porvair plc

For immediate release **24 June 2013**

Porvair plc
Half yearly results for the six months ended 31 May 2013

Porvair plc ("Porvair" or "the Group"), the specialist filtration and environmental technology group, today announces its half year results for the six months ended 31 May 2013.

Highlights

- Encouraging financial performance
  - Revenue grew by 8% (7% in constant currency) to £38.6m (2012: £35.9m).
  - Profit before tax increased by 27% to £3.1m (2012: £2.4m).
  - Earnings per share up 23% to 4.9 pence (2012: 4.0 pence).
  - Net debt reduced by 22% to £3.0m (30 November 2012: £3.9m).
- Microfiltration:
  - Revenue increased 15%.
  - Order position strong, with several large contracts announced in the half year.
  - $5.5m acquisition of Chand Eisenmann Metallurgical completed on 4 June 2013, expected to be immediately earnings enhancing.
  - Expansion in USA.
- Metals Filtration:
  - Revenue 4% lower in line with management's expectations following global aluminium production curtailments. Resumption of growth expected in second half.
  - Patent protection further extended.
  - Further new product development making good progress.
  - Expansion in China.
- Interim dividend of 1.1 pence (2012: 1.0 pence) declared.

Commenting on the outlook, Ben Stocks, Chief Executive, said:
"Porvair's strategic direction and operating objectives remain consistent and continue to produce good results. We focus on niche markets which have structural growth drivers. 2013 has started satisfactorily and order books are healthy across the Group. Whilst some of our US markets have been quieter in the year to date, this has been balanced by strength elsewhere. The Board remains cautious about the general economic outlook but the second half has started well and we currently expect to see growth across the business in the rest of 2013. There remains plenty of opportunity in the Porvair businesses. We continue to invest in: new product development; US expansion for Microfiltration; and enlarged Chinese facilities for Metals Filtration. The Board's outlook remains positive and management's expectations for the year have increased."

For further information please contact:

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An analyst briefing will take place at 9.30 a.m. on Monday 24 June at Buchanan. An audio webcast and a copy of the presentation will be available at www.porvair.com on the day.

Chief Executive's review

Overview

Porvair has continued to make progress against its objectives for the year as is shown in the results for the six months ended 31 May 2013. Revenue grew 8% to £38.6m (2012: £35.9m); profit before tax grew 27% to £3.1m (2012: £2.4m); and earnings per share increased by 23% to 4.9 pence (2012: 4.0 pence).

The second half of 2013 has started with order books at record levels, helped by large contracts announced earlier in the year. Demand across the Group is generally good, with weakness in some US markets more than offset by strength elsewhere. The fundamentals of the markets in which the Group operates - aviation, energy and industrial process, environmental laboratory supplies, and molten metals – look satisfactory.

Progress made against the Group's key objectives in the period to date include:

Microfiltration:

- Signing further large contracts in energy filtration. This work will underpin our manufacturing and financial performance over the next few years.
- Expansion of facilities and capabilities in US operations.
- Acquisition of Chand Eisenmann Metallurgical. Considerable cross-selling and product development opportunities are expected.
- Expansion of Seal Analytical capabilities following 2012 acquisitions.

Metals filtration:

- Continuing market share gains from patented products.
- Range extensions to broaden market acceptance.
- Work well underway on the next generation of new products.
- Investment in expansion of facilities in China.

Porvair's activities and strategy

Porvair specialises in filtration and related environmental technology. We operate two divisions. The Microfiltration division principally serves aviation, environmental laboratory and energy markets. The Metals Filtration division serves global aluminium, NAFTA iron foundry and super-alloy markets. These are niche markets which have clear structural drivers of growth. Over 80% of Group revenue is from consumable products with replacement sales at regular intervals.

The Group manufactures in the UK, US, Germany and China. Its sales are global.

