow implementation of the Pre-Completion Reorganisation.

## **1.6 Separation**

The Sellers and the Purchaser have agreed to commence separation planning in good faith, the objective of which is to achieve an organised, efficient and prompt separation causing minimal disruption and interruption to the Packaging Business and the Retained Business. In accordance with the Sale and Purchase Agreement, the Sellers and the Purchaser have agreed to establish a separation planning working group to oversee and monitor the progress of the separation planning and each of the parties will provide sufficient resource to achieve the required separation planning.

## **1.7 Termination rights**

The Sale and Purchase Agreement may be terminated if the conditions described in paragraph 1.3 above are not satisfied or (if capable of waiver) waived on or before the Long Stop Date. The Sale and Purchase Agreement may also be terminated by either the Sellers or the Purchaser if the other party fails to comply with its completion obligations under the Sale and Purchase Agreement.

## **1.8 Governing law**

The Sale and Purchase Agreement is governed by the laws of England.

## **2. Other material transaction documents**

### **2.1 Transitional Services Agreements**

#### **(A) Components/Packaging TSA**

The following is a summary of the principal terms of the Components/Packaging TSA, under which: (i) certain HR, finance, property and IT-related services are provided from the Retained Group (excluding the Filters Business) to the Purchaser's group; and (ii) certain HR services are provided from the Purchaser's group to the Retained Group (excluding the Filters Business), in each case for a transitional period post-Completion. The Components/Packaging TSA is governed by English law.

**(i) Term and termination**

The Components/Packaging TSA will be entered into on, and take effect from, Completion, and will continue in force until the last of the services expires or terminates. Each of the services will be provided for a specified period of time from Completion which, in each case, is expected to be no longer than nine months, though the recipient party can extend a service by up to nine months by giving written notice. If a service period is extended, the charges for the relevant service are increased by an amount equal to 25 per cent. of the then-current service charges at the start of each consecutive three month period commencing on the expiry of the relevant unextended service period.

Either party can terminate the Components/Packaging TSA:

- (a) in its entirety, on written notice, if certain customary insolvency events are triggered in respect of the other party;
- (b) in so far as it relates to any affected services, if any circumstance arises that is beyond the reasonable control of the other party and that circumstance prevents, hinders or delays the other party's performance for more than 60 days; and
- (c) in respect of any or all services that it receives, without cause, on at least 45 days' prior written notice to the other party.

Either party can terminate a service in its entirety or in part if the other party commits a material breach which, if capable of remedy, is not remedied within 45 days of being notified of the breach.

Any stranded costs that arise upon termination of a service will be borne by the party receiving that service (unless termination arose as a result of the party providing the service becoming insolvent, committing a material breach or being unable to perform due to force majeure circumstances, in which case such costs will be borne by the provider), provided and solely to the extent that (i) the provider would not have incurred such stranded costs had the service continued for the full service period; and (ii) the provider uses appropriate efforts to minimise any such stranded costs. The Purchaser's total aggregate liability in respect of any stranded costs are capped at 50 per cent. of the remaining services charges that would have been payable had the relevant service continued for the full service period.

**(ii) Service standard**

Each party will provide or procure the services that it has an obligation to provide under the Components/Packaging TSA to no worse a standard than that which is materially equivalent to the standard to which that service was provided in the ordinary course during the 12 months prior to Completion. The provider shall also provide the services with

reasonable skill and care and in a timely manner. Each party will also comply with all applicable laws in performing its obligations (including the provision of any service) under the Components/Packaging TSA. The change control mechanism in the Components/Packaging TSA allows the relevant service provider to unilaterally make changes to the services that are required by applicable law.

**(iii) Services charges**

Each party will pay the services charges in respect of the services that its group members receive monthly in arrears within 30 days from receipt of the relevant invoice.

**(iv) Other key costs**

*Third party consents:* in respect of any service, the costs of obtaining and maintaining any third party consent required for that service (or, if any such consent is not obtained or is refused or revoked, the cost of any reasonable alternative arrangements that are implemented for that service) will be borne by the parties in equal proportions, provided that no such costs will be incurred without the recipient party's prior written consent (not to be unreasonably withheld or delayed). If the recipient party elects not to pay such costs, then the provider party will no longer be obliged to provide the relevant service. The Purchaser's maximum aggregate contribution towards such costs under the Components/Packaging TSA, Filters/Packaging TSA and the Sale and Purchase Agreement is capped at £100,000.

*Migration:* in respect of each service, the party that is receiving that service will bear its own costs in relation to any post-Completion migration activities that it undertakes in connection with the planning and implementation of the migration plan under the Components/Packaging TSA in respect of that service. The party that is receiving that service will also bear the costs of the provider in relation to any post-Completion migration activities that it undertakes in connection with the implementation of the migration plan under the Components/Packaging TSA in respect of that service, provided that no such costs will be incurred without the recipient party's prior written consent (not to be unreasonably withheld or delayed). If the recipient party elects not to pay such costs, then the provider party will no longer be obliged to carry out the relevant migration activities or other migration activities which are dependent upon the completion of such migration activity.

The recipient party shall also pay the provider party's reasonable costs with respect to: (i) the provider party providing reasonable assistance necessary for the transfer of services from the provider party to a replacement party (which may include the recipient party or any member of its group) at the end of the relevant service period; and (ii) the provider party providing to the replacement service provider the data to which access is provided under the Components/Packaging TSA in its then



current format unless otherwise agreed by the parties (acting reasonably and in good faith), provided in both cases that no such costs will be incurred without the recipient party's prior written consent (not to be unreasonably withheld or delayed). If the recipient party elects not to pay such costs, then the provider party will no longer be obliged to carry out the relevant activity to which such costs relate.

**(v) Liability**

*Unlimited liability:* each party's liability is unlimited in respect of: (a) fraud; (b) death and personal injury caused by its negligence; (c) any other liabilities that cannot be excluded as a matter of law; (d) wilful default; and (e) its obligations to pay costs (other than with respect to (i) stranded costs, in respect of which the Purchaser's total aggregate liability is capped at 50 per cent. of the remaining services charges that would have been payable had the relevant service continued for the full service period; and (ii) third party consent and workaround costs, in respect of which the Purchaser's total aggregate liability under the Components/Packaging TSA, Filters/Packaging TSA and the Sale and Purchase Agreement is capped at £100,000) or service charges.

*Exclusions of liability:* subject to the unlimited liabilities set out above, neither party, in its capacity as a service provider, will be liable to the other party for any delay or failure to provide a service, or failure to meet any service standard in respect of a service, to the extent that such failure or delay is caused by any act or omission of a third party provider, unless the party providing the service is compensated for such failure or delay by the relevant third party provider (in which case, a proportionate amount of such compensation will be passed through to the recipient party) or the relevant act or omission by the third party provider is a lawful exercise of its rights or remedies under the relevant third party agreement.

Subject to the unlimited liabilities set out above, neither party will be liable to the other party for:

- (a) any indirect or consequential loss;
- (b) any loss of profits, loss of revenue, loss of anticipated savings or loss of goodwill (in each case whether direct or indirect or consequential); or
- (c) any punitive or exemplary damages.

The Components/Packaging TSA also contains a customary force majeure mechanism, under which the relevant provider is given relief from providing services to the extent it is prevented from doing so by circumstances that are beyond its reasonable control.

*Liability caps:* subject to the unlimited liabilities set out above, the total aggregate liability of each party and any member of its group under or in connection with the Components/Packaging TSA is limited to an amount equal to 125 per cent. of the total service charges payable under the Components/Packaging TSA.

*TUPE-related indemnities:* there are customary cross indemnities in respect of employment costs associated with any potential TUPE transfer of employees resulting from the provision or cessation of services under the Components/Packaging TSA.

(B) **Filters/Packaging TSA**

The following is a summary of the principal terms of the Filters/Packaging TSA, under which certain property and IT-related services are provided from the Filters Business to the Packaging Business, in each case for a transitional period post-Completion. The Filters/Packaging TSA is governed by English law.

(i) **Term and termination**

The Filters/Packaging TSA will be entered into on, and take effect from, Completion, and will continue in force until the last of the services expires or terminates. Each of the services will be provided for a specified period of time from Completion which, in each case, is expected to be no longer than 6 months, though the recipient party can extend a service by up to nine months by giving written notice. If a service period is extended, the charges for the relevant service are increased by an amount equal to 25 per cent. of the then-current service charges at the start of each consecutive three month period commencing on the expiry of the relevant unextended service period.

