ESSENTRA PLC

(“Essentra”, the “Group” or the “Company”)

RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2024

Return to growth in the second quarter. FY24 expectations unchanged.

Results at a glance

	H1 2024 £m	H1 2023 £m	Change Constant FX	Change Actual FX
Revenue	159.7	166.3	+1.5%	(4.0)%
Adjusted[1] operating profit	21.8	23.0	+7.6%	(5.2)%
Adjusted[1] operating margin	13.7%	13.8%	+80bps	(10)bps
Net financing costs	(4.1)	-	-	-
Adjusted[1] pre-tax profit	17.7	23.0	(14.0)%	(23.0)%
Adjusted[1] basic earnings per share	4.6p	5.9p	(13.3)%	(22.0)%
Adjusted[1] net cash flow from operating activities	17.5	20.5	(2.8)%	(14.6)%
Reported operating profit	8.1	10.3	+4.2%	(21.4)%
Reported pre-tax profit	4.0	10.3	(50.7)%	(61.2)%
Reported net profit	2.5	7.7	(54.7)%	(67.5)%
Reported profit per share	0.9p	2.6p	-	(65.4)%
Dividend per share	1.25p	1.20p	-	+4.2%
Reported net cash inflow from operating activities[2]	14.5	8.9	-	62.9%
Free cash flow[2]	12.5	15.3	-	(18.3)%
Net debt / (funding surplus)[4]	59.7	(12.9)	-	-
Net debt / (funding surplus) to adjusted EBITDA[3,4]	1.1x	(0.3)x	-	-

Numbers reported on a continuing operations basis

Financial performance

- Revenue of £159.7m (H1 2023: £166.3m), 1.5% growth on a constant currency basis, 4.0% decline on a reported basis
- Sequential quarterly improvement in revenue year to date, with the business returning to year-on-year growth in Q2 on a like-for-like[5] (“LFL”) basis
- Gross margin expansion to 46.4% (H1 2023: 43.9%)
- Adjusted[1] operating profit £21.8m (H1 2023: £23.0m), representing 7.6% growth on a constant currency basis, with adjusted operating margins of 13.7% (H1 2023: 13.8%)
- Central corporate costs in line with the c.£13m annual run rate previously guided
- Adjusted[1] basic earnings per share of 4.6p (H1 2023: 5.9p)
- Adjusted[1] net cash flow from operating activities of £17.5m; conversion of 80.3% (H1 2023: 89.1%)
- Reported net cash inflow from operating activities of £14.5m (H1 2023: £8.9m)
- Net debt of £59.7m excluding IFRS16 lease liabilities of £29.4m, representing leverage of 1.1x adjusted EBITDA[3] on a pre-IFRS16 basis (1.4x on a post-IFRS16 basis)
- Progressive interim ordinary dividend of 1.25p per share, in line with the Company’s previously stated policy
- Rolling Credit Facility (“RCF”) extension secured with the same terms through to July 2029, ensuring long-term funding

Market performance

- End-market recovery remains mixed, although sales per working day trends across the Group’s three trading regions improved through the first half, with gross margin expansion year-on-year
- EMEA saw a stable LFL[5] performance, with lower levels of recovery in line with external indicators. Total growth for EMEA, including BMP TAPPI was 6.9% on a constant currency basis
- The Americas region reported 6.9% constant currency decline in H1, although saw pace of decline ease in Q2 to 4.9% benefiting from stability across distributor end-market channels
- APAC reported 1.8% constant currency growth. Whilst the domestic China market remains soft, the export market is improving, supported by the growth of access hardware sales and new customer projects

Outlook

- Board expectations for FY 2024 adjusted[1] operating profit remain unchanged and are aligned with market expectations[6]

- In H1 the Group delivered gross margin and operating profit margin expansion on a constant currency basis in mixed end-market conditions
- Essentra is well positioned with a right-sized cost base and robust operations to deliver operating leverage as market growth returns
- Further modest improvements in volumes in the second half of the year are anticipated, underpinned by ongoing recovery of demand in our end-markets
- The acquisition pipeline remains active and Management continue to assess a number of opportunities, whilst maintaining a disciplined approach to allocating capital for growth
- Essentra remains focused on enhancing its hassle-free customer proposition, delivering strong profit margins, and continues to invest in growth initiatives

Commenting on the Half Year results, Scott Fawcett, Chief Executive, said:

"We are encouraged by the sequential momentum through the first half of 2024, and in particular sales and volume trends returning to year-on-year growth in Q2, while recognising that market sentiment remains mixed by region with modest levels of recovery to date. In the period, the Group delivered financial performance in line with Board expectations, including gross margin expansion to 46.4% and operating margins of 13.7%, reflecting Essentra's resilient track record through the cycle and demonstrating the strength of our differentiated business model. We are also pleased with the performance and contribution so far of BMP TAPPI, which we acquired in October 2023.

In light of the mixed macro environment, the business continues to maintain a balanced approach to cost control, driving further operational efficiencies, whilst also investing appropriately in value-enhancing growth initiatives that will support long-term value creation.

Management remains confident in making further progress in 2024 towards Essentra's medium-term targets. We expect to see further modest improvements in volume in the second half of the year, and as such, FY 2024 expectations are unchanged."

1 On a continuing operations basis, before amortisation of acquired intangible assets and adjusting items. Further details can be found in Note 3 of the Condensed Consolidated Interim Financial Statements.

2 A reconciliation of free cash flow and net cash inflow from operating activities is set out in the Financial Review section.

3 Adjusted EBITDA is defined as operating profit before depreciation (and other amounts written off property, plant and equipment), share option expense, amortisation of acquired intangible assets and adjusting items. Net debt to adjusted EBITDA including lease liabilities is 1.4x (H1 2023: 0.2x).

4 Presented on a last twelve months basis excluding lease liabilities. £89.1m (H1 2023: £8.3m) when including lease liabilities.

5 On a constant currency basis, excluding the acquisition of BMP TAPPI, completed October 2023.

6 Company compiled market expectations for 2024 adjusted operating profit are between £48.5m and £50.6m.

Enquiries

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Presentation

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

There will be a presentation to analysts and investors starting at 09:00am (UK time, registration from 08:30am) on Tuesday 30 July 2024 at the offices of Peel Hunt, 100 Liverpool Street, London EC2M 2AT.

There are two options for participating in the event:

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

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

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

Notes to Editors

About Essentra plc

Essentra plc is a FTSE 250 company and a leading global provider of essential components and solutions, focusing on the manufacture and distribution of plastic injection moulded, vinyl dip moulded and metal items.

Headquartered in the United Kingdom, Essentra's global network extends to 28 countries worldwide and includes c.3,000 employees, 14 manufacturing facilities, 24 distribution centres and 33 sales & service centres serving c.69,000 customers with a rapid supply of low cost but essential products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics, medical and renewable energy. For further information, please visit www.essentraplc.com

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Cautionary forward-looking statement

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

CEO Review

The Group delivered revenues of £159.7m in H1 2024, an improvement of 1.5% on a constant currency basis. Like-for-like (“LFL”) revenues reduced by 2.2% year-on-year, offset by a positive contribution to revenue of 3.7% from the acquisition of BMP s.r.l (“BMP TAPPI”), which completed in October 2023. The business saw an adverse FX movement in the period of 5.5%, resulting in a reported revenue decline of 4.0% compared to the previous year.

On a constant currency basis, compared to the prior year, Q1 saw LFL revenues decline by 4.6% improving to year-on-year growth of 0.7% in Q2 on an adjusted trading day basis. Whilst performance year-on-year was partly supported by easing comparatives, the Group saw LFL Q2 2024 sales on an adjusted trading day basis increase by 2.7% compared to Q1 2024 and improve by 4.4% compared to H2 2023.

Consistent with the AGM trading update shared in May 2024, momentum was sustained through the first half of 2024, albeit at a modest pace. EMEA achieved a stable performance, with lower levels of recovery in line with external indicators. Softer conditions remain in West Europe, particularly in Germany, offset by notable areas of strength in East Europe and Turkey, supporting the result of the region as a whole. The Americas region saw previous destocking trends ease and stabilise within distributor end-market channels, whilst in the APAC region although the domestic market in China remains weak, export sales to the rest of APAC are improving, supported by the growth of access hardware sales and new customer projects.

The Group experienced reduced levels of input price inflation through the first half, including for raw materials. Combined with proactive procurement activities, this led to more focused customer price increases with the overall pricing benefit for the Group returning to normalised levels in H1. The Group anticipates this focused and selective approach to customer price increases to continue through the second half.

Gross margins in H1 were strong at 46.4% (H1 2023: 43.9%), with all three regions reporting margin expansion. The business continues to focus on controlling costs and driving operational efficiencies, further supported by procurement focus, driving additional margin accretion.

The Group achieved adjusted operating profits of £21.8m (H1 2023: £23.0m) with adjusted operating margins of 13.7% (H1 2023: 13.8%). All three regions continue to balance a disciplined approach to cost management with investment in organic growth opportunities. Central corporate costs totalling £6.5m (H1 2023: £6.2m) remain in line with the £13.0m annual run rate previously guided.

In H1 2024, the Group generated £17.5m of adjusted operating cashflow with operating cash conversion of 80.3% (H1 2023: 89.1%). The business saw a lower cash conversion in the period, as it utilised additional working capital to build inventory within the standard product offer enabling an improvement in our “hassle-free” service to our customers. The Group will continue to review its standard product offer through H2 2024 to further reduce lead times and improve product availability for customers, positioning Essentra well to take market share as volumes return.

Group strategy and medium-term targets.

Essentra is well positioned, with a unique business model in a highly fragmented market combining manufacturing and distribution, enabling breadth and depth of product offer alongside a hassle-free customer offering. The business is diversified, generates high margins and has scope to expand through scale and operational effectiveness. Given strong returns and cash conversion, the business is able to further drive growth through value enhancing M&A. To date Essentra has executed and integrated eleven acquisitions in the previous thirteen years. The M&A pipeline remains active and Management continues to assess a number of opportunities, whilst maintaining a disciplined approach to allocating capital for growth.

The medium-term ambition of the business, as set out at the November 2022 capital markets event, remains to double the revenue and triple operating profits in the medium-term with clear metrics to achieve our strategy, supported by:

- A clear strategy to drive market share gains, supported by a leading market position in a highly fragmented market
- Margin expansion from scale, operating efficiencies, and pricing initiatives
- A highly cash generative business model with continued focus on working capital management and a strong balance sheet
- A clear capital framework to drive further shareholder returns.