Porvair's strategy for growth and the creation of sustainable shareholder value is to:

- Develop filtration and environmental technology positions in markets where typically:
    - specialist design or engineering skills win business;
    - regulation or quality accreditation requirements mandate product use;
    - consumable products, which protect more costly downstream components, are often replaced as part of a maintenance routine; and
    - products, once designed into a specification, have very long lifecycles.
- Focus on selected markets which have good long term growth prospects and are fundamentally cash generative: aviation, energy and industrial process, environmental laboratory supplies and molten metals.
- Invest consistently in new products.
- Expand geographically, where appropriate, in our chosen markets.
- Acquire complementary businesses that meet Group financial and commercial criteria.
- Generate sufficient cash to sustain a progressive dividend policy and maintain an appropriately funded balance sheet.

Operating review

Microfiltration

Revenue from Microfiltration grew by 15% to £24.5m (2012: £21.3m). Operating profits grew 43% to £3.5m (2012: £2.4m). Substantial progress was made in this division during the period:

Several large contracts are now underway. All are proceeding to plan but have a limited impact on these results. Under the $10m POSCO contract announced in 2011, the division is scheduled to make its second delivery later in 2013. This project is to design and build a char filtration system for a coal to substitute natural gas installation at Gwangyang, South Korea. A larger contract for a similar project was signed in February 2013 with Reliance Industries for their installation at Jamnagar, India. The scope of this work was extended in April. Finally, an £11m contract with the UK Government was announced in January 2013, for deliveries starting in 2014. All three projects will impact the financial results of the Group over several years, initially in reported working capital, but also in reported sales and margins as the projects are managed through to completion.

In addition to these contracts, orders in the energy and industrial sector have been robust and are well ahead of the prior year both in Europe and the US. Aerospace continues to grow steadily with growth rates slightly lower than expected due to delays in the production scale up of the Boeing 787. Sales of previously announced products for aviation inerting and coolant filters are growing as planned.

We have expanded our US capabilities in both industrial and aerospace manufacturing and have invested in facilities and training. This work continues and will provide a platform for growth in both market segments.

The acquisition of the trade and assets of Chand Eisenmann Metallurgical (“CEM”) for $5.5m was completed on 4 June 2013. CEM make a broad range of powdered metal industrial filters, selling largely in the US and Canada. There is a good fit between the two businesses and we see a host of cross selling and new product development opportunities. We will be investing in the CEM plant in Maine over the next 12 months to allow room for expansion.

Seal Analytical revenues grew 14% in the first half, helped by 2012 acquisitions and strong underlying demand in China. Its US markets have been quieter than normal since the last quarter of 2012. Current enquiry levels are however robust, boding well for the balance of the year. Production of the range of discrete analysers acquired in December 2012 has started. Unit margins, design flexibility and product development opportunities have improved as a result.

Bioscience filtration remains a small but interesting part of the Group. A business unit has been set up in collaboration with the University of Swansea to develop Chromatrap™, a filtration product for epigenetic research. This remains in its R&D phase. Consideration is being given to licensing other aspects of our bioscience capabilities.

Metals Filtration

Revenue was 4% (5% in constant currency) lower than 2012 with operating margins maintained. This was due to some modest retrenchment in aluminium filtration caused in part by lower global aluminium prices. As noted in previous announcements, this was expected and operating budgets were set accordingly. Compared to record levels of sales in 2012 the division’s performance is down, but the Board notes that the business has proved more robust than has previously been the case in such circumstances. Moreover, steady market share gains over the last two years lead us to expect a resumption of revenue growth in the second half. There remains plenty of opportunity in this division.

Market share gains are driven by growing customer adoption of our patented range of filters: Selee CSX for aluminium; Selee SA for NiCo alloys; and Selee IC for grey and ductile iron. Patents for IC and CSX have now been granted in China. All three are widely accepted due to their better environmental impact and filtration efficiency. Further incremental product improvements are being made to the CSX and IC products to broaden their market appeal and offer range extensions.

As announced at the start of the year, we are making a series of investments in this division. Having outgrown our Chinese plant we are building a larger facility at Wuhan. We expect this to be finished in the second half of the year, in time for two $1m+ orders from new Chinese aluminium smelters due for delivery in 2014.

Good progress is being made with the next generation of filters under development. There are two programmes that look promising, both targeted at niche metals filtration opportunities. This work takes time, but early customer trials on one of the two have started and production processes for both are being developed.