Either party can terminate the Filters/Packaging TSA:

- (a) in its entirety, on written notice, if certain customary insolvency events are triggered in respect of the other party; and
- (b) in so far as it relates to any affected services, if any circumstance arises that is beyond the reasonable control of the other party and that circumstance prevents, hinders or delays the other party's performance for more than 60 days;
- (c) in respect of any or all services that it receives, without cause, on at least 45 days' prior written notice to the other party.

Either party can terminate a service in its entirety or in part if the other party commits a material breach which, if capable of remedy, is not remedied within 45 days of being notified of the breach.

Any stranded costs that arise upon termination of a service will be borne by the party receiving that service (unless termination arose as a result

of the party providing the service becoming insolvent, committing a material breach or being unable to perform due to force majeure circumstances, in which case such costs will be borne by the provider), provided and solely to the extent that (i) the provider would not have incurred such stranded costs had the service continued for the full service period; and (ii) the provider uses appropriate efforts to minimise any such stranded costs. The Purchaser's total aggregate liability in respect of any stranded costs are capped at 50 per cent. of the remaining services charges that would have been payable had the relevant service continued for the full service period.

**(ii) Service standard**

Each party will provide or procure the services that it has an obligation to provide under the Filters/Packaging TSA to no worse a standard than that which is materially equivalent to the standard to which that service was provided in the ordinary course during the 12 months prior to Completion. The provider shall also provide the services with reasonable skill and care and in a timely manner. Each party will also comply with all applicable laws in performing its obligations (including the provision of any service) under the Filters/Packaging TSA. The change control mechanism in the Filters/Packaging TSA allows the relevant service provider to unilaterally make changes to the services that are required by applicable law.

**(iii) Services charges**

Each party will pay the services charges in respect of the services that its group members receive monthly in arrears within 30 days from receipt of the relevant invoice.

**(iv) Other key costs**

*Third party consents:* in respect of any service, the costs of obtaining and maintaining any third party consent required for that service (or, if any such consent is not obtained or is refused or revoked, the cost of any reasonable alternative arrangements that are implemented for that service) will be borne by the parties in equal proportions, provided that no such costs will be incurred without the recipient party's prior written consent (not to be unreasonably withheld or delayed). If the recipient party elects not to pay such costs, then the provider party will no longer be obliged to provide the relevant service. The Purchaser's maximum aggregate contribution towards such costs under the Filters/Packaging TSA, Components/Packaging TSA and the Sale and Purchase Agreement is capped at £100,000.

*Migration:* in respect of each service, the party that is receiving that service will bear its own costs in relation to any post-Completion migration activities that it undertakes in connection with the planning and implementation of the migration plan under the Filters/Packaging TSA in respect of that service. The party that is receiving that service will also

bear the costs of the provider in relation to any post-Completion migration activities that it undertakes in connection with the implementation of the migration plan under the Filters/Packaging TSA in respect of that service, provided that no such costs will be incurred without the recipient party's prior written consent (not to be unreasonably withheld or delayed). If the recipient party elects not to pay such costs, then the provider party will no longer be obliged to carry out the relevant migration activities or other migration activities which are dependent upon the completion of such migration activity.

The recipient party shall also pay the provider party's reasonable costs with respect to: (i) the provider party providing reasonable assistance necessary for the transfer of services from the provider party to a replacement party (which may include the recipient party or any member of its group) at the end of the relevant service period; and (ii) the provider party providing to the replacement service provider the data to which access is provided under the Filters/Packaging TSA in its then current format unless otherwise agreed by the parties (acting reasonably and in good faith), provided in both cases that no such costs will be incurred without the recipient party's prior written consent (not to be unreasonably withheld or delayed). If the recipient party elects not to pay such costs, then the provider party will no longer be obliged to carry out the relevant activity to which such costs relate.

**(v) Liability**

*Unlimited liability:* each party's liability is unlimited in respect of: (a) fraud; (b) death and personal injury caused by its negligence; (c) any other liabilities that cannot be excluded as a matter of law; (d) wilful default; and (e) its obligations to pay costs (other than with respect to: (i) stranded costs, in respect of which the Purchaser's total aggregate liability is capped at 50% of the remaining services charges that would have been payable had the relevant service continued for the full service period; and (iii) third party consent and workaround costs, in respect of which the Purchaser's total aggregate liability under the Components/Packaging TSA, Filters/Packaging TSA and the Sale and Purchase Agreement is capped at £100,000) or service charges.

*Exclusions of liability:* subject to the unlimited liabilities set out above, neither party, in its capacity as a service provider, will be liable to the other party for any delay or failure to provide a service, or failure to meet any service standard in respect of a service, to the extent that such failure or delay is caused by any act or omission of a third party provider, unless the party providing the service is compensated for such failure or delay by the relevant third party provider (in which case, a proportionate amount of such compensation will be passed through to the recipient party) or the relevant act or omission by the third party provider is a lawful exercise of its rights or remedies under the relevant third party agreement.

Subject to the unlimited liabilities set out above, neither party will be liable to the other party for:

- (a) any indirect or consequential loss;
- (b) any loss of profits, loss of revenue, loss of anticipated savings or loss of goodwill (in each case whether direct or indirect or consequential); or
- (c) any punitive or exemplary damages.

The Filters/Packaging TSA also contains a customary force majeure mechanism, under which the Filters Business is given relief from providing services to the extent it is prevented from doing so by circumstances that are beyond its reasonable control.

*Liability caps:* subject to the unlimited liabilities set out above, the total aggregate liability of each party and any member of its group under or in connection with the Filters/Packaging TSA is £200,000.

*TUPE-related indemnities:* there are customary cross indemnities in respect of employment costs associated with any potential TUPE transfer of employees resulting from the provision or cessation of services under the Filters/Packaging TSA.

## **2.2 Tax Covenant**

The Sellers have given a customary tax covenant in favour of the Purchaser which covers any taxation in respect of the period prior to Completion, subject to usual exclusions for a transaction of this nature.

**PART IV**  
**HISTORICAL FINANCIAL INFORMATION RELATING TO THE PACKAGING BUSINESS**

This Part IV contains unaudited historical financial information relating to the Packaging Business for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 (the “**Relevant Period**”).

The financial information contained in this Part IV has been extracted without material adjustment from the consolidation schedules and supporting analysis that underlie the audited consolidated financial information of the Group for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021.

The financial information in this Part IV has been prepared using the accounting policies of the Group as adopted in the published consolidated financial statements for each of the financial years presented.

This financial information reflects, therefore, the Packaging Business’s contribution to the Group during the Relevant Period, applying the relevant accounting policies.

The financial information contained in this Part IV does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. The consolidated statutory accounts of the Group in respect of the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 have been delivered to the UK registrar of companies.

PricewaterhouseCoopers LLP was the auditor of the Group in respect of the years ended 31 December 2019, 31 December 2020 and 31 December 2021.

Shareholders should read the whole of this Circular and not rely solely on the financial information contained in this Part IV.

## 1. Unaudited income statement information for the Packaging Business

<i>(£ millions, unless stated otherwise)</i>	<b>Year ended 31 December 2021</b>	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
Revenue	360.4	361.2	350.6
Cost of sales	(309.6)	(304.0)	(293.1)
<b>Gross profit</b>	<b>50.8</b>	<b>57.2</b>	<b>57.5</b>
Administrative expenses	(55.1)	(68.5)	(50.6)
<b>Operating (loss)/profit</b>	<b>(4.3)</b>	<b>(11.3)</b>	<b>6.9</b>
Finance income	-	0.2	0.3
Finance costs	(11.7)	(12.0)	(11.2)
Net finance costs <sup>1</sup>	(11.7)	(11.8)	(10.9)
<b>Loss before tax</b>	<b>(16.0)</b>	<b>(23.1)</b>	<b>(4.0)</b>
Tax	(3.5)	5.0	(3.6)
<b>Loss for the year</b>	<b>(19.5)</b>	<b>(18.1)</b>	<b>(7.6)</b>

### Reconciliation of Adjusted Operating profit / (loss) as reported in Essentra's Annual report and Accounts to Operating profit / (loss) presented in the Historical Financial Information above:

