

Corporate summary 2014

Delivering a strong performance



Full year 2013 financial highlights

Strong financial performance ahead of expectations:

- Revenues grew by 10% to a record for the Group of £84.3 million (2012: £76.5 million).
- 25% increase in profit before tax to £7.8 million (2012: £6.3 million).
- Basic earnings per share rose 26% to 12.7 pence (2012: 10.1 pence).
- Strong cash generation resulting in net cash of £0.6 million at 30 November 2013 (2012: net debt of £3.9 million).
- £5.1 million invested in two small acquisitions. Both fully integrated and performing as expected.
- Final dividend of 1.8 pence per share (2012: 1.6 pence per share) recommended.

Operating highlights

Metals Filtration division:

- Revenue increased to £28.5 million (2012: £28.0 million), another record level.
- Stronger second half driven by margin and market share gains from patented products.

Microfiltration division:

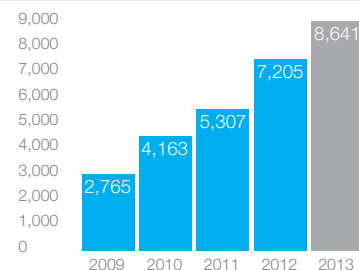
- Revenue increased 15% to £55.8 million (2012: £48.5 million). Record revenue and operating profits for this division.
- Several larger contracts signed and progressing well.
- Good core business progress in aviation, nuclear and bioscience.
- Seal Analytical revenues up 13%.
- Healthy order position going into 2014.

Outlook:

- High capital investment in 2014 to support long term organic growth plans.
- Significant one-off boost to revenue from large contracts expected in 2014 with profits spread from 2014 to 2017.
- Board expects steady underlying progress with an additional beneficial impact from the large contracts.

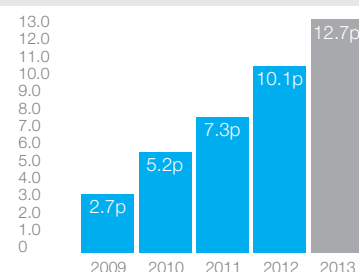
Operating profit (£'000)

£8.6m
+20%



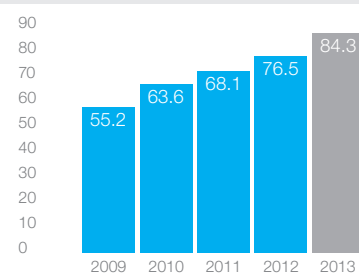
Basic earnings per share (pence)

12.7p
+26%



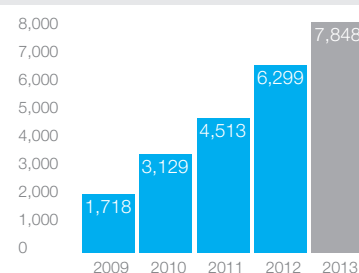
Turnover (£m)

£84.3m
+10%



Profit before tax (£'000)

£7.8m
+25%



*All amounts shown before exceptional items

Key financials – full year

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Group revenue	84.3	76.5	68.1	63.6	55.2
Group operating profit	8.6	7.2	5.3	4.2	2.8
Profit before tax	7.8	6.3	4.5	3.1	1.7
Net cash/(debt)	0.6	(3.9)	(5.1)	(9.7)	(13.9)
Earnings per share	12.7p	10.1p	7.3p	5.2p	2.7p
Dividend per share	2.9p	2.6p	2.4p	2.3p	2.25p

Porvair at a glance

Specialist filtration and environmental technology

Porvair is a **specialist filtration and environmental technology** group with two operating divisions, Metals Filtration and Microfiltration. We employ about 650 people, with operations in the UK, US, Germany and China.

The Group serves a range of markets of which **aviation, energy and industrial process, environmental laboratories and molten metals** are the most important.

At the heart of what we do is **filtration and engineering expertise**, which allows us to solve customer problems across all the markets we serve.

Microfiltration – Division

The Microfiltration division provides bespoke filtration solutions to a diverse range of customers and markets. It has operations in the UK, US and Germany and employs 470 people. Its sales are global.