Last year's Pell Industries acquisition is fully integrated. The Pell process is unusual and produces products with longer lives than competitive materials. The benefits and opportunities of this are starting to show through in results.

Earnings per share and dividends
The basic earnings per share for the period increased 23% to 4.9 pence (2012: 4.0 pence). The Board is declaring an interim dividend of 1.1 pence (2012: 1.0 pence) per share, in line with the Group's progressive dividend policy.

Cash flow and net debt
Cash generated from operations in the six months to 31 May 2013 was £2.0m (2012: £3.9m). This variance is, in part, accounted for by working capital movements associated with the large contracts discussed above. As these contracts progress, working capital movements, while predictable, are likely to be more substantial than previously.

Net interest paid was £0.2m (2012: £0.3m). Tax payments increased to £0.8m (2012: £0.3m) due to higher profits and the end of utilisation of the US tax losses. Capital expenditure purchases were £0.5m (2012: £0.9m).

Closing net debt at 31 May 2013 was £3.0m (30 November 2012: 3.9m).

Current trading and outlook
"Porvair's strategic direction and operating objectives remain consistent and continue to produce good results. We focus on niche markets which have structural growth drivers. 2013 has started satisfactorily and order books are healthy across the Group. Whilst some of our US markets have been quieter in the year to date, this has been balanced by strength elsewhere. The Board remains cautious about the general economic outlook but the second half has started well and we currently expect to see growth across the business in the rest of 2013. There remains plenty of opportunity in the Porvair businesses. We continue to invest in: new product development; US expansion for Microfiltration; and enlarged Chinese facilities for Metals Filtration. The Board's outlook remains positive and management's expectations for the year have increased."

Ben Stocks
Group Chief Executive

Related parties
There were no related party transactions in the six months ended 31 May 2013 (2012: none).

Principal risks
Each division considers strategic, operational and financial risks and identifies actions to mitigate those risks. These risk profiles are reviewed by the Board and updated at least annually. The principal risks and uncertainties for the remaining six months of the financial year are discussed below. Further details of the Group's risk profile analysis can be found in the Annual Report for the year ended 30 November 2012.

Certain elements of the Group's order position, although healthy at 31 May 2013, can change quickly in the face of changing economic circumstances. The Metals Filtration division and environmental laboratory supplies and general industrial filtration within the Microfiltration division all have relatively short lead times and order cycles and, therefore, revenues are subject to fluctuations, which could have a material effect on the Group's results for the balance of 2013.

The Microfiltration division serves several customers whose orders are large relative to Porvair's overall order book. Should any of these be cancelled or delayed it may affect the Group's results for the balance of 2013.

Forward looking statements
Certain statements in this half yearly financial information are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Consolidated income statement
For the six months ended 31 May

	Note	Six months ended 31 May 2013 Unaudited £'000	2012 Unaudited £'000
Revenue	1	**38,604**	35,866
Cost of sales		**(25,406)**	(23,330)
Gross profit		**13,198**	12,536
Other operating expenses		**(9,738)**	(9,719)
Operating profit	1	**3,460**	2,817
Interest payable and similar charges		**(410)**	(410)
Profit before income tax		**3,050**	2,407
Income tax expense		**(951)**	(718)
Profit for the period attributable to shareholders		**2,099**	1,689
Earnings per share (basic)	2	**4.9p**	4.0p
Earnings per share (diluted)	2	**4.9p**	4.0p

Consolidated statement of comprehensive income
For the six months ended 31 May

	Six months ended 31 May 2013 Unaudited £'000	2012 Unaudited £'000
Profit for the period	**2,099**	1,689
Other comprehensive income:		
Exchange differences on translation of foreign subsidiaries	**323**	146
Changes in fair value of interest rate swaps held as a cash flow hedge	**34**	46
Net other comprehensive income	**357**	192
Total comprehensive income for the period attributable to shareholders of Porvair plc	**2,456**	1,881

The accompanying notes are an integral part of this interim financial information.