<b>Adjusted Operating profit as reported in Essentra's 2021, 2020 and 2019 Annual report and Accounts</b>	<b>15.4</b>	<b>13.8</b>	<b>15.1</b>
Exclude adjusted operating loss from India operations <sup>2</sup>	0.4	0.2	0.3
<b>Adjusted Operating profit excluding India operations and before central cost adjustments</b>	<b>15.8</b>	<b>14.0</b>	<b>15.4</b>
Adjusting items (including amortisation of acquired intangible assets) as reported in Essentra's annual report and accounts	(12.2)	(22.7)	(5.3)
Exclude adjusting items (including amortisation of acquired intangible assets) from India operations <sup>2</sup>	0.1	0.1	0.1
<b>Operating profit/(loss) before central cost adjustments</b>	<b>3.7</b>	<b>(8.6)</b>	<b>10.2</b>
Management and other intercompany group transfer charges net of add back of the allocation of certain central services costs <sup>3</sup>	(7.8)	(2.9)	(3.8)
Other Packaging Business adjustments <sup>4</sup>	(0.2)	0.1	0.4
<b>Operating (loss)/profit</b>	<b>(4.3)</b>	<b>(11.3)</b>	<b>6.9</b>

Notes:

1. For the year ended 31 December 2021, net finance costs includes interest charges on intercompany debt of £10.7m (year ended 31 December 2020: £10.6m; year ended 31 December 2019: £9.7m).
2. Excludes the operations of Essentra (India) Private Limited which do not form part of the Packaging Business.
3. As reported in Essentra's 2021, 2020 and 2019 Annual report and Accounts, Adjusted Operating Profit is defined as operating profit/(loss) before acquired intangible amortisation and adjusting items, and includes the effect of an allocation of certain central services costs. For the purposes of reconciling to reported operating (loss)/profit in the Historical Financial Information, the effect of the allocation of certain central services costs has been added back and replaced with management and other intercompany group transfer charges.
4. Other Packaging Business adjustments include transactions directly attributable to the Packaging Business which were recorded in central operations in Essentra's annual report and accounts.



## 2. Unaudited net asset statement for the Packaging Business

<i>(£ millions, unless stated otherwise)</i>	<b>Packaging Business net assets as at 31 December 2021</b>
<b>Non-current assets</b>	
Property, plant and equipment	102.0
Lease right-of-use asset	17.4
Intangible assets	295.5
Long-term receivables	2.0
Deferred tax assets	5.2
<b>Total non-current assets</b>	<b>422.1</b>
<b>Current assets</b>	
Inventories	33.0
Income tax receivable	0.6
Trade and other receivables	63.4
Other financial assets	419.3
Cash and cash equivalents	9.5
<b>Total current assets</b>	<b>525.8</b>
<b>Total assets</b>	<b>947.9</b>
<b>Current liabilities</b>	
Lease liabilities	4.1
Income tax payable	0.5
Trade and other payables	54.7
Other financial liabilities	528.9
Provisions	0.6
<b>Total current liabilities</b>	<b>588.0</b>
<b>Non-current liabilities</b>	
Lease liabilities	14.6
Retirement benefit obligations	0.6
Provisions	1.8
Deferred tax liabilities	33.1
<b>Total non-current liabilities</b>	<b>50.1</b>
<b>Total liabilities</b>	<b>638.9</b>
<b>Net assets</b>	<b>309.0</b>

### Notes:

- Other financial assets of £419.3 million comprises intercompany finance receivables of £418.0 million and intercompany trading receivables of £1.3 million due to the Packaging Business from the Retained Group. Other financial liabilities of £528.9 million comprises intercompany finance payables of £526.8 million and intercompany trading payables of £2.1 million due from the Packaging Business to the Retained Group.

**PART V**  
**UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE RETAINED GROUP**

**SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The unaudited pro forma statement of net assets of the Retained Group (the “**Unaudited Pro Forma Financial Information**”) provided below has been prepared in accordance with Annex 20 of the PR Regulation and on the basis of the notes set out below to illustrate the effect of the Transaction on the consolidated net assets of the Retained Group as if the Transaction had occurred on 31 December 2021.

The Unaudited Pro Forma Financial Information has been prepared on the basis of the financial information of the Group as at 31 December 2021, the date to which the latest audited financial information relating to the Group was prepared and the financial information of the Packaging Business as at 31 December 2021 contained in Part IV of this document. The Unaudited Pro Forma Financial Information has been prepared pursuant to Listing Rule 13.3.3R in a manner consistent with the accounting policies of the Group in its last financial statements.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Retained Group’s actual financial position or results. The Unaudited Pro Forma Financial Information does not purport to represent what the Retained Group’s financial position actually would have been if the Transaction had been completed on the dates indicated, nor does it purport to represent the results of operations for any future period or the financial condition at any future date.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

Shareholders should read the whole of this Circular and not rely solely on the summarised financial information contained in this Part V.

## Retained Group unaudited consolidated pro forma statement of net assets

(£ millions, unless stated otherwise)	Adjustments				Essentra Retained Group as at 31 December 2021
	Essentra consolidated net assets as at 31 December 2021 <sup>(1)</sup>	Packaging Business net assets as at 31 December 2021 <sup>(2)</sup>	Pension adjustments <sup>(3)</sup>	Other transaction adjustments <sup>(5)(6)</sup>	
<b>Non-current assets</b>					
Property, plant and equipment	254.3	(102.0)	-	-	152.3
Lease right-of-use asset	50.4	(17.4)	-	-	33.0
Intangible assets	483.5	(295.5)	-	-	188.0
Long-term receivables	5.2	(2.0)	-	-	3.2
Derivative assets	0.7	-	-	-	0.7
Deferred tax assets	11.6	(5.2)	-	-	6.4
Retirement benefit assets	34.1	-	1.9	-	36.0
<b>Total non-current assets</b>	<b>839.8</b>	<b>(422.1)</b>	<b>1.9</b>	<b>-</b>	<b>419.6</b>
<b>Current assets</b>					
Inventories	128.7	(33.0)	-	-	95.7
Income tax receivable	1.5	(0.6)	-	-	0.9
Trade and other receivables	175.2	(63.4)	-	-	111.8
Derivative assets	0.5	-	-	-	0.5
Other financial assets	-	(419.3)	-	419.3	-
Cash and cash equivalents	136.3	(9.5)	(1.9)	144.5	269.4
<b>Total current assets</b>	<b>442.2</b>	<b>(525.8)</b>	<b>(1.9)</b>	<b>563.8</b>	<b>478.3</b>
<b>Total assets</b>	<b>1,282.0</b>	<b>(947.9)</b>	<b>-</b>	<b>563.8</b>	<b>897.9</b>
<b>Current liabilities</b>					
Lease liabilities	11.6	(4.1)	-	-	7.5
Derivative liabilities	0.1	-	-	-	0.1
Income tax payable	21.5	(0.5)	-	-	21.0
Trade and other payables	180.9	(54.7)	-	-	126.2
Other financial liabilities	-	(528.9)	-	528.9	-
Provisions	1.1	(0.6)	-	-	0.5
<b>Total current liabilities</b>	<b>215.2</b>	<b>(588.8)</b>	<b>-</b>	<b>528.9</b>	<b>155.3</b>
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	313.3	-	-	(144.2)	169.1
Lease liabilities	46.1	(14.6)	-	-	31.5
Retirement benefit obligations	25.1	(0.6)	-	-	24.5
Provisions	2.5	(1.8)	-	-	0.7
Other financial liabilities	5.6	-	-	-	5.6
Deferred tax liabilities	45.3	(33.1)	-	-	12.2
<b>Total non-current liabilities</b>	<b>437.9</b>	<b>(50.1)</b>	<b>-</b>	<b>(144.2)</b>	<b>243.6</b>
<b>Total liabilities</b>	<b>653.1</b>	<b>(638.9)</b>	<b>-</b>	<b>384.7</b>	<b>398.9</b>
<b>Net assets</b>	<b>628.9</b>	<b>(309.0)</b>	<b>-</b>	<b>179.1</b>	<b>499.0</b>

Notes:

1. The consolidated Essentra plc financial information as at 31 December 2021 has been extracted without material adjustment, from Essentra's 2021 Annual Report and Accounts incorporated by reference in this document.
2. These adjustments remove the assets and liabilities of the Packaging Business and were sourced without adjustment from the unaudited historical financial information of the Packaging Business as at 31 December 2021 contained in Part IV (*Historical financial information relating to the Packaging Business*) of this document.
3. The Pensions adjustments reflects payments agreed between the Company, Essentra Components and Essentra Pension Trustees Limited (the trustee of the Essentra pension plan) as per the Memorandum of Understanding entered on 11 April 2022:
  - (a) on or before 20 April 2022, an upfront cash payment of £0.65 million into the Essentra section of the Essentra pension plan (this has now been paid);
  - (b) a £1.25 million cash payment which is contingent upon completion of the divestiture of the Packaging Business; and
  - (c) further payments of £0.625 million are due in each of the six years after the year of divestiture. As these are future payments to be made into the Essentra pension plan, they are not included in these pro-forma adjustments.
4. The base consideration to be received reflects the Purchaser's 100 per cent. equity interest in the enterprise value of the Packaging Business.
5. The adjustment to Cash and cash equivalents of £144.5 million comprises of:

	<u>£ million</u>
Cash consideration (a).....	312.0
Adjustment for Net debt (a).....	(12.3)
Transaction costs (a).....	(11.8)
<b>Net proceeds</b> .....	<b>287.9</b>
Settlement of net intercompany trading amounts by Packaging Business (b).....	0.8
Repayment of borrowings (c).....	(144.2)
<b>Total pro forma adjustment</b> .....	<b><u>144.5</u></b>

- (a) Cash consideration of £312.0 million less adjustments related to Net Debt of £12.3 million less expected costs relating to the transaction of £11.8 million. The cash consideration is subject to retrospective adjustments on completion by way of standard completion accounts mechanics to allow for changes in cash, working capital, inter-company payables and inter-company receivables. The adjustments, when finalised following Completion, may be significant.
- (b) On or shortly following completion of the transaction, intercompany trading balances due from and to the Packaging Business will be settled in cash. A cash adjustment of a net intercompany trading payable due to the Retained Group of £0.8 million, has been reflected as at 31 December 2021, comprising the net settlement of

intercompany trading payable due from the Packaging Business of £2.1 million and intercompany trading receivable due to the Packaging Business of £1.3 million. The actual net intercompany trading balances settlement, due on or shortly following completion, may differ significantly.

- (c) An adjustment of £144.2 million to interest bearing loans and borrowings is reflected comprising a £59.2 million prepayment of all drawings under the RCF drawdown as at 31 December 2021 and an £85 million prepayment (including make-whole) of the 2017 and 2019 US Private Placement Notes outstanding as at 31 December 2021.
  - (d) A pro-rata offer of 2021 US Private placement notes of a maximum amount of £54 million is required but has not been included in these pro-forma adjustments as payment of this offer is subject to acceptance by the noteholders. If the offer was accepted in full by noteholders, the pro-forma Essentra Retained Group cash and cash equivalents balance as at 31 December 2021 would reduce by £54 million to £215.4 million.
6. On and/or following completion of the transaction, all outstanding intercompany finance receivables and payables between the Retained Group and the Packaging Business will be eliminated. An adjustment of £108.8 million has been reflected as at 31 December 2021, comprising the removal of an intercompany finance payable due from the Packaging Business of £526.8 million and an intercompany finance receivable due to the Packaging Business of £418.0 million. The actual net intercompany finance balances settlement, due on and/or following completion, may differ significantly.
7. No account has been taken of any trading or results of Essentra plc (including the Packaging Business) since 31 December 2021.

## SECTION B: REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE RETAINED GROUP

The Directors (the "**Directors**")

Essentra plc  
Langford Locks,  
Kidlington,  
Oxford,  
England,  
OX5 1HX

Credit Suisse International (the "**Sponsor**")

One Cabot Square  
London  
E14 4QJ

15 July 2022

Dear Ladies and Gentlemen

Essentra plc (the "**Company**")

We report on the unaudited pro forma financial information relating to the Retained Group (the "**Pro Forma Financial Information**") set out in Section A of Part V of the Company's circular dated 15 July 2022 (the "**Circular**").

This report is required by item 13.3.3R of the Listing Rules of the Financial Conduct Authority (the "**Listing Rules**") and is given for the purpose of complying with that item and for no other purpose.

### **Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;  
and
- (b) such basis is consistent with the accounting policies of the Company.

### **Responsibilities**

It is the responsibility of the Directors to prepare the Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules, as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the date of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our

statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

### **Basis of preparation**

The Pro Forma Financial Information has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the proposed sale of the Essentra Packaging Business by Essentra plc might have affected the consolidated net assets presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2021.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council ("**FRC**") in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers LLP  
Chartered Accountants

**PART VI**  
**ADDITIONAL INFORMATION**

**1. Responsibility**

Essentra and the Directors, whose names appear in paragraph 3 below, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of Essentra and the Directors (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

**2. Incorporation and registered office**

Essentra was incorporated and registered in England and Wales as a public limited company on 5 May 2005 under the Companies Act 1985 with registered number 05444653 and the name Filtrona plc. On 25 June 2013, Essentra changed its name from Filtrona plc to Essentra plc. The principal legislation under which Essentra operates is the Companies Acts and the regulations made thereunder.

Essentra is headquartered in the United Kingdom with its registered office at Langford Locks, Kidlington, Oxford, England, OX5 1HX and its telephone number is +44 (0)1908 359100.

**3. The Directors and the Group Management Committee**

The Directors of Essentra are:

<u>Name</u>	<u>Position</u>
Paul Lester, CBE	Chair
Paul Forman	Chief Executive Officer
Jack Clarke	Chief Financial Officer
Mary Reilly	Senior Independent Non-Executive Director
Ralf Wunderlich	Independent Non-Executive Director
Adrian Peace	Independent Non-Executive Director
Dupsy Abiola	Independent Non-Executive Director

The Group Management Committee of Essentra comprises:

<u>Name</u>	<u>Position</u>
Paul Forman	Chief Executive Officer
Jack Clarke	Chief Financial Officer
Scott Fawcett	Managing Director, Essentra Components
Kamal Taneja	Managing Director, Essentra Packaging Inc.
Robert Pye	Managing Director, Essentra Filters
Jon Green	Company Secretary & General Counsel
Oshin Cassidy	Group Human Resources Director



The business address of each Director and Group Management Committee member is Essentra's registered office.

#### 4. Director and Group Management Committee Shareholdings and options

##### 4.1 Holdings in Ordinary Shares

As at the Latest Practicable Date, the interests of each Director and Group Management Committee members in the share capital of Essentra are as follows:

Director	Number of Ordinary Shares held	Percentage of issued Ordinary Shares
Paul Lester, CBE	21,346	0.007075485%
Paul Forman	369,326	0.122419209%
Jack Clarke	Nil	Nil
Mary Reilly	14,423	0.004780742%
Ralf Wunderlich	170,230	0.0056425548%
Adrian Peace	Nil	Nil
Dupsy Abiola	Nil	Nil

Group Management Committee member	Number of Ordinary Shares held	Percentage of issued Ordinary Shares
Scott Fawcett	38,092	0.012626341%
Robert Pye	1,699	0.00056316%
Kamal Taneja	2,027	0.000671883%
Jon Green	129,302	0.042859687%
Oshin Cassidy	Nil	Nil

##### 4.2 Other interests

As at the Latest Practicable Date, each Director and certain Group Management Committee members have the following interests in Ordinary Shares under a number of incentive plans:

Director	Name of share plan and award type	Grant date	Allocated Quantity	Vesting/ first exercisable date
Paul Forman	Long Term Incentive Plan	13/08/19	321,241	15/08/22
		31/03/21	440,799	31/03/24
	Deferred Bonus Share Plan	29/03/18	57,511*	30/03/23
		29/03/19	74,342	29/03/22
		30/03/20	56,840	30/03/23

<b>Group Management Committee member</b>	<b>Name of share plan and award type</b>	<b>Grant date</b>	<b>Allocated Quantity</b>	<b>Vesting/ first exercisable date</b>
Scott Fawcett	Long Term Incentive Plan	31/03/21	149,589	31/03/24
		08/09/17	12,869	08/09/20
	Deferred Bonus Share Plan	30/03/20	9,586	30/03/23
		29/03/19	17,432	29/03/22
Share Save Plan	31/03/21	7,258	01/05/26	
Robert Pye	Long Term Incentive Plan	31/03/21	39,027	31/03/24
		08/09/17	2,821	08/09/20
	Deferred Bonus Share Plan	30/03/20	4,155	30/03/23
		29/03/19	2,855	29/03/22
Kamal Taneja	Long Term Incentive Plan	31/03/21	156,451	31/03/24
	Deferred Bonus Share Plan	30/03/20	17,249	30/03/23
		29/03/19	15,448	29/03/22
Jon Green	Long Term Incentive Plan	31/03/21	128,513	31/03/24
		08/09/17	9,360	08/09/20
	Deferred Bonus Share Plan	30/03/20	8,255	30/03/23
		29/03/19	9,740	29/03/22
	Share Save Plan	03/04/19	5,503	01/05/22
Oshin Cassidy	Long Term Incentive Plan	31/03/21	128,513	31/03/24
	Deferred Bonus Share Plan	30/03/20	8,553	30/03/23
	Share Save Plan	31/03/21	7,258	01/05/24

\*DASB award subject to a two year post-vesting holding period.