Main operating companies

- Porvair Filtration Group
- Seal Analytical
- Porvair Sciences

Markets served

- **Aviation**
- **Energy & Industrial Process**
- **Environmental Laboratory Supplies**

What we do

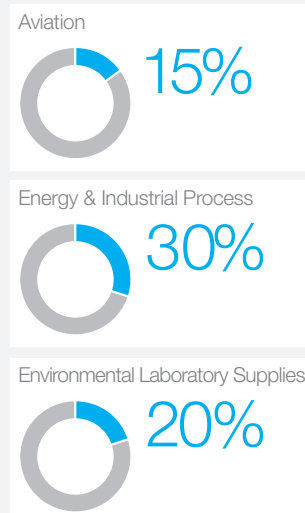
The Microfiltration division principally serves aviation, environmental laboratory and energy markets:

- Porvair's aviation filters are specified on almost all commercial airframes.
- We supply filter systems and spares principally for the gasification and nuclear remediation markets.
- Systems and consumables principally for the laboratory analysis of water.
- Water quality laboratories across the world use Porvair's systems.

2013 Annual sales and revenue growth

£55.8m	+15%	£8.6m
Annual sales	Revenue growth	Operating profit

Approximate share of Group sales



Divisional highlights 2013

- Revenue increased 15% to £55.8 million (2012: £48.5 million). Record revenue and operating profits for this division.
- Several larger contracts signed and progressing well.
- Good core business progress in aviation, nuclear and bioscience.
- Seal Analytical revenues up 13%.
- Healthy order position going into 2014.



Ben Stocks
Group Chief Executive



Chris Tyler
Group Finance Director

Board of Directors
Charles Matthews
Chairman

Ben Stocks
Group Chief Executive

Chris Tyler
Group Finance Director

Paul Dean
Senior Non-Executive Director

Dr Krishnamurthy Rajagopal
Non-Executive Director

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Company registration number
01661935

Metals Filtration – Division

The Metals Filtration division serves the market for the filtration and handling of molten metal. It has operations in the US and China and employs 180 people. Its sales are global.



Main operating companies

- Selee USA
- Selee China

Markets served

- Aluminium
- Iron foundry
- Super alloys

What we do

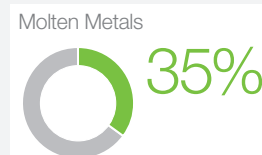
Provide 'melt-quality' products – filters, refractories, coatings – to molten metal customers around the world:

- Patent protected filters for the aluminium cast house industry.
- Patent protected filters for the filtration of gray and ductile iron, mainly for the US auto and light truck market.
- Patent protected super alloy filters used in the manufacture of turbine blades.