Consolidated balance sheet
As at 31 May

	Note	As at 31 May		As at 30 November
		2013	2012	2012
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	4	**8,185**	8,645	8,641
Goodwill and other intangible assets	4	**39,986**	40,372	39,983
Deferred tax asset		**2,385**	1,802	1,996
		50,556	50,819	50,620
Current assets				
Inventories		**11,211**	10,677	10,258
Trade and other receivables		**12,817**	12,235	11,911
Derivative financial instruments		**-**	54	67
Cash and cash equivalents	5	**7,666**	6,231	7,275
		31,694	29,197	29,511
Current liabilities				
Trade and other payables		**(13,893)**	(16,027)	(14,228)
Current tax liabilities		**(1,196)**	(865)	(875)
Bank overdraft and loans		**(988)**	(933)	(1,000)
Derivative financial instruments		**(268)**	(134)	(99)
		(16,345)	(17,959)	(16,202)
Net current assets		**15,349**	11,238	13,309
Non-current liabilities				
Bank loans		**(9,708)**	(11,056)	(10,145)
Retirement benefit obligations		**(8,425)**	(7,025)	(8,494)
Provisions for other liabilities and charges		**(122)**	(112)	(116)
		(18,255)	(18,193)	(18,755)
Net assets		**47,650**	43,864	45,174
Capital and reserves				
Share capital	6	**867**	852	852
Share premium account	6	**34,732**	34,511	34,511
Cumulative translation reserve	7	**935**	1,029	612
Retained earnings	7	**11,116**	7,472	9,199
Total equity		**47,650**	43,864	45,174

The interim financial information on pages 6 to 16 were approved by the Board of Directors on 21 June 2013 and were signed on its behalf by:

Ben Stocks
Group Chief Executive

Chris Tyler
Group Finance Director

The accompanying notes are an integral part of this interim financial information.

Consolidated cash flow statement
For the six months ended 31 May

	Note	Six months ended 31 May	
		2013	2012
		Unaudited	Unaudited
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	8	**1,966**	3,924
Interest paid		**(185)**	(269)
Tax paid		**(838)**	(345)
Net cash generated from operating activities		**943**	3,310
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)		**(63)**	(3,076)
Purchase of property, plant and equipment	4	**(374)**	(860)
Purchase of intangible assets	4	**(153)**	(11)
Proceeds from sale of property, plant and equipment		**478**	101
Net cash used in investing activities		**(112)**	(3,846)
Cash flows from financing activities			
Net proceeds from the issue of ordinary shares	6	**236**	41
(Repayment of)/increase in borrowings	9	**(886)**	1,621
Capital element of finance leases	9	**-**	(6)
Net cash generated from/(used in) financing activities		**(650)**	1,656
Net increase in cash and cash equivalents	9	**181**	1,120
Effects of exchange rate changes		**210**	-
		391	1,120
Cash and cash equivalents at the beginning of the period		**7,275**	5,111
Cash and cash equivalents at the end of the period	5	**7,666**	6,231

The accompanying notes are an integral part of this interim financial information.

Consolidated statement of changes in equity
For the six months ended 31 May (Unaudited)

	Share capital £'000	Share premium account £'000	Cumulative translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 December 2011	851	34,471	883	5,886	42,091
Profit for the period	-	-	-	1,689	1,689
Other comprehensive income for the period:					
Exchange differences on translation of foreign subsidiaries	-	-	146	-	146
Changes in fair value of interest rate swaps held as a cash flow hedge	-	-	-	46	46
Total comprehensive income for the period	-	-	146	1,735	1,881
Transactions with owners:					
Proceeds from shares issued, net of costs	1	40	-	-	41
Employee share option schemes:					
Value of employee services net of tax	-	-	-	448	448
Dividends approved as final or paid	-	-	-	(597)	(597)
Balance at 31 May 2012	852	34,511	1,029	7,472	43,864
Balance at 1 December 2012	**852**	**34,511**	**612**	**9,199**	**45,174**
Profit for the period	-	-	-	2,099	2,099
Other comprehensive income for the period:					
Exchange differences on translation of foreign subsidiaries	-	-	323	-	323
Changes in fair value of interest rate swaps held as a cash flow hedge	-	-	-	34	34
Total comprehensive income for the period	**-**	**-**	**323**	**2,133**	**2,456**
Transactions with owners:					
Proceeds from shares issued, net of costs	15	221	-	-	236
Employee share option schemes:					
Value of employee services net of tax	-	-	-	478	478
Dividends approved as final or paid	-	-	-	(694)	(694)
Balance at 31 May 2013	**867**	**34,732**	**935**	**11,116**	**47,650**

The accompanying notes are an integral part of this interim financial information.