## **5. Director service contracts and letters of appointment**

Details of the service contracts of the Directors are set out on page 125 of Essentra's 2021 Annual Report and Accounts.

## **6. Major Shareholders**

As at the Latest Practicable Date, Essentra had received notifications in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules of the following notifiable interests in the voting rights of Ordinary Shares:

Name	Date notified to the stock exchange	Shares held	% voting rights
Invesco Ltd	21/05/20	17,496,306	5.8%
BlackRock Inc.	29/04/22	15,201,064	5.0%
Ninety One UK Ltd	22/11/21	15,190,441	5.0%
Liontrust Asset Management plc	21/04/22	15,074,408	5.0%
Ameriprise Financial Inc.	24/12/20	15,029,771	5.0%
M&G plc	21/04/21	14,981,344	5.0%
Royal London Asset Management	28/05/21	14,756,136	4.9%
Heronbridge Investment Management LLP	24/09/20	14,514,409	4.8%
Standard Life	01/12/17	12,674,237	4.2%

## 7. Key individuals

The following individuals are deemed by Essentra to be key to the operations of the Packaging Business:

<u>Name</u>	<u>Position</u>
Kamal Taneja	Managing Director
Steve Pollinger	Finance Director
Olivier Serre	Division Sales & Marketing Director

## 8. Material contracts

### 8.1 The Retained Group

The following contracts (not being contracts entered into in the ordinary course of business) have either: (i) been entered into by Essentra or another member of the Group within the period of two years immediately preceding the date of this Circular and are or may be material to the Retained Group; or (ii) been entered into by Essentra or another member of the Group which contain any provisions under which any member of the Group has any obligation or entitlement which is, or may be, material to the Retained Group as at the Latest Practicable Date:

(A) *Sale and Purchase Agreement, Transitional Services Agreements and Tax Covenant*

Details of the terms of the Sale and Purchase Agreement, Transitional Services Agreements and the Tax Covenant are set out in Part III (*Principal Terms of the Transaction Documents*).

(B) *Reorganisation Indemnity Agreement*

On 13 May 2022, each of the UK Seller, the Target Companies, Essentra Filter Holdings, Essentra Packaging Inc. and Essentra Filter Products entered into an

indemnity agreement in connection with the Pre-Completion Reorganisation (the “**Reorganisation Indemnity Agreement**”). The Reorganisation Indemnity Agreement contains mutual cross indemnities pursuant to which each of the Packaging Business, the Filters Business and the Components Business have agreed to indemnify each of the other businesses against losses, costs, damages and expenses of any kind suffered directly or indirectly from or in consequence of that business prior to the date of the agreement. The Reorganisation Indemnity Agreement is effective for a period of 10 years. It is not currently anticipated that the Retained Group will be required to pay, or will receive, any significant amounts pursuant to such indemnity arrangements. The Reorganisation Indemnity Agreement also contains customary wrong pocket provisions which require each business to transfer any property, business or other asset which properly should be regarded as part of another business to that other business for nominal consideration.

(C) *Deferred Prosecution Agreement and Settlement Agreement*

On 16 July 2020, Essentra FZE entered into a deferred prosecution agreement with the United States Department of Justice (the “**Deferred Prosecution Agreement**”) and a settlement agreement with the United States Department of the Treasury’s Office of Foreign Assets Control (the “**Settlement Agreement**”), in each case in relation to a small number of unauthorised transactions engaged in during 2018 by two employees of Essentra FZE and linked to North Korea. Pursuant to the Deferred Prosecution Agreement, Essentra FZE agreed to pay a cash penalty of US\$666,543.88. This cash penalty has been fully paid, with nothing outstanding. Under the Settlement Agreement, Essentra FZE also undertook to maintain, for at least five years following the date thereof, sanctions measures designed to minimize the risk of recurrence of similar conduct in the future, which included the imposition of quarterly sanctions compliance reporting obligations.

(D) *Pensions MoU and Flexible Apportionment Agreement*

On 11 April 2022, the Company, Essentra Components and Essentra Pension Trustees Limited (the trustee of the Essentra pension plan) entered into a memorandum of understanding under which, in consideration for the trustee of the Essentra pension plan entering into the Flexible Apportionment Agreement (“**FAA**”) described below, it was agreed that: (a) Essentra Components would receive a capital injection of £47m (this has now happened); (b) on or before 20 April 2022 Essentra Components would procure payment of £0.65m into the Essentra section of the Essentra pension plan (this has now been paid); and (c) Essentra Components agreed to procure: (i) a payment, contingent on completion of a divestiture of all or substantially all of the Packaging Business to a third party for which proceeds were received before 31 December 2024, of £1.25m in the year of completion of the divestment, and £0.625m in each of the six years after that year; and (ii) a payment, contingent on completion of a divestiture of all or substantially all of the Filters Business to a third party for which proceeds were received before 31 December 2024, of £1.25m in the year of completion of the divestment, and £0.625m in each of the six years after that year (except that, in each case, no contribution is payable in a year to the extent it

would make the Essentra Section more than 100 per cent. funded by reference to a gilts plus 0.5 per cent. discount rate).

On 19 April 2022 and with effect from 20 April 2022, the Company, Essentra Packaging and Security Limited, Essentra Filter Products Limited and Essentra Pte Limited (each a “**Leaving Employer**” and together the “**Leaving Employers**”) entered into a FAA with the Trustee and Essentra Components. Under the terms of the FAA, the defined benefit pension liabilities referable to each of the Leaving Employers were apportioned to Essentra Components.

(E) *Revolving Credit Facility*

On 26 October 2021, Essentra entered into a syndicated multicurrency revolving credit facility (the “**RCF**”) with BNP Paribas, Citibank N.A., DBS Bank Ltd., National Westminster Bank Plc and Santander UK Plc as original lenders and National Westminster Bank Plc acting as agent. Under the terms of the RCF, the lenders make available to Essentra and Essentra Finance Limited a revolving credit facility in aggregate amount of £275 million. The RCF includes an uncommitted accordion option. Under the accordion option, the total facility may be increased by a maximum of £50 million. Drawings under the RCF as at 13 July 2022 are £124.2 million.

Consent to this transaction has been granted under the RCF by the majority lenders (lenders whose commitments aggregate more than 66⅔ per cent. of the total commitments). As part of this consent, Essentra has agreed, on or around completion of the Transaction, to prepay all drawings under the RCF such that outstanding drawings shall be nil and to cancel the available commitments under the RCF down to £200 million.

*Purpose*

The RCF is intended for general corporate purposes including, without limitation, the financing of acquisitions.

*Borrowers and Guarantors*

The original borrowers under the RCF are Essentra and Essentra Finance Limited. The RCF is guaranteed on a joint and several basis by Essentra and Essentra Finance Limited. The RCF provides for the flexibility of acceding (and subsequently resigning) Subsidiaries of Essentra as additional borrowers and guarantors.

*Availability and maturity*

The maturity date of the RCF is 26 October 2026. The RCF is available to be drawn, subject to its terms, until one month prior to the maturity date.

### *Interest and fees*

Interest is payable under the RCF at a rate of the applicable term reference rate (if that currency is a term rate loan) or compounded reference rate (if that currency is a compounded rate currency (which for Sterling is SONIA compounded in arrear)) plus the applicable margin. Save for in circumstances where an event of default is outstanding or Essentra is in breach of its obligations under the RCF to provide the relevant certificate or financial statements, the applicable margin is determined by reference to the ratio of consolidated total net borrowings to adjusted consolidated EBITDA, ranging from a minimum of 1.35 per cent. per annum if the ratio is less than or equal to 1:1 up to a maximum of 2.80 per cent. if the ratio is greater than 3:1.

A commitment fee is payable in arrear every three months at a rate per annum equal to 35 per cent. of the margin from time to time on available but unused commitments under the RCF.

### *Representations, covenants and events of default*

The RCF features customary representations and undertakings by the Company and, where applicable, the obligors, as well as customary events of default. The representations and undertakings include, but are not limited to: the delivery of certain financial statements; a negative pledge; restrictions on certain disposals of assets; and restrictions on certain acquisitions. Under the RCF, events of default (subject in certain cases to agreed thresholds, grace periods and qualifications) include, but are not limited to: non-payment; breach of financial covenants; insolvency; cessation of business; and material adverse change.