2013 Annual sales and revenue growth

£28.5m	+2%	£2.4m
Annual sales	Revenue growth	Operating profit

Approximate share of Group sales



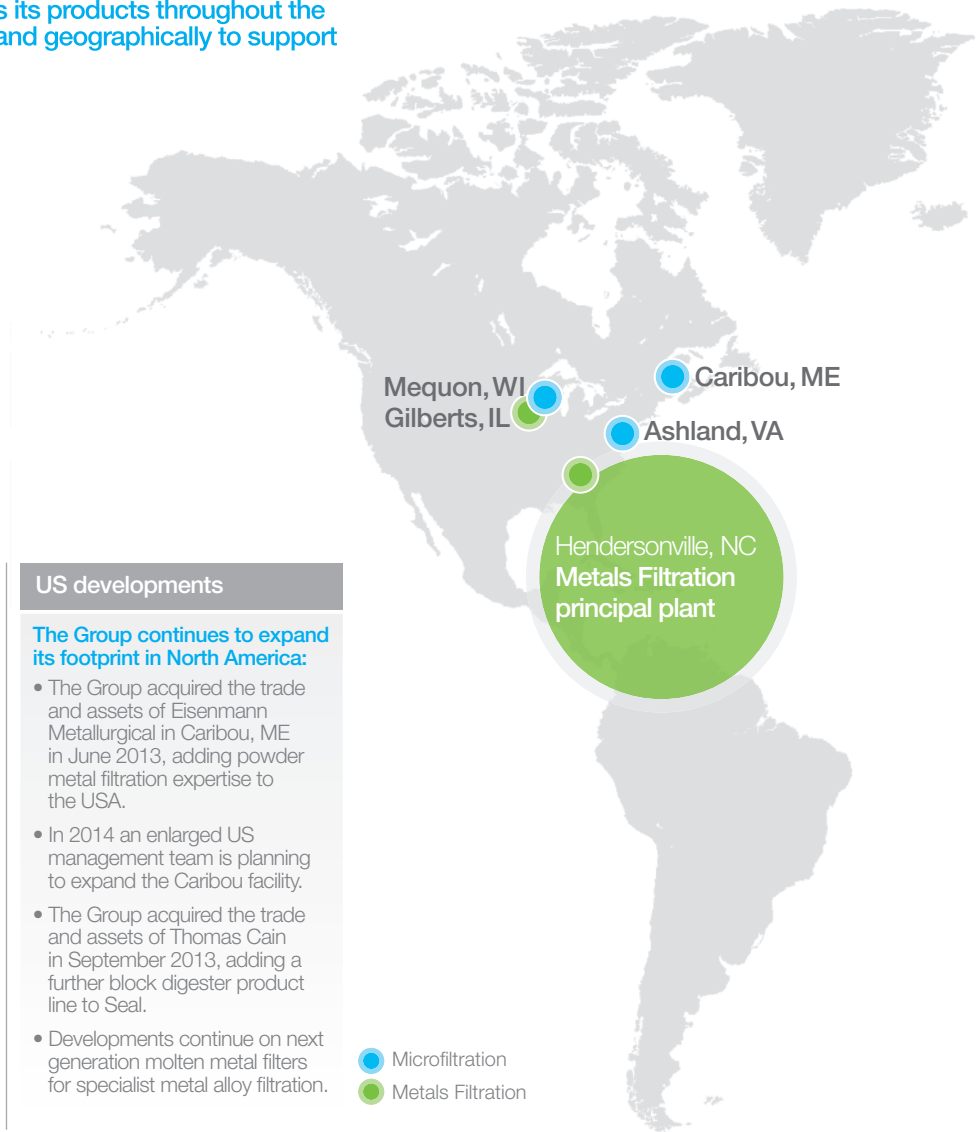
Divisional highlights 2013

- Revenue increased to £28.5 million (2012: £28.0 million) to another record level.
- Stronger second half driven by margin and market share gains from patented products.
- Opened new plant in Xiaogan, China.
- Promising development pipeline.
- Positive start to 2014.

Where we operate

Our global operations support our key markets

The Group has manufacturing operations in the UK, US, Germany and China and sells its products throughout the world. Our strategy is to expand geographically to support our chosen markets.



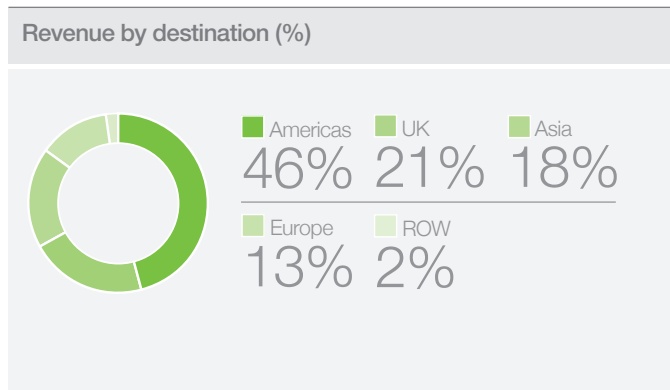
Our principal operations	
USA	Ashland, VA Caribou, ME Gilberts, IL Hendersonville, NC Mequon, WI
UK	Fareham King's Lynn New Milton Wrexham
Europe	Hamburg, Germany
Asia	Shanghai, China Xiaogan, China

US developments

The Group continues to expand its footprint in North America:

- The Group acquired the trade and assets of Eisenmann Metallurgical in Caribou, ME in June 2013, adding powder metal filtration expertise to the USA.
- In 2014 an enlarged US management team is planning to expand the Caribou facility.
- The Group acquired the trade and assets of Thomas Cain in September 2013, adding a further block digester product line to Seal.
- Developments continue on next generation molten metal filters for specialist metal alloy filtration.