Notes to the financial information

1. Segmental analyses

The chief operating decision maker has been identified as the Board of Directors. The Board of Directors review the Group's internal reporting in order to assess performance and allocate resources. Management have determined the operating segments based on this reporting.

As at 31 May 2013, the Group is organised on a worldwide basis into two operating segments:
1) Metals Filtration
2) Microfiltration

The segment results for the period ended 31 May 2013 are as follows:

Six months ended 31 May 2013 - Unaudited	**Metals Filtration £'000**	**Microfiltration £'000**	**Other unallocated £'000**	**Group £'000**
Revenue	14,081	24,523	-	**38,604**
Operating profit/(loss)	1,075	3,461	(1,076)	**3,460**
Interest payable and similar charges	-	-	(410)	**(410)**
Profit/(loss) before income tax	1,075	3,461	(1,486)	**3,050**
Income tax expense	-	-	(951)	**(951)**
Profit/(loss) for the period	**1,075**	**3,461**	**(2,437)**	**2,099**

The segment results for the period ended 31 May 2012 are as follows:

Six months ended 31 May 2012 - Unaudited	Metals Filtration £'000	Microfiltration £'000	Other unallocated £'000	Group £'000
Revenue	14,596	21,270	-	35,866
Operating profit/(loss)	1,213	2,422	(818)	2,817
Interest payable and similar charges	-	-	(410)	(410)
Profit/(loss) before income tax	1,213	2,422	(1,228)	2,407
Income tax expense	-	-	(718)	(718)
Profit/(loss) for the period	1,213	2,422	(1,946)	1,689

Other Group operations are included in "Other unallocated". These mainly comprises Group corporate costs and include new business development costs, some research and development costs and general financial costs.

Segment assets and liabilities

At 31 May 2013 - Unaudited	**Metals Filtration**	**Microfiltration**	**Other unallocated**	**Group**
	£'000	£'000	£'000	**£'000**
Segmental assets	24,896	45,914	3,774	**74,584**
Cash and cash equivalents	-	-	7,666	**7,666**
Total assets	**24,896**	**45,914**	**11,440**	**82,250**
Segmental liabilities	(2,794)	(9,784)	(2,901)	**(15,479)**
Retirement benefit obligations	-	-	(8,425)	**(8,425)**
Borrowings	-	-	(10,696)	**(10,696)**
Total liabilities	**(2,794)**	**(9,784)**	**(22,022)**	**(34,600)**

At 31 May 2012 - Unaudited	Metals Filtration	Microfiltration	Other unallocated	Group
	£'000	£'000	£'000	£'000
Segmental assets	26,149	44,891	2,745	73,785
Cash and cash equivalents	-	-	6,231	6,231
Total assets	26,149	44,891	8,976	80,016
Segmental liabilities	(3,600)	(11,292)	(2,246)	(17,138)
Retirement benefit obligations	-	-	(7,025)	(7,025)
Borrowings	-	-	(11,989)	(11,989)
Total liabilities	(3,600)	(11,292)	(21,260)	(36,152)

At 30 November 2012 - Audited	Metals Filtration	Microfiltration	Other unallocated	Group
	£'000	£'000	£'000	£'000
Segmental assets	24,362	45,285	3,209	72,856
Cash and cash equivalents	-	-	7,275	7,275
Total assets	24,362	45,285	10,484	80,131
Segmental liabilities	(3,102)	(10,059)	(2,157)	(15,318)
Retirement benefit obligations	-	-	(8,494)	(8,494)
Borrowings	-	-	(11,145)	(11,145)
Total liabilities	(3,102)	(10,059)	(21,796)	(34,957)