### *Financial covenants*

The RCF contains two financial covenants. The first requires Essentra to ensure that the ratio of consolidated EBITA to consolidated net borrowing costs is not less than 3.5:1 at the end of each 12-month period ending on the last day of a financial year or half-year of the Company. The second requires Essentra to ensure that the ratio of consolidated total net borrowings to adjusted consolidated EBITDA does not exceed 3:1 at the end of each 12-month period ending on the last day of a financial year or half-year of the Company.

### *Prepayment / cancellation*

Subject to certain conditions, Essentra has the right at any time to voluntarily prepay any outstanding loans and/or to cancel the total commitments under the RCF in whole or in part. The RCF contains customary provisions for the mandatory prepayment, subject to certain conditions, of outstanding loans upon the occurrence of certain events such as illegality or a change of control.

### *Governing law*

The RCF is governed by English law.

(F) *US Private Placement Notes*

On 29 November 2017, Essentra entered into a note purchase agreement in relation to:

- (i) \$20 million 4.40 per cent. series A senior notes due 29 November 2024;
- (ii) \$30 million 4.58 per cent. series B senior notes due 29 November 2027;  
and
- (iii) \$25 million 4.68 per cent. series C senior notes due 29 November 2029.

On 16 December 2019, Essentra entered into a note purchase agreement in relation to:

- (i) \$15 million 3.73 per cent. series A senior notes due 28 April 2027; and
- (ii) \$10 million 3.89 per cent. series B senior notes due 28 April 2030.

On 27 July 2021, Essentra entered into a note purchase agreement in relation to:

- (i) \$80 million 3.62 per cent. series A senior notes due 27 July 2028;
- (ii) \$85 million 3.90 per cent. series B senior notes due 27 July 2031; and
- (iii) \$85 million 4.00 per cent. series C senior notes due 27 July 2033.

The notes are issued by Essentra and are guaranteed by certain Subsidiaries.

The terms of the notes are substantially similar, save with respect to amount, pricing and maturity as summarised above. Each note purchase agreement allows optional prepayment of all or part of the principal amount outstanding in relation to the notes subject to the payment of a make-whole premium. Further, each note purchase agreement contains customary representations, affirmative and negative covenants and customary events of default.

The governing law of the 2017 and 2019 note purchase agreements is the law of the State of New York. The 2021 note purchase agreement is governed by English law.

Further details of the Company's intentions relating to the use of the Net Transaction Proceeds and the prepayment of the notes issued under the 2017 and 2019 note purchase agreements are set out in paragraph 5 of Part I (Letter from the Chair of Essentra plc) of this Circular.

*2021 note purchase agreement covenants and prepayment*

The 2021 note purchase agreement contains a covenant restricting dispositions of assets. In order to effect the Transaction, Essentra intends to utilise an exception to this covenant and to offer to prepay on a pro rata basis up to a

principal amount of £54.0 million of notes issued under its 2021 note purchase agreement. It will be open to each holder of notes issued under its 2021 note purchase agreement to elect whether or not to take up this offer.

## **8.2 The Packaging Business**

The following contracts (not being contracts entered into in the ordinary course of business) have either: (i) been entered into by a member of the Packaging Business within the period of two years immediately preceding the date of this Circular and are or may be material to the Packaging Business; or (ii) been entered into by a member of the Packaging Business which contain any provisions under which any member of the Packaging Business has any obligation or entitlement which is, or may be, material to the Packaging Business as at the Latest Practicable Date:

(A) *Reorganisation Indemnity Agreement*

Details of the terms of the Reorganisation Indemnity Agreement are set out in paragraph 8.1(B) above.

(B) *Flexible Apportionment Agreement*

Details of the terms of the Flexible Apportionment Agreement are set out in paragraph 8.1(D) above.

## **9. Litigation**

### **9.1 The Retained Group**

Save in respect of the matters described at paragraph 8.1(C) of Part VI (*Additional Information*), there are no, nor have there been any, governmental, legal or arbitration proceedings (nor is Essentra aware of any such proceedings being pending or threatened by or against any member of the Retained Group) which may have, or during the last twelve months prior to the date of this Circular have had, a significant effect on the financial position or profitability of the Retained Group.

### **9.2 The Packaging Business**

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is Essentra aware of any such proceedings being pending or threatened by or against any member of the Packaging Business) which may have, or during the last twelve months prior to the date of this Circular have had, a significant effect on the financial position or profitability of the Packaging Business.

## **10. Working capital**

Essentra is of the opinion that, taking into account the Net Transaction Proceeds, the Retained Group has sufficient working capital available to it for its present requirements, that is, for at least the next 12 months from the date of publication of this Circular.



## **11. Significant changes**

### **11.1 The Retained Group**

There has been no significant change in the financial position or financial performance of the Retained Group since 31 December 2021, being the most recent period for which financial information relating to the Retained Group has been published.

### **11.2 The Packaging Business**

There has been no significant change in the financial position or financial performance of the Packaging Business since 31 December 2021, being the most recent period for which the Historical Financial Information relating to the Packaging Business included in Part IV (*Historical financial information relating to the Packaging Business*) of this document has been published.

## **12. Related party transactions**

Details of related party transactions (which, for these purposes, are those set out in Applicable Accounting Standards) which Essentra has entered into:

- (A) during the financial year ended 31 December 2019 are disclosed in accordance with Applicable Accounting Standards in notes 5, 24 and 26 on pages 140, 165 and 168 of Essentra's 2019 Annual Report and Accounts;
- (B) during the financial year ended 31 December 2020 are disclosed in accordance with Applicable Accounting Standards in notes 5, 23 and 25 on pages 171, 196 and 198 of Essentra's 2020 Annual Report and Accounts; and
- (C) during the financial year ended 31 December 2021 are disclosed in accordance with Applicable Accounting Standards in notes 5 and 23 on pages 165 and 190 of Essentra's 2021 Annual Report and Accounts,

in each case, as incorporated by reference into this Circular as set out in Part VII (*Information Incorporated by Reference*) and available for inspection as set out in paragraph 14.

In respect of the period from 1 January 2022 to the date of this Circular, Essentra's only related party transactions were the payment of salary and benefits to its Directors and Group Management Committee members.

## **13. Consents**

Each of Credit Suisse and Lazard has given, and has not withdrawn, its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

PwC has given and not withdrawn its written consent to the inclusion in this document of its Reporting Accountant's Report on the Unaudited Pro Forma Financial Information relating to the Retained Group set out under Section B of Part V (*Unaudited Pro Forma*

*Financial Information relating to the Retained Group*), in the form and context in which it is included. This consent is required by item 13.4.1R(6) of the Listing Rules issued by the Financial Conduct Authority and is given for the purpose of complying with that provision and for no other purpose.

#### **14. Documents available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any business day during the period beginning with (and including) the date of this Circular and ending on (and including) the date of the General Meeting, at Essentra's registered office at Langford Locks, Kidlington, Oxford, England, OX5 1HX:

- (i) the articles of association of Essentra;
- (ii) Essentra's 2019 Annual Report and Accounts;
- (iii) Essentra's 2020 Annual Report and Accounts;
- (iv) Essentra's 2021 Annual Report and Accounts;
- (v) the report of PwC set out in Part V (Unaudited Pro Forma Financial Information relating to the Retained Group);
- (vi) the written consents of Credit Suisse, Lazard and PwC referred to in paragraph 13 above;
- (vii) this Circular;
- (viii) the announcement by Essentra dated 24 June 2022 in relation to the Transaction; and
- (ix) the Sale and Purchase Agreement.

Copies of documents (i)-(viii) will also be made available on Essentra's website: [www.essentraplc.com](http://www.essentraplc.com).

**PART VII**  
**INFORMATION INCORPORATED BY REFERENCE**

Information from the following documents has been incorporated into this Circular by reference:

<b>Documents containing information incorporated by reference</b>	<b>Paragraph(s) of this Circular which refers to the document containing information incorporated by reference</b>	<b>Page(s) of the document incorporated by reference</b>
Essentra's 2021 Annual Report and Accounts	Paragraphs 5 and 12 of Part VI ( <i>Additional Information</i> )	125, 165 190 and 191
Essentra's 2020 Annual Report and Accounts	Paragraph 12 of Part VI ( <i>Additional Information</i> )	171, 196 and 198
Essentra's 2019 Annual Report and Accounts	Paragraph 12 of Part VI ( <i>Additional Information</i> )	140, 165 and 168

A copy of each of the documents listed above is available for inspection in accordance with paragraph 14 of Part VI (*Additional Information*), including on Essentra's website.

Information that is itself incorporated by reference in the above documents is not incorporated by reference into this Circular. It should be noted that, except as set forth above, no other portion of the above documents are incorporated by reference into this Circular and those portions which are not specifically incorporated by reference in this Circular are either not relevant for Shareholders or the relevant information is included elsewhere in this Circular.