● Microfiltration
● Metals Filtration



**Fareham, UK
Microfiltration
principal plant**

UK

Germany

Xiaogan, China

Shanghai, China

UK & Europe developments

Phased investments in the UK Microfiltration business will increase capacity:

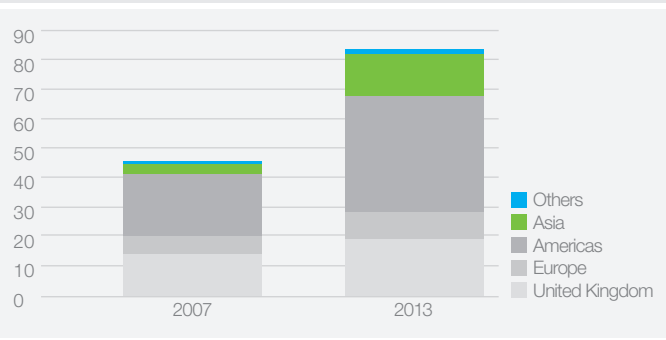
- A new plant in New Milton will provide additional manufacturing capacity.
- New capacity in Fareham will allow room for further growth.

Asia developments

A new plant in Xiaogan, China increases capacity for Metals Filtration:

- The plant was completed on time and to budget in 2013.
- Provides additional capacity to serve the Asian market.

Revenue growth coming from US & Asia (£m)

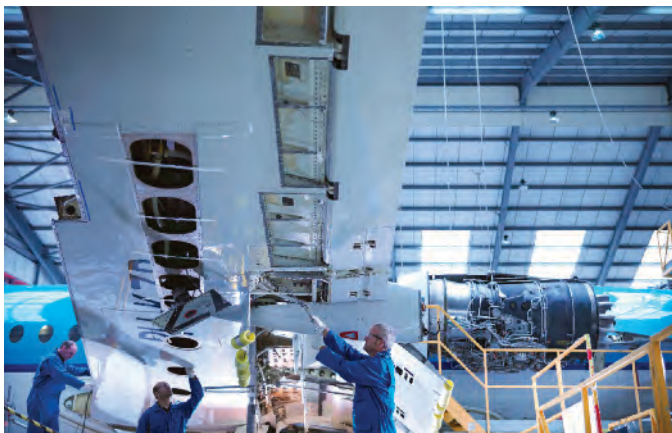


Market overview

Strong niche positions in the markets we serve

Porvair focuses on markets which have long term growth potential; clear product regulation requirements; and require strong engineering or technical skills.

At the heart of what we do is filtration and engineering expertise, which allows us to solve customer problems across all the markets we serve.



Aviation

The Group is a leading specialist in the design and manufacture of filtration components and assemblies for the aviation industry. Its components are specified on most of the world's passenger airlines in fuel systems, hydraulic systems and coolant systems.

Market trends and growth drivers

The Group's aviation business supplies parts for new aircraft and for maintenance spares. Activity in this market is driven by:

- Aircraft build rates
- The frequency of maintenance schedules

Both are driven by the global demand for air travel, measured in passenger miles flown. Long term growth rates for passenger miles flown are around 5% per annum.

Niche positions

The Group provides a wide range of aviation filters but has particularly strong niche positions in:

- Fuel tank inerting
- Coolant systems for aircraft control systems
- Fuel line and hydraulic filters

Competitive advantage

The Group has a long track record of design engineering skills using a wide range of filter media. It has a large installed base of bespoke filters, whose designs are owned by the Group.

Recent new products

The Group's larger new aviation products include filters for:

- Airbus and Boeing fuel tank inerting
- Airbus A380 and Boeing 787 coolant systems
- A range of Airbus A350 applications
- A range of Airbus NEO applications



Energy & Industrial Process

The Group provides filtration solutions for energy and industrial process applications. Its filters are to be found in many of the harshest industrial environments. Applications are diverse, including high temperature gas filtration and the containment of waste nuclear material.