Providing a “hassle-free” customer experience. The Group is committed to delivering a “hassle-free” customer proposition and our two closely linked on-time-in-full (“OTIF”) performance and Customer Satisfaction KPIs continue to show good progress. Monthly post-purchase questionnaire metrics indicate an excellent and progressive improvement year-on-year, ahead of the annual customer survey which is expected to take place in H2 2024. Improvements continue to be made to our OTIF performance with the June exit rate ahead of the 2023 average of 82.2%. Whilst EMEA saw an initial small period of disruption in Q1 2024 after the new ERP platform was deployed in East Europe, OTIF rates have improved to normalised levels in the region through Q2 2024. It is expected that OTIF service levels for the Group as a whole will continue to progress towards the 95% target through H2 2024.

Ordinary dividend. The Board has declared a 2024 interim dividend of 1.25 pence per share (2023 interim: 1.20p). The interim dividend is in line with the Board’s commitment to a progressive dividend policy maintaining full year dividend cover in the order of three times adjusted earnings.

The interim dividend will be paid on 25 October 2024 to shareholders on the share register at the record date, being 20 September 2024. The ex-dividend date will be 19 September 2024. Essentra operates a Dividend Re-Investment Programme (“DRIP”), details of which are available from the Company’s Registrars, Computershare Investor Services PLC. The final date for DRIP elections will be 4 October 2024.

Share buyback programme. The £60.0m share buyback programme announced in February 2023, following the completion of the disposals of the Filters and Packaging businesses, continues. As outlined at the FY 2023 results in March 2024, the execution of the programme will be flexible and is dependent on the Group’s capital allocation opportunities and priorities, notably acquisitions. It is anticipated that the buyback programme will extend beyond the current financial year.

Since the launch of the programme to 30 June 2024, a total of 15.16m shares have been purchased, at an average purchase price of 178.3 pence per share, totalling £27.0m. As at 30 June 2024, the programme was c.45% complete. Of the shares purchased, 4.14m were transferred into treasury, and 11.02m have subsequently been cancelled, which represented 3.6% of the issued share capital of the Company (excluding treasury shares) when the programme commenced.

Board changes. As previously announced, Steve Good joined the Board as independent non-executive director and chair designate effective from 1 July 2024. Paul Lester will stand down as chair and from the Board on 1 November 2024 after nine years, and in accordance with Provision 19 of the 2018 UK Corporate Governance Code.

Outlook. Group trading in H1 2024 saw a sequential quarterly improvement in revenue, with the business returning to year-on-year growth in Q2 on a like-for-like basis, delivering gross margin and operating margin expansion on a constant currency basis. Management is encouraged by positive new order intake and sales momentum within the first six months of 2024, albeit at a modest pace. Further modest improvements in volumes in the second half of the year are anticipated, underpinned by ongoing recovery of demand in our end-markets. The Group is well positioned with a right-sized cost base and robust and agile operations to deliver operating leverage as volumes continue to return, and as such expectations for FY 2024 are unchanged.

Essentra’s global manufacturing and distribution footprint, market-leading positions and focus on delivering excellent customer service will support ongoing organic growth and profitability. The Group remains focused on enhancing its hassle-free customer proposition, delivering strong profit margins, and continues to invest in value-enhancing growth initiatives. Management remains confident that Essentra’s robust and differentiated business model will support further progress towards its medium-term targets.

Regional Review

EMEA

	H1 2024 £m	% growth Constant FX	% growth Actual FX
Revenue	89.4	6.9	(0.4)
Gross profit	47.2	11.8	4.4
Gross margin	52.8%	230bps	250bps

Revenue for the half year was £89.4m, a 6.9% increase on a constant currency basis, compared to the prior year. The region benefitted from the acquisition of BMP TAPPI in October 2023 contributing 7.0% to growth year-on-year, with the LFL business stable compared to the prior year. The first quarter saw a LFL constant currency revenue decline of 3.1% improving to 3.7% growth in Q2, compared to the prior year period on a trading day adjusted basis. Although comparatives to the prior year started to ease through Q2 there is sequential 2024 momentum, with +1.1% LFL growth in sales per working day in Q2 2024 compared to Q1 2024.

End-market conditions in EMEA remain mixed, with a continuation of trends as detailed at the 2024 AGM trading update in May 2024. Western Europe, and Germany in particular, have experienced market softening in line with wider industrial trends and indicators. Whilst the business in Turkey has some exposure to the European market, it has sustained stronger momentum due to reduced exposure to cyclical markets and benefitting instead from the growth of electrification end-market trends within data communications and power generation.

BMP TAPPI, acquired in October 2023 is performing in line with expectations and integration is on track. 1,100 standard products from their extensive range of protective caps and plugs have been launched into the Essentra range as part of a phased approach, with inventory held in the two regional distribution hubs and sales and product specialists across Europe leading commercial activities. The sales opportunity pipeline is building, with early cross-sell success within a number of our end-markets, including specialist vehicles and construction agriculture across the existing Essentra customer base within the EMEA region.

The ERP programme deployment across Eastern Europe in January 2024 has concluded successfully, with limited levels of disruption and business operations returned to normalised levels in Q2. Progress in 2024 remains focused on further implementation in European markets in a measured manner, with Germany, Austria and Benelux region expected to deploy in H2 2024, and the remaining European sites expected to deploy in 2025. The costs to date in 2024 are on track, and anticipated to be c.£10m for the year (FY 2023: £10.8m), in line with guidance previously shared.

Gross margins remained strong at 52.8% for the half year (H1 2023: 50.3%), an improvement of 230bps on a constant currency basis, and ahead of FY 2023 reported gross margin of 51.2%. The region will continue to adjust capacity at regional manufacturing and distribution facilities to meet demand, balancing costs to realise operational efficiencies whilst monitoring changes to end-market conditions.

AMERICAS

	H1 2024 £m	% growth Constant FX	% growth Actual FX
Revenue	51.3	(6.9)	(9.4)
Gross profit	19.5	(5.0)	(7.1)
Gross margin	38.0%	80bps	90bps

Revenue for the half year was £51.3m, a reduction of 6.9% on a constant currency basis compared to the prior year. Whilst the region has reported year-on-year revenue decline in the first half, the wider customer industrial environment stabilised at the start of 2024, and distributor volumes normalised with destocking trends easing. Americas saw first quarter constant currency revenue declines of 8.7%, improving to 4.9% decline in Q2 on a trading day adjusted basis. Whilst H1 2023 was comparatively strong, trends in the current year are encouraging with sales per working day trending 2.6% higher in Q2 2024 compared to Q1 2024.

The sequential improvements in revenue through 2024 have been led by an increasing opportunity pipeline and levels of customer activity, with a focus on new customer acquisition including more targeted customer and industry marketing campaigns. A selective approach to sales price increases has been taken in H1 as the market recovers, with a second tranche of price increases planned, anticipated to bring benefits in H2.

The region is continuing to focus on driving new business across the customer base within end-markets such as industrial electronics and production machinery that have higher levels of growth and cross-sell opportunities.

The region remains focused on inventory availability, optimising the distribution network, and has further invested in the stocking of the standard product offer through H1 as a continuation of the activities that commenced in H2 2023. Improvements to the “hassle-free” customer proposition have been recognised through the sustained improvement in post-purchase customer surveys scores in the period.

Americas delivered half year gross margins of 38.0% (H1 2023: 37.1%), an 80bps improvement on a constant currency basis and marginally ahead of FY 2023 reported gross margin of 37.9%. A proactive approach to cost management has been maintained as volumes show signs of normalising with further recovery of margin anticipated through H2, with selective pricing activity, and improved operational leverage.

APAC

	H1 2024 £m	% growth Constant FX	% growth Actual FX
Revenue	19.0	1.8	(4.5)
Gross profit	7.4	15.8	8.8
Gross margin	38.9%	470bps	470bps

The APAC region delivered revenue of £19.0m in H1 2024, an improvement of 1.8% on a constant currency basis compared to the prior year. On a constant currency basis, the first quarter performance was 0.8% ahead of the prior year on a trading day adjusted basis, improving to year-on-year growth of 3.5% in Q2 with sales per working day trends improving 8.9% sequentially between Q1 2024 and Q2 2024.

Aligned with previous trading updates, performance continues to be driven by the market dynamics in China (c.69% of APAC revenue; c.8.3% of Group revenue), which has seen soft domestic market demand sustained. Momentum is building within the export market and the rest of the APAC region, supported by a pipeline of commercial opportunities including the access hardware product range. This is anticipated to bring additional growth through H2, focused on higher growth end-markets, including renewable energy, telecommunications, and power networks.

The APAC commercial and operational footprint review has continued in 2024, ensuring the region aligned for future growth opportunities. Dip moulding manufacturing capabilities across Essentra have been expanded, with new machine capital investment in Ningbo, China. The new dip moulding machinery will service existing demand in the APAC region, securing supply and enhancing the product range, attracting new commercial opportunities to the region. The business has also taken the decision to relocate the regional office headquarters in Singapore to the existing office in Malaysia. The current distribution arrangements in Singapore will remain.

Through H1, the region has successfully controlled costs, balancing investment in future growth and footprint, whilst driving operational efficiencies with improved leverage. The region delivered half year gross margin of 38.9% (H1 2023: 34.2%) 470bps improvement a constant currency basis and ahead of FY 2023 reported gross margin of 35.6%.

Sustainability progress

Following approval of Essentra’s near- and long-term science-based emissions reduction targets including verification of Essentra’s net-zero science-based target by 2050 by the Science Based Targets initiative (“SBTi”) in February 2024, the Group published its first Climate Transition Plan in May 2024, which received 97.6% approval from shareholders at the 2024 AGM, outlining the Company’s emissions reduction targets, goals and focus areas for implementation of its climate strategy. The Group is pleased with the continued significant progress in sustainability in 2024 to date, and is committed to regular reporting on progress in this area.

Essentra has been making good progress in decarbonising its global footprint, focusing on renewable energy tariffs and energy saving initiatives across the manufacturing footprint. Emissions intensity for scope one and two has seen a decrease of 15% compared to FY 2023 and 50% since our 2019 baseline. Renewable electricity is 60% of total electricity usage, an increase of 16% compared to FY 2023.

An additional five sites across Essentra's global footprint are on track to achieve zero waste to landfill in 2024 bringing the expected total for 2024 to 19 sites (FY 2023: 14 sites).

The percentage of materials from sustainable sources across our manufactured polymer ranges reduced marginally to 19% in H1, compared to the 2023 year-end metric of 21%, which is partly due to adding BMP TAPPI products into the Essentra range as well as increased demand across the standard range for specific products which have not yet transitioned to recycled or biopolymers. As part of integration activities and further development of the product offer, we look forward to continuing our progress in obtaining materials from sustainable sources across our manufactured polymer range.

The Centre of Excellence continues to drive the development of new and more sustainable products, and in 2024, following a series of successful trials, has accelerated the development of new bioplastic materials to create more sustainable product ranges. Since operations commenced, 19 trials have been completed using 14 different materials across nine individual products.