## PART VIII DEFINITIONS

The following definitions apply throughout this Circular, unless the context requires otherwise:

<b>“Adjusted Operating Margin”</b>	means the Adjusted Operating Profit divided by total revenue;
<b>“Adjusted Operating Profit”</b>	means profit stated before amortisation of acquired intangible assets and adjusting items which are considered not relevant to measuring the underlying performance of the business;
<b>“Applicable Accounting Standards”</b>	means, as applicable, the accounting standard adopted: (i) according to Regulation (EC) No. 1606/2002 for financial years beginning before 1 January 2021; and (ii) according to the UK IAS Regulation for financial years beginning on or after 1 January 2021;
<b>“Board”</b>	means Essentra’s board of directors, whose details are set out at paragraph 3 of Part VI ( <i>Additional Information</i> );
<b>“Circular”</b>	means this document;
<b>“Companies Acts”</b>	has the meaning given to it in section 2 of the Companies Act 2006;
<b>“Company” or “Essentra”</b>	means Essentra plc, a public limited company incorporated in England and Wales with registered number 05444653 and with its registered office at Langford Locks, Kidlington, Oxford, England, OX5 1HX;
<b>“Completion”</b>	means the completion of the Transaction in accordance with the terms of the Sale and Purchase Agreement;
<b>“Components Business”</b>	means the business carried on by the Retained Group relating to the development, manufacture and sale of plastic injection moulded, vinyl dip moulded and metal items and components for a range of equipment used in, automotive, industrial electronics, fabrication, medical devices, renewable energy, production machinery, construction and agriculture in any part of the world;
<b>“Components/Packaging TSA”</b>	means the reciprocal transitional services agreement between EIL and the Purchaser as described in paragraph 2.1(A) of Part III ( <i>Principal Terms of the Transaction Documents</i> );

<b>“Credit Suisse”</b>	means Credit Suisse International, One Cabot Square London E14 4QJ;
<b>“CREST”</b>	means the system of paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755);
<b>“CREST Manual”</b>	means the manual, as amended from time to time, produced by Euroclear describing the CREST system and supplied by Euroclear to users and participants thereof;
<b>“CREST Proxy Instruction”</b>	means a proxy appointment or instruction made via CREST, authenticated in accordance with Euroclear’s specifications and containing the information specified by the CREST Manual;
<b>“Deferred Prosecution Agreement”</b>	has the meaning given to it in paragraph 8.1(C) of Part VI ( <i>Additional Information</i> );
<b>“Directors”</b>	means the directors of the Company as at the date of this Circular, whose details are set out at paragraph 3 of Part VI ( <i>Additional Information</i> ) and <b>“Director”</b> means any one of them;
<b>“Disclosure Guidance and Transparency Rules”</b>	means the Disclosure Guidance and Transparency Rules made by the FCA pursuant to Part VI of FSMA;
<b>“EBITA”</b>	means earnings before interest, taxes, and amortization;
<b>“EBITDA”</b>	means earnings before interest, taxes, depreciation, and amortization;
<b>“ESNT Packaging &amp; Securing Solutions Limited”</b>	means ESNT Packaging & Securing Solutions Limited, a private limited company incorporated in England and Wales with registered number 04207732 and with its registered office at Langford Locks, Kidlington, Oxford, England, OX5 1HX;
<b>“Essentra Components”</b>	means Essentra Components Limited, a private limited company incorporated in England and Wales with registered number 00547495 and with its registered office at Langford Locks, Kidlington, Oxford, England, OX5 1HX;
<b>“Essentra Filter Holdings”</b>	means Essentra Filter Holdings Limited, a private limited company incorporated in England and Wales with registered number 13794391 and with its registered office at Langford Locks, Kidlington, Oxford, England, OX5 1HX;

<b>“Essentra Filter Products”</b>	means Essentra Filter Products Inc., a corporation incorporated under the laws of the state of Delaware with registered number 2309654 and with its registered office at 108 Lakeland Avenue, Dover, Delaware 19901;
<b>“Essentra Finance Limited”</b>	means Essentra Finance Limited, a private limited company incorporated in England and Wales with registered number 05344520 and with its registered office at Langford Locks, Kidlington, Oxford, England, OX5 1HX
<b>“Essentra Packaging US Inc.”</b>	means Essentra Packaging US Inc., a corporation incorporated under the laws of the state of Virginia with registered number 03869369 and with its registered office at 10 South Jefferson Street, Ste. 1400, Roanoke, Virginia 24011, United States;
<b>“Essentra’s 2019 Annual Report and Accounts”</b>	means the annual report and accounts prepared by Essentra for the financial year ended 31 December 2019;
<b>“Essentra’s 2020 Annual Report and Accounts”</b>	means the annual report and accounts prepared by Essentra for the financial year ended 31 December 2020;
<b>“Essentra’s 2021 Annual Report and Accounts”</b>	means the annual report and accounts prepared by Essentra for the financial year ended 31 December 2021;
<b>“Euroclear”</b>	means Euroclear UK & International Limited, the operator of CREST;
<b>“FCA” or “Financial Conduct Authority”</b>	means the Financial Conduct Authority of the United Kingdom or, where applicable, any successor body or bodies carrying out the functions currently carried out by the Financial Conduct Authority;
<b>“Filters Business”</b>	means the business carried on by the Retained Group relating to the testing, development, manufacture and sale of filters for the tobacco industry and tear tapes and related solutions primarily for tobacco, paper, board, food and beverage markets in any part of the world;
<b>“Filters/Packaging TSA”</b>	means the reciprocal transitional services agreement between ESNT Filter Products Limited and the Purchaser as described in paragraph 2.1(B) of Part III ( <i>Principal Terms of the Transaction Documents</i> );
<b>“FSMA”</b>	means the Financial Services and Markets Act 2000, as amended;
<b>“General Meeting”</b>	means the general meeting of Essentra convened by the notice that is set out at the end of this Circular to be held at 12.30 p.m. on 8 August 2022 at Oriental Club, Stratford

	House, Stratford Place, London W1C 1ES or any reconvened meeting following any adjournment thereof;
<b>“Group”</b>	means Essentra and its Subsidiaries and Subsidiary Undertakings from time to time;
<b>“Group Management Committee”</b>	means Essentra’s group management committee, whose details are set out at paragraph 3 of Part VI ( <i>Additional Information</i> );
<b>“Latest Practicable Date”</b>	means 13 July 2022, being the latest practicable date for the calculation and inclusion of information prior to the publication of this Circular;
<b>“Lazard”</b>	means Lazard & Co., Limited, 50 Stratton St, London, W1J 8LL;
<b>“Leaving Employer” and “Leaving Employers”</b>	has the meaning given to it in paragraph 8.1(D) of Part VI ( <i>Additional Information</i> );
<b>“Listing Rules”</b>	means the listing rules made by the FCA pursuant to Part VI of FSMA;
<b>“London Stock Exchange”</b>	means the London Stock Exchange plc or any recognised investment exchange for the purposes of FSMA that may take over the functions of the London Stock Exchange plc;
<b>“Long Stop Date”</b>	means 24 March 2023, or such later date as may be agreed in writing by Essentra and the Purchaser;
<b>“Net Transaction Proceeds”</b>	has the meaning given to it in paragraph 1 of Part I ( <i>Letter From the Chair of Essentra plc</i> );
<b>“Notice”</b>	means the notice of the General Meeting at Part IX ( <i>Notice of General Meeting</i> );
<b>“Ordinary Shares”</b>	means ordinary shares of £0.25 each in the capital of the Company;
<b>“Packaging Business”</b>	means the business carried on by ESNT Packaging & Securing Solutions Limited and Essentra Packaging US Inc and their respective subsidiary companies (excluding Essentra (India) Private Limited), relating to the development, manufacture and sale of fibre based packaging, folding cartons, labelling, leaflets and printing solutions to health, pharmaceutical and personal care sectors, in any part of the world (excluding, for the avoidance of doubt, India);