Market trends and growth drivers

The Group has a wide industrial filtration range, with a particular expertise in nuclear containment and gasification filtration. The US DOE estimates that gasification output is growing at 11.5% per annum.

Niche positions

The Group has niche expertise in:

- Hot gas and gasification filtration
- Pulse jet filtration systems
- Nuclear containment filtration
- Polymer production filtration

Competitive advantage

The Group has a long track record of design engineering skills using a wide range of filter media. It has a large installed base of bespoke filters, whose designs are owned by the Group.

Recent new products

The Group's large projects described throughout these results are included in this market segment. They include:

- Two large gasification contracts
- An £11 million UK nuclear remediation contract



Environmental Laboratory Supplies

The Group designs and manufactures a range of equipment for use in laboratories. Its Seal Analytical business is a global leader in the manufacture of laboratory based equipment for testing for inorganic contaminants in water. The Group also produces a broad range of laboratory microplates for storage and experimentation in the pharmaceutical and biotechnology markets.

Market trends and growth drivers

The market for clean water testing is growing throughout the world as more of the world's population seeks access to clean water and water regulations tighten. It is estimated that the market for water analysis consumables is growing between 5% and 6% per annum.

Niche positions

The Group has a particular expertise in the development and manufacture of laboratory based equipment for testing the inorganic contaminants in water. It manufactures equipment, develops testing methodologies and supplies equipment consumables.

It also develops functionalised porous plastics used for a variety of filtration applications in the bioscience market.

Competitive advantage

The Group's water analysis business benefits from design protections on its equipment, its broad range of approved methods and a large and loyal customer base.

Its porous plastics are protected by intellectual property and related patents.

Recent new products

The Group continues to broaden its range of water analysis equipment with upgrades to its QuAAtro and AQ2 ranges, more methods introduced to its new AA1 machine and a range of block digesters from its recent acquisitions.

Its functionalised porous plastics now include a range licensed to Thermo Fisher and a novel patented epigenetics product, Chromatrap™.



Molten Metals

The Group's Metals Filtration division specialises in the design and manufacture of filters for molten metal. The Group provides patent protected filters for: the aluminium cast house industry; the filtration of gray and ductile iron, mainly for the US auto and light truck market; and the filtration of super alloys used in the manufacture of turbine blades.

Market trends and growth drivers

The Group's molten metal business grows as the demand for clean metal increases. Alcoa estimates that annual production of aluminium is growing at about 6.5% per annum, US car and light truck production, a proxy for the rate of use of iron foundry filters, has been growing at 8% per annum and the growth in the aviation industry is driving growth in the use of high grade alloys.

Niche positions

The Group has a high market share of:

- The global market for cast house aluminium filters
- The NAFTA market for gray and ductile iron filters
- The global market for high grade and exotic alloy filters

Competitive advantage

The Group's competitive advantage comes from its metallurgical and ceramics expertise, which enable the Group to develop differentiated and patent protected filters.

Recent new products

The division's principal products are all relatively new and patented. The principal products are:

- Selee CSX™ for aluminium filtration
- Selee IC™ for gray and ductile iron filtration
- Selee SA™ for high grade alloys

Strategy and business model

How our strategy and business model work together

Our strategy

Porvair's strategy has remained consistent for several years. It is to generate shareholder value through the development of specialist filtration and environmental technology businesses, both organically and by acquisition. Such businesses have certain key characteristics in common:

- specialist design or engineering skills are required;
- product use and replacement is mandated by regulation, quality accreditation or a maintenance cycle; and
- products will be designed into a specification and will typically have long life cycles.

Since 2007 this strategy has delivered revenue growth of 85% (11% CAGR) and cash from operations of £48 million. In 2013 the Group's after tax operating profit return on operating capital was 39% (2012: 30%).

Our business model

Porvair's business model is as follows:

- 1 Focus on end-markets which show long term growth potential and where product use is mandatory.
- 2 Make new product development a core business activity.
- 3 Establish geographic presence where end-markets require.
- 4 Maintain a conservative balance sheet. Re-invest in both organic and acquired growth and pay a progressive dividend.