Essentra continues to innovate and develop relationships with its customers to identify new commercial opportunities. So far in 2024 the Group has recognised a number of new commercial business wins based on sustainability criteria across all three regions, including customers from HVAC, industrial trucks and general industrial end-markets.

Financial Review

Constant currency, like-for-like, and adjusted measures are provided to reflect the underlying financial performance of Essentra. For further details on the performance metrics used by Essentra, please refer to pages 14-15 and 19-20 of the Essentra plc Annual Report 2023.

Constant foreign exchange rates. The constant exchange rate basis adjusts the comparative to exclude the effect of currency movements, to show the underlying performance of the Company. The principal exchange rates for Essentra were:

	-------- Average --------		-------- Closing --------	
	H1 2024	**H1 2023**	**H1 2024**	**H1 2023**
US$:£	1.27	1.23	1.26	1.27
€:£	1.17	1.14	1.18	1.17

Re-translating at H1 2024 average exchange rates decreases the prior year revenue by £8.8m, decreases prior year gross profit by £4.0m and decreases prior year operating profit by £2.7m.

Like-for-like (“LFL”). The term “like-for-like” describes the performance of the continuing business on a comparable basis, adjusting for the impact of acquisitions, disposals and foreign exchange. The H1 2024 LFL results are adjusted for the acquisition of BMP TAPPI on 26 October 2023.

Discontinued operations. Discontinued operations recognised a £1.2m post-tax loss (H1 2023: £0.8m post-tax loss), as reported in the Condensed Consolidated Interim Income Statement. Refer to Note 12 in the Condensed Consolidated Interim Financial Statements for further information.

Adjusted basis. The term “adjusted” excludes the impact of amortisation of acquired intangible assets and adjusting items, less any associated tax impact. In H1 2024, amortisation of acquired intangible assets was £5.9m (H1 2023:

£5.7m), and there was a pre-tax charge for adjusting items of £7.8m (H1 2023: £7.0m). In line with previous guidance, current year adjusting items include £4.8m major software as a service ("SaaS") development expenditure; and £0.8m relating to legacy pension scheme costs. £0.4m was incurred relating to the acquisition of BMP TAPPI and Wixroyd, £0.7m of restructuring activities were incurred and £1.2m relating to historic indemnity claims. Further details on adjusting items are shown in Note 3 to the Condensed Consolidated Interim Financial Statements.

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

Net finance expense. Net finance expense of £4.1m compared to £nil in the prior year period. The prior year period had elevated levels of interest income due to the cash proceeds held at the start of 2023 following the disposal of the Filters and Packaging businesses, prior to a special dividend being paid in April 2023.

Tax. The effective tax on underlying profit before tax (before adjusting items and amortisation of acquired intangible assets) was 25.7% (H1 2023: 23.5%). The underlying effective tax rate for H1 2024 is within the forecast tax rate range of 24% to 26%. Consistent with the disclosure of tax rates at FY 2023 results, this increased tax rate compared to the prior year is primarily driven by the previously announced increase of the UK corporation tax rate from 19% to 25% with effect from 1 April 2023 in addition to increases in corporation tax rates in overseas entities.

Adjusted operating cash flow from continuing operations. Adjusted operating cash flow from continuing operations of £17.5m equating to an operating cash conversion of 80.3% at the half year (H1 2023: 89.1%). Free cash flow was £12.5m (H1 2023: £15.3m).

	H1 2024 £m	**H1 2023 £m**
Adjusted operating profit	**21.8**	**23.0**
Depreciation and amortisation of non-acquired intangible assets	6.0	6.9
Right-of-use asset depreciation	3.0	2.7
Share option expense / other movements	0.9	(0.6)
Change in working capital	(9.9)	(6.7)
Net capital expenditure	(4.3)	(4.8)
Adjusted operating cash flow from continuing operations	**17.5**	**20.5**
Tax[1]	(1.1)	(1.4)
Cash outflow in respect of adjusting items[1,2]	(6.2)	(15.0)
Add back: net capital expenditure	4.3	4.8
Net cash inflow from operating activities[3]	**14.5**	**8.9**
Adjusted operating cash flow from continuing operations	**17.5**	**20.5**
Tax[1]	(1.1)	(1.4)
Net interest paid	(3.9)	(3.8)
Free cash flow	**12.5**	**15.3**

1 Tax paid in 2023 excludes the tax paid in relation to adjusting items and discontinued operations. This is included within the cash outflow in respect of adjusting items and discontinued operations.

2 Pension contribution of £0.5m in H1 2024 for legacy pension schemes has been included within cash outflow in respect of adjusting items (H1 2023: £2.5m).

3 Statutory cash flows from operating activities can be found in the Condensed Consolidated Interim Financial Statements.

Net debt. Net debt at the end of the period was £89.1m compared to a net debt of £62.5m at 31 December 2023 (excluding lease liabilities of £29.4m). The overall increase in net debt in the first six months of 2024 was driven by the anticipated one off completion accounts payment associated with the sale of the Filters business in the period totalling £24.8m. This has been partly offset by operating cash conversion of 80.3%, and free cash flow of £12.5m in the period.

The Group's financial ratios remain within the 0.5x – 1.5x target range. Net debt to adjusted EBITDA pre-IFRS16 lease liabilities was 1.1x (net debt to adjusted EBITDA including IFRS16 lease liabilities: 1.4x).

	2024 £m
Net debt as at 1 January 2024	**62.5**
Free cash flow	(12.5)
Cash outflow from discontinued businesses including disposal costs	25.8
Cash outflow in respect of adjusting items	6.2
Share buyback	3.1
Acquisitions less cash acquired	1.9
Lease liability movements	1.6
Movement in loan hedging derivatives	(0.4)
Foreign exchange	0.9
Net debt as at 30 June 2024	**89.1**

Banking and refinancing facilities. One of the main sources of funding for the Company is a Revolving Credit Facility ("RCF") provided by a group of six banks totalling £200.0m, which as of December 2023, was set to mature in October 2026. As at 30 June 2024, £32.6m was drawn.

In July 2024 the Company agreed to extend the facility for five years from date of signing and will now mature in July 2029. By evaluating options and refinancing the RCF ahead of the original maturity date, the Company has been able to maintain the existing covenants and secure favourable pricing terms. The extended maturity date provides the Company with a longer-term financing solution and offers greater stability as well as reducing the need for frequent refinancing activities, providing greater liquidity to support our operational and strategic initiatives. The new facility is based on the same terms and size and is provided by a group of five banks, including four from the original RCF facility.

The Company retains $102.5m of long dated US Private Placement debt (“USPP”) at an average coupon rate of 3.8%.

Type	Amount	Interest Rate	Maturity
RCF	£200.00m	Floating	July 2029
USPP	$32.80m	3.62%	July 2028
USPP	$34.85m	3.91%	July 2031
USPP	$34.85m	4.00%	July 2033

Treasury policy and controls. Essentra has a centralised treasury function to manage funding, liquidity and exposure to interest rate and foreign exchange risk. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of derivatives that may be employed and the criteria for investing and borrowing cash. The Company intends to use derivatives to manage foreign currency and interest rate risk arising from underlying business activities. Whilst some transactions may be of a more speculative nature, they are in place with a view to manage exchange rate risk only. Underlying policy assumptions and activities are reviewed by the Treasury Committee. Controls over exposure changes and transaction authenticity are in place, and dealings are restricted to those banks with the relevant combination of geographical presence, expertise and suitable credit rating.

Foreign exchange risk. The majority of Essentra’s net assets are in currencies other than sterling. The Company’s normal policy is to reduce the translation exposure and the resulting impact on shareholders’ funds through measures such as borrowing in those currencies in which the Group has significant net assets. The majority of Essentra’s transactions are carried out in the functional currencies of its operations, and therefore transaction exposure is limited. However, where such exposure does occur, Essentra uses derivatives to hedge its exposure to movements in the exchange rates on its highly probable forecast foreign currency sales and purchases over a period of up to 18 months.

2024 Half Year Risk Disclosure

The Board has established and maintains an effective risk management and internal control framework designed to manage the delivery of the Company's strategic objectives. The Risk Assurance team, independent of management, enables and facilitates the risk management process across the Company, acts as the custodian of the Company's risk framework and supports risk management activities.

The Board considers the nature and extent of the Principal Risks it is prepared to take in achieving its strategic objectives - its risk appetite – annually, by evaluating these risks against a three-point scale from "risk-averse" to "risk-neutral" to "risk-tolerant". This informs the development and focus of mitigating actions for each of the Principal Risks with a particular focus on risks that are assessed to be outside the agreed appetite.

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

- Identify the Company's material risks and appropriate mitigating actions
- Formulate the risk appetite and ensure that our business profile and plans are consistent with it
- Develop plans to bring any exposures that are outside appetite in line with the agreed appetite
- Ensure that growth plans are properly supported by an effective risk management framework
- Help management teams to improve the control and co-ordination of risk-taking across the Company.

The Group Executive Committee ("GEC") has responsibility for the day-to-day coordination and management of risk activities throughout the Company. These responsibilities focus on appropriate identification, evaluation, mitigation and management of all key business risks and ensure that, where necessary, adequate controls are in place and are monitored. In addition, the GEC considers the Company's risk appetite, makes recommendations to the Board on appetite levels and the level of mitigation necessary to remain within them.

As an important part of fulfilling its responsibilities the Board receives regular reporting from the Chief Executive in relation to opportunities, risks and exposures to enable the Board to challenge and review the GEC's risk management approach.

The regional and functional leadership teams undertake regular reviews during the course of the year and engage in facilitated discussions with Risk Assurance to consider the risk environment for their particular functional or geographic area of responsibility, and how these could affect the delivery of the Company's strategic objectives.

The Audit and Risk Committee ("ARC"), with assistance from Risk Assurance, oversees compliance with risk management processes and the adequacy of risk management activities related to the Company's operations.

During the period, the Board has considered the Principal and Emerging Risks, as disclosed on pages 65-73 of our 2023 Annual Reports and Accounts, in the context of the objectives noted above and across four risk categories: strategic risks, external risks, operational risks and disruptive risks. These risks, updated to reflect changes since our 2023 Annual Report and Accounts, are summarised as follows. The Company remains confident that the mitigations already in place are sufficient to manage these risks within the previously agreed risk appetite.