<b>“PR Regulation”</b>	means the UK version of Regulation number 2019/980 of the European Commission, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018;
<b>“Pre-Completion Reorganisation”</b>	has the meaning given to it in paragraph 1.3(B) of Part III ( <i>Principal Terms of the Transaction Documents</i> );
<b>“Proxy Form”</b>	means the proxy form enclosed with this Circular for use by Shareholders in connection with the General Meeting;
<b>“Purchaser”</b>	means MM Packaging GmbH;
<b>“Put Option”</b>	has the meaning given in paragraph 1.1 of Part III ( <i>Principal Terms of the Transaction Documents</i> );
<b>“PwC”</b>	means PricewaterhouseCoopers LLP, 1 Embankment Place London WC2N 6RH;
<b>“RCF”</b>	has the meaning given to it in paragraph 8.1(E) of Part VI ( <i>Additional Information</i> );
<b>“Registrar”</b>	means Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE;
<b>“Relevant Period”</b>	has the meaning given to it in Part IV ( <i>Historical Financial Information Relating to the Packaging Business</i> );
<b>“Reorganisation Indemnity Agreement”</b>	has the meaning given in paragraph 8 of Part VI ( <i>Additional Information</i> );
<b>“Resolution”</b>	means the ordinary resolution as set out in the Notice of General Meeting at the end of this Circular;
<b>“Retained Business”</b>	means the business carried on by the Retained Group, which, at and from Completion, shall be the Components Business and the Filters Business;
<b>“Retained Group”</b>	means the Company, the Sellers and the other Subsidiaries and Subsidiary Undertakings of Essentra from time to time (excluding, at and from Completion, the Target Group);
<b>“Sale and Purchase Agreement”</b>	means the sale and purchase agreement between the Sellers and the Purchaser as described in paragraph 1 of Part III ( <i>Principal Terms of the Transaction Documents</i> );
<b>“Sellers”</b>	means the UK Seller and the US Seller;
<b>“Settlement Agreement”</b>	has the meaning given to it in paragraph 8.1(C) of Part VI ( <i>Additional Information</i> );



<b>“Shareholders”</b>	means holders of Ordinary Shares;
<b>“SONIA”</b>	means the sterling overnight interbank average rate as administered by the ICE Benchmark Administration
<b>“Strategic Review”</b>	means the strategic review into the full range of options available for the Filters Business and the Packaging Business that was announced by Essentra in the fourth quarter of 2021;
<b>“Subsidiary” and “Subsidiary Undertaking”</b>	have the meanings given to them in sections 1159 and 1162 (respectively) of the Companies Act 2006;
<b>“Target Companies”</b>	means the UK Target Company and the US Target Company;
<b>“Target Group”</b>	means ESNT Packaging & Securing Solutions Limited and Essentra Packaging U.S. Inc. and each of their subsidiaries and subsidiary undertakings from time to time (excluding Essentra (India) Private Limited);
<b>“Tax Covenant”</b>	has the meaning given in paragraph 2.2 of Part III ( <i>Principal Terms of the Transaction Documents</i> );
<b>“Transaction”</b>	means the proposed sale of the Packaging Business on the terms set out in the Sale and Purchase Agreement;
<b>“Transaction Documents”</b>	means the Sale and Purchase Agreement, the Transitional Services Agreements and the Tax Covenant;
<b>“Transitional Services Agreements”</b>	means the Components/Packaging TSA and the Filters/Packaging TSA;
<b>“UK IAS Regulation”</b>	means the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019;
<b>“UK Seller”</b>	means Essentra International Limited, a private limited company incorporated in England and Wales with registered number 01172804 and with its registered office at Langford Locks, Kidlington, Oxford, England, OX5 1HX
<b>“UK Shares”</b>	means the entire issued share capital of the UK Target Company;
<b>“UK Target Company”</b>	means ESNT Packaging & Securing Solutions Limited, a private limited company incorporated in England and Wales with registered number 04207732 and with its registered

office at Langford Locks, Kidlington, Oxford, England, OX5 1HX;

**“Unaudited Pro Forma Financial Information”**

means the unaudited pro forma net assets statement of the Retained Group set out in Section A of Part V (*Unaudited Pro Forma Financial Information relating to the Retained Group*);

**“US Seller”**

means US Newco, LLC a corporation incorporated under the laws of the state of Delaware with registered number 3119086 and with its registered office at Two Westbrook Corporate Center, Suite 200, Westchester IL 60154;

**“US Shares”**

means the entire issued share capital of the US Target Company;

**“US Target Company”**

means Essentra Packaging U.S. Inc., a corporation incorporated under the laws of the state of Delaware with registered number 2076456 and with its registered office at Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States;

**“Virtual Meeting Guide”**

means the guide prepared by the Registrar explaining how Shareholders can electronically participate in the General Meeting; and

**“W&I Insurance Policy”**

has the meaning given to it in paragraph 1.4 of Part III (*Principal Terms of the Transaction Documents*).

**PART IX  
NOTICE OF GENERAL MEETING**

**Essentra plc**

*(Incorporated and registered in England and Wales with registered number 05444653)*

**NOTICE IS HEREBY GIVEN** that a General Meeting of Essentra plc (the “**Company**”) will be held at 12.30 p.m. on 8 August 2022 at Oriental Club, Stratford House, Stratford Place, London W1C 1ES to consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company.

For the purposes of this resolution, capitalised terms used but not defined herein shall (unless the context otherwise requires) have the meaning ascribed to them in the Company’s Circular to Shareholders dated 15 July 2022, of which this notice forms part.

**Ordinary Resolution**

**THAT** the proposed sale of the Packaging Business described in the Circular on the terms and subject to the conditions contained in the Sale and Purchase Agreement and various associated and ancillary documents be and is hereby approved, and any and all of the directors of the Company (or any other duly authorised person) be and are hereby authorised to:

- (a) take all such steps, execute all such agreements, and make all such arrangements as they may consider to be necessary, desirable or appropriate to complete, implement and to give effect to, or otherwise in connection with, this Resolution, the Transaction, the Sale and Purchase Agreement and any associated and ancillary matters and documents relating thereto; and
- (b) agree and make any modifications, variations, revisions, waivers, amendments or extensions in relation to any of the foregoing, provided that such modifications, variations, revisions, waivers, amendments or extensions are not material for the purposes of Listing Rule 10.5.2.

By order of the Board

Jon Green  
*Company Secretary & General Counsel*  
Essentra plc

15 July 2022

Notes:

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the General Meeting. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. A proxy need not be a Shareholder of the Company. A Proxy Form which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a Proxy Form and believe that you should have one, or if you require additional forms, please contact Computershare Investor Services PLC on 0370 703 6394. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first-named being the most senior).
2. To be valid, any Proxy Form or other instrument appointing a proxy must be received by post (during normal business hours only) or by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or, if you prefer, electronically via the internet at [www.eproxyappointment.com](http://www.eproxyappointment.com) or, if you are a CREST member, via CREST, in each case by no later than 12.30 p.m. on 5 August 2022 or not less than 48 hours before any adjourned meeting.
3. The return of a completed Proxy Form, any other such instrument or any CREST Proxy Instruction (as described in paragraph 11 below) will not prevent a Shareholder from attending the General Meeting and voting in person if he/she wishes to do so.
4. To vote using the internet, go to [www.eproxyappointment.com](http://www.eproxyappointment.com). You will be asked to enter the Shareholder Reference Number, control number and PIN as printed on your Proxy Form, and to agree to certain terms and conditions. For best results it is recommended that the last vendor supported releases are used for internet browsers.
5. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by 12.30 p.m. on 5 August 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
6. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between that Nominated Person and the Shareholder by whom that Nominated Person was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, that Nominated Person may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
7. The statement of the rights of Shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Shareholders.
8. To be entitled to attend and vote at the General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company by close of business on 5 August 2022 (or, in the event of any adjournment, on the date which is two

days before the time of the adjourned meeting). Changes to the Company's Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.

9. As at 13 July 2022 (being the Latest Practicable Date), the Company holds 901,127 shares as treasury shares within the meaning of section 724 of the Companies Act 2006. The Company's issued share capital consists of 302,590,708 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 13 July 2022 are 301,689,581.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [euroclear.com/CREST](http://euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 5 August 2022 or 48 hours prior to any adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
12. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member, or sponsored member, or has appointed a voting service provider, to procure that the CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. Any corporation which is a Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Shareholder provided that they do not do so in relation to the same shares.
15. Any Shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

16. The Company will also be accepting Shareholders' questions for the General Meeting ahead of the General Meeting by email to [companysecretary@essentra.com](mailto:companysecretary@essentra.com). The deadline for submitting questions is 12.30 p.m. on 5 August 2022. The Company will look to post answers to questions received on the Company's website. The Company reserves the right to summarise and/or aggregate questions of a similar nature and responses given will be in relation to the business of the General Meeting only and the Company is not required to provide an answer in the following circumstances: (a) to do so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
17. You may not use any electronic address provided either in this Notice or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated.
18. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at [www.essentraplc.com](http://www.essentraplc.com).