This business model determines the Group's day-to-day activities:

- We focus on four end-markets: aviation; energy and industrial; environmental laboratories; and molten metals. All have clear structural growth drivers.
- Our products are specialist in nature: they typically protect more costly or complex downstream systems. As a result they are replaced regularly. Over 80% of our annual revenues are from repeat orders.
- We encourage new product development in order to generate growth rates in excess of the underlying market. Around 35% of our annual revenues are now derived from recent product introductions. We try to build good intellectual property around our product developments. About 30% of our revenues are derived from patent protected products.
- Our geographic presence follows the markets we serve. 46% of revenues are from The Americas, where aviation and metals filtration are strong. 18% of revenues are in Asia and Australasia, where sales into water analysis markets are growing.
- Porvair is a cash generative business. We aim to maintain a conservative balance sheet, meeting dividend and investment needs within our existing debt facilities and generating free cash flow to pay down debt. In the last two years we have expanded manufacturing capacity in the UK and China and made five small acquisitions.

Operating structure

- The Group has two divisions. The Microfiltration division serves the aviation, environmental laboratory and energy/industrial markets. The Metals Filtration division serves global aluminium, NAFTA iron foundry and super alloy markets.
- The Group manufactures in the UK, US, Germany and China.

Our strengths



Delivering long term sustainable growth

Positioned for growth

Capital investment to support growth

Investing for the future

Since 2007 Porvair has delivered 11% CAGR revenue growth. During that period:

- The Group's aviation revenue has grown strongly;
- New products have driven sales and margin growth;
- Our presence in Asia has increased to 18% of revenue; and
- Our net debt has been eliminated.

In 2014, capacity increases are planned across the Group to allow room for further growth. With the 2014 new product pipeline looking promising we expect capital expenditure in 2014 to be around three times its level of recent years.

Our investment priorities for 2014 are:

- To consolidate and expand our UK facilities at New Milton in order to free space for aviation and industrial filtration growth.
- To expand the manufacturing facilities and production capacity in Caribou, ME.
- To expand the production capability of our new factory at Xiaogan, China for Metals Filtration.
- To make further investments in Metals Filtration and Seal Analytical production capabilities in the US.

Cash generated from operations

£12.3m

Cash generated from operations amounted to £12.3 million

New product development drives organic growth

New product development

New product development is a core activity for the Group. We undertake it to generate growth rates in excess of the underlying market. We try to build good intellectual property positions around our product developments through patents and know-how.

In Metals Filtration we have three main patented product ranges:

- Selee CSX™ for aluminium filtration, where we have a high global market share;
- Selee IC™ for gray and ductile iron filtration; and
- Selee SA™ for the filtration of nickel-cobalt alloys.

In Microfiltration interesting work is going on in bioscience filtration, water analysis, nuclear filtration and aviation product development.

Our priorities for 2014 include:

- Development and trials of a new aluminium filter for high grade lithium alloys.
- Further customer trials of a new design of metal filtration filters.
- Further development of a patented DNA filtration product and other bioscience applications.
- Exploitation of the design rights of the range of water analysers.
- Development of more robust, longer lasting industrial filtration media.

Patented products

30%

Over 30% of our revenue comes from patented products

Adding value through acquisitions

Enhancing our capabilities

Our business model encourages investment in both organic and acquired growth. Over the last two years the Group has invested £8.6 million in five small acquisitions:

- Block digester range from Aim Lab Automation Technologies;
- Trade and assets of Pell Industries;
- Trade and assets of Pulse Instrumentation;
- Trade and assets of Eisenmann Metallurgical; and
- Trade and assets of Thomas Cain.

These acquisitions contribute to the steady growth of the Group and extend our product ranges and geographic presence in our markets.

Our priorities for 2014 include:

- Expanding the manufacturing facilities and production capacity of Eisenmann Metallurgical.
- Completing the integration of the 2013 acquisitions.
- Identifying further potential opportunities.

Value added acquisitions

£8.6m

Invested £8.6 million in five small acquisitions in the last two years