Strategic risks

- Macro-economic and geopolitical environment – delivering successfully through the economic cycle and continuing geopolitical events (including elections in many of our end-markets during 2024)
- Environment – our impact on the environment (including single use plastics) and climate change
- Digital transformation – the delivery of our Business Process Redesign programme, our eCommerce platforms and the integrity and fidelity of our data
- Leadership talent and capability – our ability to attract, retain, develop and motivate the talent we need to be successful
- M&A execution and integration – our ability to successfully deliver on our inorganic growth plans

External risks

- Governance – ensuring legal and regulatory compliance across the broad range of jurisdictions in which we operate
- Cyber events – the impact of a cyber security breach or data breach

Operational risks

- Execution of strategic plan – our ability to deliver on our operational and commercial improvement plans to drive organic growth

- Health and safety performance – ensuring the physical and emotional wellbeing of our people and the potential impact of significant safety events on our workforce and the communities in which we operate

Disruptive risks

- Operational and supply chain disruption – the impact of disruptive events, including in relation to supply chain ethics, across our broad operational footprint and diverse supply chains

Emerging risks

- Regulatory change – compliance with changes in the regulatory environment which is complicated by the geographical breadth of the Company’s operations
- Artificial Intelligence (“AI”) – consideration of the various risks and opportunities associated with this emerging technology and how it might affect our business and end-markets
- ’China Plus One (“C+1”) - the potential need to implement a portfolio of strategic initiatives to meet our growth commitments

The following Principal Risk has been retired since the publication of our 2023 Annual Report and Accounts as exposure levels have reduced and it is managed within other Principal Risks:

- *Social – the impact of our business on our stakeholders and the societies in which we operate*

Condensed consolidated income statement

	Note	**Six months ended 30 Jun 2024 £m**	Six months ended 30 Jun 2023 £m	Year ended 31 Dec 2023 £m
Revenue	2	**159.7**	166.3	316.3
Gross Profit	2	**74.1**	73.0	141.8
Operating profit[1]		**8.1**	10.3	10.9
Finance income		**1.4**	6.9	11.0
Finance expense		**(5.5)**	(6.9)	(13.5)
Profit before tax		**4.0**	10.3	8.4
Income tax charge		**(1.5)**	(2.6)	(2.6)
Profit for the period from continuing operations		**2.5**	7.7	5.8
Loss from discontinued operations	12	**(1.2)**	(0.8)	(0.4)
Profit for the period		**1.3**	6.9	5.4
Attributable to:				
Equity holders of Essentra plc		**1.3**	6.9	5.4
Profit for the period		**1.3**	6.9	5.4
Earnings per share attributable to equity holders of Essentra plc:				
Basic	5	**0.5p**	2.3p	1.8p
Diluted	5	**0.5p**	2.3p	1.8p
Earnings per share from continuing operations attributable to equity holders of Essentra plc:				
Basic	5	**0.9p**	2.6p	2.0p
Diluted	5	**0.9p**	2.6p	2.0p

Adjusted profit measure: continuing operations				
Operating profit		**8.1**	10.3	10.9
Amortisation of acquired intangible assets		**5.9**	5.7	11.3
Adjusting items	3	**7.8**	7.0	21.0
Adjusting operating profit[2]		**21.8**	23.0	43.2

Notes:

1 Includes impairment credit on trade receivables of £0.3m (six months ended 30 June 2023: £0.3m charge)

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

Condensed consolidated statement of comprehensive income

	Six months ended 30 Jun 2024 £m	Six months ended 30 Jun 2023 £m	Year ended 31 Dec 2023 £m
Profit for the period	**1.3**	6.9	5.4
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit pension schemes	**7.5**	1.4	(1.3)
Deferred tax (charge)/credit on remeasurement of defined benefit pension schemes	**(1.9)**	(0.4)	0.3
	5.6	1.0	(1.0)
Items that may be reclassified subsequently to profit or loss in subsequent periods:			
Effective portion of changes in fair value of cash flow hedges:			
Net change in fair value of cash flow hedges transferred to the income statement	**(0.2)**	2.3	2.4
Ineffective portion of changes in fair value of cash flow hedges transferred to the income statement	**-**	0.1	-
Effective portion of changes in fair value of cash flow hedges	**0.2**	(0.6)	(1.8)
Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations	**(5.1)**	(18.9)	(19.4)
Arising on effective net investment hedges	**0.2**	1.0	0.7
Income tax (expense)/credit	**(0.6)**	(1.4)	0.6
	(5.5)	(17.5)	(17.5)
Total other comprehensive credit/(expense) for the period, net of tax	**0.1**	(16.5)	(18.5)
Total comprehensive credit/(expense) for the period	**1.4**	(9.6)	(13.1)
Attributable to:			
Equity holders of Essentra plc	**1.4**	(9.6)	(13.1)
Total comprehensive credit/(expense) for the period	**1.4**	(9.6)	(13.1)
Attributable to:			
Continuing operations	**2.6**	(8.8)	(12.7)
Discontinued operations	**(1.2)**	(0.8)	(0.4)
Total comprehensive credit/(expense) for the period	**1.4**	(9.6)	(13.1)

Condensed consolidated balance sheet

	Note	**30 Jun 2024 £m**	30 Jun 2023 £m	31 Dec 2023 £m
Assets				
Property, plant and equipment	6	**67.2**	60.0	68.1
Lease right-of-use asset	7	**24.9**	18.5	27.9
Investment properties	6	**3.3**	7.0	3.3
Intangible assets	8	**210.9**	187.5	215.0
Long-term receivables		**9.8**	18.2	10.1
Derivative assets	15	**4.6**	6.9	4.2
Deferred tax assets		**10.6**	9.8	12.2
Retirement benefit assets	9	**11.1**	9.5	7.9
Total non-current assets		**342.4**	317.4	348.7
Inventories		**66.6**	59.2	64.7
Income tax receivable		**1.0**	-	1.4
Trade and other receivables		**73.3**	68.8	61.5
Derivative assets	15	**-**	0.6	-
Cash and cash equivalents	10	**49.3**	96.3	59.7
Total current assets		**190.2**	224.9	187.3
Total assets		**532.6**	542.3	536.0
Equity				
Issued share capital	14	**72.9**	74.6	73.3
Merger relief reserve		**-**	385.2	-
Capital redemption reserve	14	**2.8**	1.1	2.4
Other reserve		**(132.8)**	(132.8)	(132.8)
Cash flow hedging and cost of hedging reserve		**(0.2)**	1.0	(0.2)
Translation reserve		**(76.0)**	(71.7)	(70.5)
Retained earnings		**408.9**	26.2	401.0
Attributable to equity holders of Essentra plc		**275.6**	283.6	273.2
Total equity		**275.6**	283.6	273.2
Liabilities				
Interest bearing loans and borrowings	10	**113.6**	90.3	95.5
Lease liabilities	10	**22.2**	16.7	23.8
Retirement benefit obligations	9	**13.7**	16.3	17.5
Provisions		**-**	0.7	0.2
Deferred tax liabilities		**10.8**	6.8	12.4
Total non-current liabilities		**160.3**	130.8	149.4
Lease liabilities	10	**7.2**	4.5	7.1
Derivative liabilities		**-**	0.5	-
Income tax payable		**14.0**	15.7	12.0
Trade and other payables		**66.0**	68.6	60.7
Other financial liabilities		**3.0**	32.1	28.0
Provisions		**6.5**	6.5	5.6
Total current liabilities		**96.7**	127.9	113.4
Total liabilities		**257.0**	258.7	262.8
Total equity and liabilities		**532.6**	542.3	536.0

Condensed consolidated statement of changes in equity

Six months ended 30 June 2024

	Issued capital £m	**Merger relief reserve £m**	**Capital redemption reserve £m**	**Other reserve £m**	**Cash flow hedging and cost of hedging reserves £m**	**Translation reserve £m**	**Retained earnings £m**	**Total equity £m**
At 1 January 2024	**73.3**	**-**	**2.4**	**(132.8)**	**(0.2)**	**(70.5)**	**401.0**	**273.2**
Profit for the period							1.3	**1.3**
Other comprehensive (expense)/income					-	(5.5)	5.6	**0.1**
Total comprehensive (expense)/income for the period					-	(5.5)	6.9	**1.4**
Share option expense							0.9	**0.9**
Tax relating to share-based incentives							0.3	**0.3**
Net impact of hyperinflation[1]							2.9	**2.9**
Purchase of own shares							(3.1)	**(3.1)**
Cancellation of shares	(0.4)		0.4				-	**-**
Dividends paid							-	**-**
At 30 June 2024	**72.9**	**-**	**2.8**	**(132.8)**	**(0.2)**	**(76.0)**	**408.9**	**275.6**

Six months ended 30 June 2023

	Issued capital £m	Merger relief reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging and cost of hedging reserves £m	Translation reserve £m	Retained earnings £m	Total Equity £m
At 1 January 2023	75.6	385.2	0.1	(132.8)	(0.8)	(52.4)	129.2	404.1
Profit for the period							6.9	6.9
Other comprehensive income/(expense)					1.8	(19.3)	1.0	(16.5)
Total comprehensive income/(expense) for the period					1.8	(19.3)	7.9	(9.6)
Share option expense							0.7	0.7
Tax relating to share-based incentives							(0.2)	(0.2)
Net impact of hyperinflation[1]							(2.4)	(2.4)
Purchase of own shares							(16.2)	(16.2)
Cancellation of shares	(1.0)		1.0				-	-
Dividends paid							(92.8)	(92.8)
At 30 June 2023	74.6	385.2	1.1	(132.8)	1.0	(71.7)	26.2	283.6

Condensed consolidated statement of changes in equity (continued)

Year ended 31 December 2023

	Issued capital £m	Merger relief reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging and cost of hedging reserves £m	Translation reserve £m	Retained earnings £m	Total equity £m
At 1 January 2023	75.6	385.2	0.1	(132.8)	(0.8)	(52.4)	129.2	404.1
Profit for the period							5.4	5.4
Other comprehensive income/(expense)					0.6	(18.1)	(1.0)	(18.5)
Total comprehensive income/(expense) for the period					0.6	(18.1)	4.4	(13.1)
Share option expense							1.4	1.4
Tax relating to share-based incentives							(0.3)	(0.3)
Net impact of hyperinflation[1]							1.4	1.4
Purchase of own shares							(24.0)	(24.0)
Cancellation of shares	(2.3)		2.3				-	-
Reduction of capital		(385.2)					385.2	-
Dividends paid							(96.3)	(96.3)
At 31 December 2023	73.3	-	2.4	(132.8)	(0.2)	(70.5)	401.0	273.2

Notes:

1 The net impact on retained earnings as a result of the index-based adjustments in Turkey under IAS 29 'Financial Reporting in Hyperinflationary Economies'

Condensed consolidated statement of cash flows

	Note	**Six months ended 30 Jun 2024 £m**	Six months ended 30 Jun 2023 £m	Year ended 31 Dec 2023 £m
Operating activities				
Profit/(loss) for the period from:				
Continuing operations		**2.5**	7.7	5.8
Discontinued operations		**(1.2)**	(0.8)	(0.4)
Profit for the period		**1.3**	6.9	5.4
Adjustments for:				
Income tax expense/(credit)		**1.2**	2.4	(1.1)
Net finance expense		**4.1**	-	2.5
Intangible amortisation		**6.7**	6.5	14.2
Adjusting items		**7.8**	7.0	13.9
Loss on business disposals including cost of disposals		**1.5**	-	3.7
Depreciation of property, plant and equipment		**5.2**	6.1	11.1
Lease right-of-use asset depreciation		**3.0**	2.7	5.9
Impairment of fixed assets		**-**	-	7.1
Share option expense		**0.9**	0.7	1.4
Hedging activities and other movements		**-**	(0.6)	(0.5)
(Increase)/decrease in inventories		**(3.4)**	2.7	(3.1)
(Increase)/decrease in trade and other receivables		**(12.8)**	(6.8)	10.0
Increase/(decrease) in trade and other payables		**6.4**	(2.7)	(10.1)
Cash outflow in respect of adjusting items	3	**(6.2)**	(15.0)	(23.6)
Movement in provisions		**(1.1)**	(1.1)	(2.8)
Movement due to hyperinflation		**-**	(0.7)	-
Cash inflow from operating activities		**14.6**	8.1	34.0
Income tax paid		**(1.1)**	(1.9)	(4.5)
Net cash inflow from operating activities		**13.5**	6.2	29.5
Investing activities				
Interest received		**0.3**	2.0	3.5
Acquisition of property, plant and equipment		**(3.8)**	(4.4)	(12.4)
Payments for non-acquired intangible assets		**(0.5)**	(0.4)	(0.8)
Acquisition of businesses net of cash acquired		**(1.9)**	-	(33.3)
Cash outflow from costs on business disposals		**(24.8)**	(11.6)	(17.8)
Net cash outflow from investing activities		**(30.7)**	(14.4)	(60.8)
Financing activities				
Interest paid		**(4.2)**	(5.8)	(9.9)
Dividends paid to equity holders		**-**	(92.8)	(96.3)
Repayments of loans		**(12.2)**	(204.7)	(254.9)
Proceeds from long-term loans		**30.0**	10.0	61.8
Lease liability principal payments		**(2.6)**	(2.8)	(5.4)
Purchase of own shares		**(3.1)**	(16.2)	(24.0)
Net cash inflow/(outflow) from financing activities		**7.9**	(312.3)	(328.7)
Net decrease in cash and cash equivalents		**(9.3)**	(320.5)	(360.0)
Net cash and cash equivalents at the beginning of the period		**59.7**	421.4	421.4
Net decrease in cash and cash equivalents		**(9.3)**	(320.5)	(360.0)
Net effect of currency translation on cash and cash equivalents		**(1.1)**	(4.6)	(1.7)
Net cash and cash equivalents at the end of the period	10	**49.3**	96.3	59.7

1. Basis of preparation

Essentra plc is a public company limited by shares that is incorporated and domiciled in England and Wales (registration no 05444653). The address of its registered office is Langford Locks, Kidlington, Oxford, OX5 1HX, United Kingdom. The Company's ordinary shares are publicly traded on the London Stock Exchange. For the purpose of the Condensed Consolidated Interim Financial Statements, "Essentra" or the "Group" means Essentra plc and its subsidiaries. References to the 'Company' mean Essentra plc.

The Group's principal activities are focused on the manufacture and distribution of a comprehensive range of components, used in diverse industrial applications and end-markets.

The condensed consolidated interim financial statements of the Essentra plc Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2023 which comply with applicable law and UK-adopted international accounting standards and also in accordance with UK-adopted IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The financial statements have been reviewed, not audited.

The financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and UK-adopted international accounting standards.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2023, which has been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards, and any public announcements made by Essentra plc during the interim reporting period.

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reporting amounts of revenues, expenses, assets and liabilities for the six months period ended 30 June 2024. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the condensed consolidated interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The comparative figures for the financial year ended 31 December 2023 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The Group's audited consolidated financial statements for the year ended 31 December 2023 are available at the Company's website (www.essentraplc.com) or upon request from the Company's registered office.

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

The Group's foreign operations in Turkey, whose functional currency is the Turkish Lira, were designated as hyperinflationary during the year ended 31 December 2023. Over the six months to 30 June 2024 the Turkish economy continued to be designated as hyperinflationary, and therefore the Group has continued to apply hyperinflationary accounting to its Turkish operations for the reporting period ended 30 June 2024. The price index used to apply IAS 29 is the Turkish Consumer Price Index. At 30 June 2024 the price index was 2,319.29 (31 December 2023: 1,860.90, 30 June 2023: 1,351.59, 31 December 2022: 1,128.45).

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

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

In preparing these condensed consolidated interim financial statements management have taken into account the potential effects of climate changes including medium to longer term transitional risks resulting from the relative uncertainty created by the global shift towards a more sustainable, net-zero economy, which include regulatory, geopolitical and social pressures that may impact the operations of the business in future. During the first half of 2024, Management considered the potential effects of climate related changes in its assessment of going concern, in preparing the Group's future cash flow forecasts and in its assessment of the residual values of property, plant and equipment and have determined that there is no material impact on these condensed consolidated interim financial statement items.

Pronouncements

The Group adopted the following new pronouncements during the period to 30 June 2024, which did not have a material impact on the Group's condensed consolidated interim financial statements:

- Amendment to IFRS 16 – Leases on sale and leaseback;
- Amendment to IAS 1 – Non-current liabilities with covenants;
- Amendment to IAS 7 and IFRS 7 – Supplier finance;
- Amendments to IAS 21 – Lack of Exchangeability.

Going concern

At 30 June 2024, the Group's financing arrangements amounted to £281m, comprising United States Private Placement ("USPP") of US$102.5m (£81.4m), with a range of expiry dates from July 2028 to July 2033, and a multi-currency revolving credit facility ("RCF") of £200m (expiring in October 2026). In July 2024 Essentra extended its syndicated multi-currency £200m revolving credit facilities to a revised maturity date of July 2029.

At 30 June 2024, £167.4m of the RCF facility was undrawn. The facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITA to net finance charges (interest cover). The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performance and considering the existing banking facilities, including the available liquidity, have a reasonable expectation that the Group has adequate resources to continue in operational existence for up to 18 months following the date of approval of the condensed consolidated interim financial statements, and no breaches of covenants are expected.

As part of the going concern assessment, the Board has considered a downside scenario that includes reasonably plausible changes in macroeconomic conditions and is considered to represent a severe but plausible scenario. The results of this scenario show that there is sufficient liquidity in the business for a period of up to 18 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period. The downside scenario assumes a period of supressed trading performance, with recovery deferred to the latter part of 2025. The financial impact of the downside scenario in 2024 and 2025 is to reduce adjusted operating profits by 23% and 37% respectively compared to the Group's strategic plan.

The overall level of liquidity (defined as available undrawn borrowing facility plus cash and cash equivalents) at 30 June 2024 was £216.7m, which is after share buybacks of £27m (of a total planned £60m under the buyback programme). Capital expenditure, sales and general overhead, and working capital will continue to be managed closely to ensure sufficient liquidity.

The scenarios do not indicate a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern. Based on these scenarios and taking into consideration the risks detailed in note 19 of the Annual Report for 2023, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and accordingly have adopted the going concern basis in preparing the condensed consolidated interim financial statements.

Further information on the Group's borrowing facilities, cash resources and other financial instruments can be found in notes 10 and 15 to the condensed consolidated interim financial statements.

Critical Accounting Judgements and Estimates

The preparation of the condensed consolidated interim financial statements requires the Directors and management to make judgements and estimates in respect of certain items where the choice of accounting policy and assumptions applied in determining the judgement or estimate could materially affect the Group's financial position, results, or cash flows at the reporting date.

Management regularly reviews the critical accounting judgements that significantly impact the amounts recognised in the condensed consolidated interim financial statements and the critical accounting estimates that due to their significant estimation uncertainty, may give rise to a material adjustment in the next financial reporting period.

Although the determination of accounting estimates is based on management's best estimate considering its knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future reporting periods.

The Group's critical accounting judgements and estimates are detailed below.

Accounting Judgements

Adjusting items

Adjusting items are separately presented from other items of financial performance as this enables management to reflect the underlying performance of the continuing operations of the Group. Judgement is required to determine whether such items of financial performance should be included within adjusting items by virtue of their nature, size or incidence. The Group's accounting policy concerning adjusting items is detailed under alternative performance measures on page 158 of the Essentra Annual Report 2023.

Adjusting items of £7.8m (six months ended 30 June 2023: £7.0m) have been reported in continuing operations including £1.2m of costs incurred relating to acquisitions, disposals and restructuring of the continuing business following the sale of the Filters and Packaging businesses, £1.2m provided for an historic indemnity claim, and £4.8m has been incurred in relation to the customisation and configuration costs of significant "software as a service" ("SaaS") arrangements which, in management's judgement, constitute material one-off charges to upgrade the Group's technical capabilities and meets the Group's policy for being categorised as adjusting items.

A complete analysis of the amounts included in adjusting items is detailed in note 3.

"Software as a service" ("SaaS") arrangements

The recognition of customisation and configuration costs (which are included within adjusting items) relating to SaaS arrangements involves a number of key judgements:

- whether a software arrangement is a SaaS arrangement: management considers the fact pattern of the software arrangement carefully to identify SaaS arrangements, distinguishing from other arrangements such as "platform as a service" or "infrastructure as a service";
- whether any cost incurred in customisation and configuration results in additional code from which the Group has the power to obtain the future economic benefits and restricts other third parties' access to those benefits: management considered whether the code can be used in or transferred to another computing arrangement;
- whether the customisation and configuration service provided by the SaaS provider is distinct from the regular SaaS arrangement: management considers factors such as whether the Group can benefit from the service separately from the other elements of deliverables from the SaaS provider;
- whether a third-party providing customisation and configuration services is in effect a subcontractor of the SaaS provider: management considers factors such as the nature of the contractual and working relationship between the SaaS provider and the third party, the obligations of the third party who has the primary responsibility for the services that it provides.

Leases and lease right-of-use assets

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

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

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

Recognition of Retirement benefit assets

A key judgement when recognising a retirement benefit asset is whether the Company has an unconditional right to a refund on such a surplus. A retirement benefit asset of £11.1m (31 December 2023: £7.9m) has been recognised on the Group's European pension surplus because it was judged that the trustees cannot use trustee's discretionary power to use this surplus to augment member benefits.

Accounting Estimates

Measurement of contingent consideration

During 2022 the Group recognised a net loss of £16.6m on the disposal of the Filters business. The value of the loss is subject to finalisation of the deferred contingent consideration receivable which requires judgement. The maximum potential undiscounted deferred contingent consideration amount that the Group could receive is £20.0m. Deferred consideration is structured as an earn-out in two tranches of up to £10.0m with each tranche contingent upon the Filters business achieving certain contractual profit performance targets in its financial years ending 31 December 2023 and 31 December 2024 (the 'earn-out years'), respectively.

Management has determined the fair value of contingent consideration receivable as at 30 June 2024 with reference to the valuation performed as at 31 December 2023, which was valued with the assistance of an external valuation specialist, using an option pricing model which applied prudent assumptions to risk-free cash flows in each of the earn-out years. For valuation purposes, as inputs into the model are intended to be risk-neutral, profit forecasts for the earn-out years were discounted to neutralise forecast risk by applying a risk-adjusted rate to expected cash flows based on an industry specific and geographically derived weighted average cost of capital. The resulting risk-adjusted profit for each earn-out year was modelled against the respective contractually agreed profit performance target with the calculated earn-out achieved discounted to present value by applying a rate that reflects counterparty credit risk and the timing of future cash flows.

At 30 June 2024, deferred contingent consideration receivable with a fair value of £19.3m (31 December 2023: £19.0m) has been recognised in the condensed consolidated interim financial statements (refer to note 15), of which £10.0m (31 December 2023: £9.7m) has been recognised within trade and other receivables, and £9.3m (31 December 2023: £9.3m) as a long-term receivable.

The actual earn-out receivable when the contingent consideration is finalised may differ from the fair value estimated at 30 June 2024 as a result of reasonable changes to assumptions applied, although based on information available at the reporting date, the range of possible future outcomes is not expected to lead to a final settlement that differs materially to the amounts recognised in these condensed consolidated interim financial statements.

Any future movements in fair value of the deferred contingent consideration when remeasured at subsequent reporting period end dates will be taken through the consolidated income statement and recognised as part of the result from discontinued operations.

Taxation

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

Key judgement areas for the Group include the pricing of intercompany goods and services as well as the tax consequences arising from restructuring operations. Management may engage with professional advisors in making their assessment and, if appropriate, will liaise with the relevant taxation authorities to resolve the matter. The tax liability is reassessed in each period to reflect management's best estimate in light of information available. If the final outcome of these matters differs to the liability held in the financial statements, the difference may materially impact the income tax charge/(credit) in the period the matter is concluded.

At 30 June 2024, included in the tax payable is a liability of £3.9m (31 December 2023: £4.0m) for transfer pricing matters and £5.8m (31 December 2023: £5.8m) for other uncertain tax positions. Adjustments for current year transactions and foreign exchange movements of £0.1m account for the movement in the period. Of the £10.5m recognised at the end of the reporting period, a possible range of outcomes could potentially see between £4.0m and £4.8m resolved by the end of the current financial year as a result of expiring statute of limitations and completion of tax audits.

The Group has recognised a net deferred tax asset of £5.7m (31 December 2023: £5.7m) in the UK. The assessed range of possible future outcomes in the next financial year could potentially lead to a decrease in the deferred tax asset of up to £1.9m or an increase of up to £4.0m, notwithstanding that the Group has unrecognised UK tax losses which could be utilised as information on the sustainable long term UK profitability position becomes available.

Retirement benefit obligations

At 30 June 2024, the net retirement benefit liability was £2.6m (31 December 2023: £9.6m liability) including a retirement benefit asset of £11.1m (31 December 2023: £7.9m) and a retirement benefit liability of £13.7m (31 December 2023: £17.5m). The measurement of defined benefit obligations requires the application of judgement in relation to the key assumptions used, particularly in determining the discount rate, inflation rate, and mortality rates.

In consultation with Essentra’s actuaries, management determines the point within the range of possible outcomes for those assumptions applied at the balance sheet date that most appropriately reflects Essentra’s circumstances. Small changes to these assumptions can have a material impact on the valuation and therefore reported amounts. Consequently, the Group performs a sensitivity analysis for the key assumptions applied in determining post-employment costs and liabilities, as detailed in note 18 of the Essentra Annual Report 2023.

Provision for contractual obligations

The provision for contractual obligations represents amounts that the Group may be liable to pay arising from the disposal of the Packaging and Filters businesses.

At 30 June 2024, provisions for contractual obligations amounted to £3.2m (31 December 2023: £3.4m), representing the Group's estimate of ongoing obligations due to each of the buyers under the respective Share Purchase Agreements.

The assessed range of possible future outcomes in the next financial year could potentially lead to a decrease in the provision of up to £1.0m or an increase of up to £nil.

Business combinations and intangible assets

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

Goodwill is not amortised but is tested annually for impairment, along with the finite-lived intangible assets and other assets of the Group’s cash-generating units. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. An estimate is also required in identifying the events which indicate potential impairment, and in assessing fair value of individual assets when allocating an impairment loss in a cash-generating unit or groups of cash generating units. The Group performs various sensitivity analyses in respect of the tests for impairment and recognises impairments when required. For the half year a review of indicators of impairment was performed, with no indicators identified. The critical estimates made for the year ended 31 December 2023 are reproduced in note 8 to these condensed consolidated interim financial statements.

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

Estimate of inventory obsolescence

Inventories represent a material proportion of the Group’s net assets. At 30 June 2024, the Group had £66.6m (31 December 2023: £64.7m) of inventories on the balance sheet. The Group estimates the net realisable value of inventories in order to determine the value of any provision required. These estimations are based on recent experience and knowledge of the products held in inventory estimations, include any impact of obsolescence including that related to regulatory changes including climate change, are made in relation to the number of years of sales of each product and the value recoverable from those inventories.

The Group undertakes periodic reviews of inventory levels and quality, and following those reviews provides for all inventory that is considered obsolete. Furthermore, the Group provides in full for unsold or slow-moving inventory.

2. Segment analysis

The Group has determined its operating segments based upon the information reported to the Board of Directors ("Board"), which is the Group's Chief Operating Decision Maker. Segment information is reported on a geographical basis consistent with the basis upon which the Group manages its operations, allocates resources, and assesses performance. Central corporate costs include executive and non-executive management, investor relations, corporate development, corporate reward, governance, risk and assurance, group finance, tax, treasury and related information technology costs.

							Six months ended 30 June 2024
	EMEA £m	Americas £m	APAC £m	Unallocated operating expenses[2] £m	Continuing operations £m	Discontinued operations £m	Total £m
External revenue	**89.4**	**51.3**	**19.0**	**-**	**159.7**	**-**	**159.7**
Gross profit	47.2	19.5	7.4	-	74.1	-	74.1
Adjusted operating profit/(loss) before corporate costs	29.3	8.8	1.9	(11.7)	28.3	-	28.3
Central corporate costs[1]					(6.5)	-	(6.5)
Adjusted operating profit					**21.8**	**-**	**21.8**
Amortisation and impairment of acquired intangible assets					(5.9)	-	(5.9)
Adjusting items					(7.8)	-	(7.8)
Operating profit					**8.1**	**-**	**8.1**
Total Assets	**261.4**	**122.9**	**35.6**	**112.7**	**532.6**	**-**	**532.6**
Total Liabilities	**(46.6)**	**(26.7)**	**(9.6)**	**(174.1)**	**(257.0)**	**-**	**(257.0)**

							Six months ended 30 June 2023
	EMEA £m	Americas £m	APAC £m	Unallocated operating expenses[2] £m	Continuing operations £m	Discontinued operations £m	Total £m
External revenue	**89.8**	**56.6**	**19.9**	**-**	**166.3**	**-**	**166.3**
Gross profit	45.2	21.0	6.8	-	73.0	-	73.0
Adjusted operating profit/(loss) before corporate costs	27.6	9.8	1.6	(9.8)	29.2	(1.0)	28.2
Central corporate costs[1]					(6.2)	-	(6.2)
Adjusted operating profit/(loss)					**23.0**	**(1.0)**	**22.0**
Amortisation and impairment of acquired intangible assets					(5.7)	-	(5.7)
Adjusting items					(7.0)	-	(7.0)
Operating profit/(loss)					**10.3**	**(1.0)**	**9.3**
Total Assets	**213.7**	**119.1**	**39.8**	**169.7**	**542.3**	**-**	**542.3**
Total Liabilities	**(41.1)**	**(20.6)**	**(13.3)**	**(183.7)**	**(258.7)**	**-**	**(258.7)**

Notes:

1 Central corporate costs include executive and non-executive management, investor relations, corporate development, corporate reward, governance, risk and assurance, group finance, tax, treasury, and related information technology costs.

2 Unallocated operating expenses include operating expenses relating to the regions that are managed at a total trading level rather than by individual segment.

3. Adjusting items from continuing operations

	Six months ended 30 Jun 2024 £m	Six months ended 30 Jun 2023 £m	Year ended 31 Dec 2023 £m
Costs relating to restructuring following business disposals[1]	**0.7**	0.9	1.3
(Gains)/losses and transaction costs relating to acquisitions of businesses[2]	**(0.1)**	0.4	(1.0)
Acquisition integration and restructuring costs[3]	**0.5**	-	-
Customisation and configuration costs of significant software as a service ("SaaS") arrangements[4]	**4.8**	4.9	10.8
Defined benefit pension scheme charges[5]	**0.8**	0.8	1.8
Impairment of non-current assets[6]	**-**	-	7.1
Other[7]	**1.1**	-	1.0
Adjusting items	**7.8**	7.0	21.0
Tax	**(1.6)**	(1.5)	(4.3)
Adjusting items after tax	**6.2**	5.5	16.7

Reconciliation of cash flows from adjusting items:

Adjusting items	**7.8**	7.0	21.0
Non-cash charge in adjusting items	**(0.8)**	(0.8)	(5.9)
Cash outflow on pension contributions	**0.5**	2.5	1.9
Utilisation of prior year and acquired accruals and provisions	**(1.3)**	6.3	6.6
Cash outflow from adjusting items	**6.2**	15.0	23.6

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

Notes:

1 Costs of £0.7m in relation to restructuring activities to right-size the continuing operations of the business following the disposal of the Filters and Packaging businesses, including £0.6m relating to the closure of the Singapore service office, predominantly associated with the disposed Filters business (six months ended 30 June 2023: £0.9m).

2 Comprises a credit of £0.1m relating to the acquisition of Wixroyd Group, acquired in December 2022 (six months ended 30 June 2023: £0.4m).

3 Relating to integration costs of £0.5m following the acquisition of Wixroyd Group and the acquisition of BMP TAPPI (six months ended 30 June 2023: £nil).

4 Costs of significant SaaS arrangements, which in the view of management, represents investment in upgrading the Group's technological capability, were expensed as adjusting items in accordance with the Group's accounting policies. In the current period, costs of £4.8m (six months ended 30 June 2023: £4.9m) were attributable to major SaaS projects and relate primarily to the costs of implementing a new cloud-based enterprise resource planning ("ERP") system within the Group.

5 Costs of £0.8m (six months ended 30 June 2023: £0.8m) were incurred in relation to defined benefit pension scheme charges which, following the outcome of the strategic review, no longer pertain to the continuing operations of the Group.

6 Costs of £7.1m for the six months ended 31 December 2023 included an impairment loss of £3.7m relating to a write-down of investment property to market value and a £3.4m impairment loss in relation to non-current assets held within the APAC segment.

7 Costs include £1.2m related to a provision for a historic indemnity claim (six months ended 30 June 2023: £nil) and £0.1m of provision releases.

4. Taxation

The taxation charges for the continuing operations for the six months ended 30 June 2024 and 30 June 2023 are based on the expected effective tax rate for the full year, including the impact of prior period tax adjustments. The enacted tax rates and forecast profits of the jurisdictions the Group operate in determines this effective tax rate. The taxation charges for the discontinued operations are based on the results for the period applying the relevant tax rates by jurisdiction.

The effective tax rate on underlying profit before tax (before adjusting items and amortisation of acquired intangible assets) was 25.7% (six months ended 30 June 2023 : 23.5%). The underlying effective tax rate for H1 2024 is within the continuing operations 2024 forecast tax rate range of 24% to 26%.

5. Earnings per share

	Six months ended 30 Jun 2024 £m	Six months ended 30 Jun 2023 £m	Year ended 31 Dec 2023 £m
Earnings from continuing operations			
Profit attributable to equity holders of the Company	**2.5**	7.7	5.8
Adjustments:			
Amortisation of acquired intangible assets	**5.9**	5.7	11.3
Tax on amortisation of acquired intangible assets	**(1.4)**	(1.3)	(2.7)
Adjusting items	**7.8**	7.0	21.0
Tax relief on adjusting items	**(1.6)**	(1.5)	(4.3)
Adjusted earnings attributable to equity holders of the Company[1]	**13.2**	17.6	31.1
Earnings from discontinued operations			
Earnings attributable to equity holders of Essentra plc	**(1.2)**	(0.8)	(0.4)
Weighted average number of shares			
Basic weighted average ordinary shares outstanding (million)[1]	**287.4**	298.5	294.6
Dilutive effect of employee share option plans (million)	**2.5**	1.9	2.4
Diluted weighted average ordinary shares (million)	**289.9**	300.4	297.0
Earnings per share from continuing operations (pence)			
Basic earnings per share from continuing operations	**0.9p**	2.6p	2.0p
Adjustment	**3.7p**	3.3p	8.6p
Basic adjusted earnings per share from continuing operations	**4.6p**	5.9p	10.6p
Diluted earnings per share from continuing operations	**0.9p**	2.6p	2.0p
Adjustment	**3.7p**	3.3p	8.5p
Diluted adjusted earnings per share from continuing operations	**4.6p**	5.9p	10.5p
Earnings per share from discontinued operations (pence)			
Basic earnings per share	**(0.4)p**	(0.3)p	(0.2)p
Diluted earnings per share	**(0.4)p**	(0.3)p	(0.2)p
Total Earnings per share attributable to equity holders of the Company (pence)			
Basic earnings per share	**0.5p**	2.3p	1.8p
Diluted earnings per share	**0.5p**	2.3p	1.8p

Notes:

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

6. Property, plant and equipment and Investment properties

During the period, the additions of land and buildings, plant and machinery and fixtures, fittings and equipment amounted to £4.2m (six months ended 30 June 2023: £4.3m; year ended 31 December 2023: £12.4m) and there was a decrease of £nil (six months ended 30 June 2023: decrease of £3.3m; year ended 31 December 2023: decrease of £1.6m) in net book value due to foreign exchange movements which includes the impact from the application of IAS 29.

Land and buildings, plant and machinery and fixtures, fittings and equipment with a net book value of £nil (six months ended 30 June 2023: £0.1m; year ended 31 December 2023: £0.1m) were disposed of for proceeds of £nil (six months ended 30 June 2023: £nil; year ended 31 December 2023: £nil).

Contractual commitments to purchase property, plant and equipment amounted to £nil at 30 June 2024 (31 December 2023: £0.3m).

The investment property had a market value of £3.3m at 31 December 2023 and 30 June 2024. The valuation was performed for the year ended 31 December 2023 by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property. The valuation took into account the contractual terms of the current tenant, who has occupation until 2027 with an option to extend until 2032 with an estimated amount for typical market rent based on a 5 year term. The valuation applies a market yield of 7% until 2027 and 10% beyond 2027. The valuation takes into account, among other factors, marketability, demand, energy performance, rating assessment, size, location and condition.

7. Lease right-of-use asset

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

During the period, additions to right-of-use assets amounted to £1.6m (six months ended 30 June 2023: £1.9m; year ended 31 December 2023: £14.1m) and the depreciation of right-of-use assets amounted to £3.0m (six months ended 30 June 2023: £2.7m; year ended 31 December 2023: £5.9m).

During the period the right-of-use assets net book value reduced by £1.4m (six months ended 30 June 2023: decrease of £1.2m; year ended 31 December 2023: decrease of £1.0m) due to foreign exchange movements.

At 30 June 2024 contractual commitments to lease property, plant and equipment, where leases have not yet commenced, amounted to £nil per year over a 20 year period (30 June 2023: £0.7m; 31 December 2023: £nil).

8. Intangible assets

During the period, the additions of intangible assets (not through acquisitions) amounted to £0.5m (six months ended 30 June 2023: £0.4m; year ended 31 December 2023: £0.8m) and there was an intangible net book value increase of £2.1m (six months ended 30 June 2023: decrease of £12.4m; year ended 31 December 2023: decrease of £8.2m) due to foreign exchange movements which includes the impact from the application of IAS 29.

Included within intangibles were goodwill assets of £145.8m (six months ended 30 June 2023: £126.5m; year ended 31 December 2023: £144.4m) and there was a goodwill net book value increase of £1.2m (six months ended 30 June 2023: decrease of £8.4m; year ended 31 December 2023: decrease of £5.7m) due to foreign exchange movements which includes the impact from the application of IAS 29.

Included in the gross carrying amount of goodwill assets as at 1 January 2024 was £148.6m and the accumulated losses were £4.2m. As at 30 June 2024 the gross carrying amount was £150.0m and the accumulated losses were £4.2m.

The cash generating units ("CGU's") are primarily the manufacturing and distribution sites, at which impairment of intangible assets (excluding goodwill) and property, plant and equipment would be performed.

The three geographical segments: EMEA, Americas and APAC, represented by groups of CGU's (the manufacturing and distribution sites), are considered to represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

An impairment review was performed for the year to 31 December 2023, as disclosed in Note 8 to the Essentra plc Annual Report 2023. Management have performed a review of impairment indicators for the six months to 30 June 2024. No indicators of impairment have been identified.

The impairment tests for goodwill and intangible assets performed for the year to 31 December 2023 were based on the Board approved business plan (the "Plan") and then were risk-adjusted for impairment testing purposes. Cash flow projections were over five years using the approved annual budget for the first year and subsequent years based on the Group Strategic Plan.

The key assumptions in the cash flow projections for the Plan are set out below and relate to the year ended 31 December 2023.

Region	Average annual growth rate over five year Forecast period	Terminal growth rate from 2028 onwards	Improvement in average operating profit after allocation of corporate costs over five year forecast period	Pre-tax discount rate
Groups of cash generating units:				
EMEA	6.2%	3.1%	620 bps	16.9%
AMERICAS	5.8%	2.2%	770 bps	15.3%
Cash generating unit assumptions:				
Hengzhu (individual CGU)	6.0%	2.0%	600 bps	14.1%

Operating margin is primarily based upon the historical levels achieved, adjusted by targets set for revenue expansion and cost control and reduction within the Plan period. The values assigned to these assumptions represent management's assessment of market condition and scope for cost and profitability improvement, taking into account realisable synergies resulting from integration activities. The estimated cash flows were discounted using a post-tax discount rate based upon Essentra's estimated post-tax weighted average cost of capital by operating segment.

For the Hengzhu CGU the recoverable amount remaining is sensitive to reasonably possible changes in the underlying cash flows and key assumptions. Based upon the assumptions above, the recoverable amount aligns to its carrying value. Management considered the following reasonably possible changes in the key assumptions, in the context of the macro-economic conditions in China, and the associated impact on the impairment assessment , in relation to the Hengzhu CGU:

Sensitivities impacting Hengzhu CGU	Impairment £m
50 bps increase in pre-tax discount rate	0.5
100 bps reduction in terminal growth rate	0.4
100 bps reduction in each year's growth rate	0.1
100 bps reduction in operating profit margin in the terminal year	0.9

No sensitivities are presented for the Group's other CGUs or the other two Groups of CGUs (being Americas and EMEA geographical segments) given no reasonably possible changes in inputs would lead to an impairment, there being significant headroom between their carrying amounts and respective recoverable amounts.

9. Retirement benefit obligations

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

	Six months ended 30 Jun 2024 £m	Six months ended 30 Jun 2023 £m	Year ended 31 Dec 2023 £m
Movements			
Beginning of period	**(9.6)**	(10.6)	(10.6)
Current service cost and administrative expense	**(0.8)**	(0.8)	(1.9)
Employer contributions	**0.5**	2.5	3.8
(Reduction)/increase on plan assets excluding amounts in net finance income	**(4.6)**	(3.1)	2.3
Actuarial gains/(losses) arising from changes in financial assumptions	**12.0**	5.8	(3.9)
Actuarial gains arising from change in demographic assumptions	**-**	-	0.6
Actuarial gains/(losses) arising from experience adjustment	**0.1**	(1.2)	(0.3)
Net finance cost	**(0.1)**	(0.3)	(0.3)
Currency translation	**(0.1)**	0.9	0.9
Business combinations	**-**	-	(0.2)
End of period	**(2.6)**	(6.8)	(9.6)

The net pension obligation of £2.6m (31 December 2023: £9.6m) includes retirement benefit assets of £11.1m (31 December 2023: £7.9m) and retirement benefit obligations of £13.7m (31 December 2023: £17.5m).

The assets and liabilities of the principal defined benefit schemes were reviewed by independent qualified actuaries as at 30 June 2024. The assets of the schemes have been updated to the balance sheet date to take account of the investment returns achieved by the schemes and the contributions made during the period. The liabilities of the schemes at the balance sheet date have been updated to reflect the latest discount rates and other assumptions as well as benefit payments. The principal assumptions used by the independent qualified actuaries were as follows:

Europe

	30 Jun 2024	31 Dec 2023	30 Jun 2023
Rate of increase in pensions			
At RPI capped at 5%	**3.0%**	2.9%	3.1%
At CPI capped at 5%	**2.7%**	2.6%	2.8%
At CPI minimum 3%, capped at 5%	**3.4%**	3.4%	3.3%
At CPI capped at 2.5%	**2.0%**	2.0%	2.2%
Discount rate	**5.2%**	4.6%	5.2%
Inflation rate – RPI	**3.1%**	3.0%	3.2%
Inflation rate – CPI	**2.7%**	2.6%	2.8%

US

	30 Jun 2024	31 Dec 2023	30 Jun 2023
Discount rate	**5.3%**	4.8%	5.0%

10. Analysis of net debt

	30 Jun 2024 £m	31 Dec 2023 £m
Cash at bank and in hand	**49.3**	59.7
Cash and cash equivalents in the statement of cash flows	**49.3**	59.7
Derivative financial instruments hedging private placement loans	**4.6**	4.2
Debt due within one year	**-**	-
Debt due after one year	**(113.6)**	(95.5)
Lease liabilities due within one year	**(7.2)**	(7.1)
Lease liabilities due after one year	**(22.2)**	(23.8)
Debt from net financing activities	**(138.4)**	(122.2)
Net debt	**(89.1)**	(62.5)

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

At 30 June 2024, the Group's committed facilities primarily comprised a series of US Private Placement Loan Notes from various financial institutions totalling US$102.5m and a syndicated multi-currency revolving credit facility of £200m from its banks. At 30 June 2024, the available bank facilities totalled £200m (31 December 2023: £200m) of which £32.6m (31 December 2023: £15.2m) was drawn down and £167.4m (31 December 2023: £184.8m) was undrawn.

11. Acquisitions

Acquisition of BMP s.r.l ("BMP TAPPI")

On 26 October 2023, Essentra acquired 100% of the equity interests of BMP TAPPI, a global provider of essential components and solutions, to strengthen the Group's product portfolio, unlock further cross-selling opportunities, and to enhance the Group's manufacturing footprint in Europe. The Group acquired BMP TAPPI for an initial cash consideration of €39.5m (£34.3m), up to €3.5m (£3.0m) deferred contingent consideration, and €0.7m (£0.6m) adjustment for net working capital and financial position. The deferred contingent consideration is conditional on achieving certain performance criteria over a two-year period commencing 1 January 2023. All the Earnout criteria were met during the year ended 31 December 2023, based on which the maximum amount was recognised.

Acquisition of Wixroyd Group

On 1 December 2022, Essentra acquired 100% of the equity interests of Wixroyd Holdings Limited (the "Wixroyd Group"), a leading UK supplier of industrial parts for the engineering sector for an initial consideration of £31.4m. The consideration payable for the Wixroyd Group comprised an initial cash consideration of £31.4m and addition to a deferred earn-out consideration which was settled in full during the period.

Acquisition of Micro Plastics

On 12 December 2017, Essentra acquired 100% of the share capital of Micro Plastics, Inc. The transaction was settled with cash consideration of £19.7m and deferred consideration of £3.7m, of which £nil (31 December 2023: £1.2m) remains payable to the vendor.

12. Discontinued operations

Disposal of Packaging and Filters businesses

On 1 October 2022, the Group completed its sale of ESNT Packaging & Securing Solutions Limited and Essentra Packaging US Inc and their respective subsidiary companies (together the 'Packaging business'). On 3 December 2022, the Group also completed the sale of Essentra Filter Holdings Limited and its respective subsidiary companies (the 'Filters business'). Expenses and income relating to the Packaging business and the Filters business have been classified as discontinued operations.

Income statement analysis of discontinued operations:

Total discontinued operations	**Six months ended 30 Jun 2024 £m**	Six months ended 30 Jun 2023 £m	Year ended 31 Dec 2023 £m
Operating loss and loss before tax[1]	**-**	(1.0)	(0.4)
Income tax credit	**0.3**	0.2	3.7
Profit/(loss) for the period after tax	**0.3**	(0.8)	3.3
Loss on disposal of discontinued operations before tax[2]	**(1.5)**	-	(3.7)
Total loss for the period from discontinued operations	**(1.2)**	(0.8)	(0.4)

Notes:

1 For the six months ended 30 June 2024 the operating loss from discontinued operations includes gross income of £nil and costs of £nil.

2 For the six months ended 30 June 2024, the loss on disposal of discontinued operations before tax relates includes a £1.8m increase in estimated deferred consideration payable, and a £0.3m credit for the increase in deferred contingent consideration receivable. For the year ended 31 December 2023 refer to page 202 of the 2023 Essentra plc Annual Report for the calculation of the loss on disposal of discontinued operations before tax of £3.7m.

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

Cash flows of discontinued operations are as follows:

Total discontinued operations	**Six months ended 30 Jun 2024 £m**	Six months ended 30 Jun 2023 £m	Year ended 31 Dec 2023 £m
Net cash outflow from operating activities	**(1.0)**	(2.7)	(3.8)
Net cash outflow from investing activities	**(24.8)**	(11.6)	(17.8)
Decrease in cash and cash equivalents	**(25.8)**	(14.3)	(21.6)

13. Dividends

	Per share			Total		
	Six months ended 30 Jun 2024 p	Six months ended 30 Jun 2023 p	Year ended 31 Dec 2023 p	**Six months ended 30 Jun 2024 £m**	Six months ended 30 Jun 2023 £m	Year ended 31 Dec 2023 £m
2023 interim:						
paid 27 October 2023	**-**	1.20	1.20	**-**	3.5	3.5
2023 final:						
paid 5 July 2024	**-**	-	2.40	**-**	-	7.0
2024 interim:						
payable 25 October 2024	**1.25**	-	-	**3.6**	-	-

In the table above, each dividend is shown in the period that it is attributable to. The interim dividend for 2024 of 1.25p per 25p ordinary share will be paid on 25 October 2024 to equity holders on the register at the record date, being 20 September 2024. The estimated amount to be paid of £3.6m has not been included as a liability in these accounts.

14. Issued Share Capital

During the period 1,792,914 (six months ended 30 June 2023: 8,371,017) 25p Ordinary Shares (“shares”) were purchased by the Company for total cash consideration of £3.0m (six months ended 30 June 2023: £16.2m) at a weighted average price of 169.8 pence per share, of which 1,769,914 shares with an aggregate nominal value of £0.4m were cancelled, and £0.4m transferred from issued share capital to the capital redemption reserve.

As at 30 June 2024 the number of shares in issue was 291,597,301 (31 December 2023: 293,367,215) of which 3,627,057 (31 December 2023: 5,039,265) were held in treasury.

15. Financial instruments

Essentra held the following financial instruments at fair value at 30 June 2024. There have been no transfers between levels of the fair value hierarchy and there are no non-recurring fair value measurements.

	30 Jun 2024 £m	31 Dec 2023 £m
Level 2 of fair value hierarchy		
Derivative assets[1]	**4.6**	4.2
Level 3 of fair value hierarchy[4]		
Other financial assets[2]	**19.3**	19.0
Other current financial liabilities[3]	**(3.0)**	(28.0)
Total	**20.9**	(4.8)

Notes:

1 Fair values of forward foreign exchange contracts, including options, and cross currency interest rate swaps have been calculated at period-end forward exchange rates compared to contracted rates using observable market data from third party financial institutions.

2 Includes deferred contingent consideration receivable amounting to £19.3m (31 December 2023: £19.0m) following the disposal of the Filters business. The consideration, which is structured as an earn-out, has been partially classified as a long-term receivable. The fair value has been determined at the balance sheet date based upon management's best estimate of the Filters business achieving future performance targets to which the earn-out is linked with forecast earnings being a critical unobservable input into the fair value measurement.

3 Other current financial liabilities include £nil (31 December 2023: £23.0m) which represents management's best estimate of the expected settlement payable by the Group through the respective completion accounts mechanisms linked to the Filters business disposal. The amount recognised is based on the facts and circumstances that were present and known at the balance sheet date. Other current financial liabilities also include £3.0m (31 December 2023: £5.0m) in respect of acquisitions.

4 During the six months ended 30 June 2024, a fair value charge of £1.4m (six months ended 30 June 2023: credit of £7.1m) was recognised in respect of financial instruments at level 3 fair value hierarchy, and £26.7m (six months ended 30 June 2023: £nil) was settled in cash. No other fair value gains or losses were recorded in profit or loss and other comprehensive income.

Essentra had US dollar denominated borrowings which it designated as hedges of its net investments in subsidiary undertakings, upon which exchange losses of £0.1m (six months ended 30 June 2023: £1.0m gains) were recognised in other comprehensive income. Essentra also had Euro denominated borrowings which it designated as hedges of its net investments in subsidiary undertakings, upon which exchange gains of £0.3m (six months ended 30 June 2023: £nil) were recognised in other comprehensive income.

At 30 June 2024, the carrying amount of the US Private Placement Loan Notes was £81.0m with a fair value of £66.0m. At 31 December 2023, the carrying amount of the US Private Placement Loan Notes was £80.3m with a fair value of £70.0m. For all other financial instruments, including GBP denominated loans of £25m (31 December 2023: £nil) and Euro denominated loans of £7.6m (31 December 2023: £15.2m), the fair value approximates to the carrying amount.

16. Post balance sheet events

In July 2024, Essentra extended its syndicated multi-currency £200m revolving credit facilities to a revised maturity date of July 2029. By evaluating options and refinancing the RCF ahead of the original maturity date, the Company has been able to maintain the existing covenants and secure favourable pricing terms. The new facility is based on the same terms and size and is provided by a group of five banks, including four from the original RCF facility.

17. Related parties

During the period, the Company paid £22,819 to the wife of Scott Fawcett, CEO of Essentra plc, in respect of her employment by the Group. Scott's wife was employed by the Group prior to his appointment as a director of Essentra plc on 1 January 2023.

There have been no changes in the related party transactions described in the 2023 Annual Report that have had a material effect on the financial position or performance in the six months ended 30 June 2024.

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

We confirm that to the best of our knowledge:

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

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

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

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

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

Scott Fawcett	**Jack Clarke**
Chief Executive	Chief Financial Officer

29 July 2024

Independent review report to Essentra plc
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Essentra plc's condensed consolidated interim financial statements (the "interim financial statements") in the Results for the Half Year Ended 30 June 2024 of Essentra plc for the 6 month period ended 30 June 2024 (the "period").

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

The interim financial statements comprise:

- the Condensed consolidated balance sheet as at 30 June 2024;
- the Condensed consolidated income statement and Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated statement of cash flows for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Results for the Half Year Ended 30 June 2024 of Essentra plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

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

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

We have read the other information contained in the Results for the Half Year Ended 30 June 2024 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Results for the Half Year Ended 30 June 2024, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Results for the Half Year Ended 30 June 2024 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Results for the Half Year Ended 30 June 2024, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Results for the Half Year Ended 30 June 2024 based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Watford
29 July 2024