Geographical analysis
Revenue

	Six months ended 31 May			
	2013 Unaudited		2012 Unaudited	
	By destination	**By origin**	By destination	By origin
	£'000	**£'000**	£'000	£'000
United Kingdom	**7,901**	**15,759**	7,099	15,011
Continental Europe	**5,838**	**3,035**	5,578	2,809
United States of America	**16,467**	**18,962**	14,576	17,295
Other NAFTA	**1,626**	**-**	2,149	-
South America	**697**	**-**	1,011	-
Asia	**4,733**	**848**	4,201	751
Australasia	**622**	**-**	606	-
Africa	**720**	**-**	646	-
	38,604	**38,604**	35,866	35,866

2. Earnings per share

	Six months ended 31 May					
	2013 Unaudited			2012 Unaudited		
	Earnings	**Weighted average number of shares**	**Per share amount**	Earnings	Weighted average number of shares	Per share amount
	£'000		**Pence**	£'000		Pence
Basic EPS – Earnings attributable to ordinary shareholders	**2,099**	**42,813,469**	**4.9**	1,689	42,575,320	4.0
Effect of dilutive securities – share options	**-**	**363,563**	**-**	-	137,655	-
Diluted EPS	**2,099**	**43,177,032**	**4.9**	1,689	42,712,975	4.0

3. Dividends per share

	Six months ended 31 May			
	2013 Unaudited		2012 Unaudited	
	Per share	**£'000**	Per share	£'000
Final dividend approved	**1.60p**	**694**	1.40p	597

The final dividend approved was paid to shareholders on 7 June 2013.

The Directors have declared an interim dividend of 1.1 pence (2012: 1.0 pence) per share to be paid on 6 September 2013 to shareholders on the register at the close of business on 2 August 2013. The ex-dividend date for the shares is 31 July 2013.

4. Property, plant and equipment and goodwill and other intangible assets

Six months ended 31 May 2013 - Unaudited	**Property, plant and equipment**	**Goodwill and other intangible assets**	**Total**
	£'000	**£'000**	**£'000**
Opening net book amount at 1 December 2012	8,641	39,983	**48,624**
Additions	374	153	**527**
Disposals	(360)	-	**(360)**
Depreciation and amortisation	(735)	(181)	**(916)**
Exchange movements	265	31	**296**
Closing net book amount at 31 May 2013	**8,185**	**39,986**	**48,171**

Six months ended 31 May 2012 - Unaudited	Property, plant and equipment	Goodwill and other intangible assets	Total
	£'000	£'000	£'000
Opening net book amount at 1 December 2011	8,213	37,070	45,283
Additions	860	11	871
Acquisitions	91	3,188	3,279
Disposals	(13)	-	(13)
Depreciation and amortisation	(595)	(154)	(749)
Exchange movements	89	257	346
Closing net book amount at 31 May 2012	8,645	40,372	49,017

5. Cash and cash equivalents

	As at 31 May		As at 30 November
	2013	2012	2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cash at bank and in hand	**7,666**	4,510	5,863
Restricted cash	**-**	1,721	1,412
Cash and cash equivalents	**7,666**	6,231	7,275

Cash and cash equivalents include restricted balances of £nil (2012: £1.7m). At 31 May and 30 November 2012 $2,263,000 was held as a guarantee by a UK bank against the advance payment bond in relation to the POSCO contract. At 31 May 2012 Can$400,000 was held in escrow as contingent consideration relating to the acquisition of Pulse Instrumentation.

6. Share capital and premium

	Number of shares (thousands)	**Ordinary shares Unaudited**	**Share premium account Unaudited**	**Total Unaudited**
		£'000	**£'000**	**£'000**
At 1 December 2011	42,561	851	34,471	35,322
Employee share options schemes:				
Exercise of options under share option schemes	52	1	40	41
At 31 May 2012	42,613	852	34,511	35,363
At 1 December 2012	42,613	852	34,511	35,363
Employee share options schemes:				
Exercise of options under share option schemes	748	15	221	236
At 31 May 2013	43,361	867	34,732	**35,599**

The authorised number of ordinary shares is 75 million (2012: 75 million) shares with a par value of 2.0 pence (2012: 2.0 pence) per share. All issued shares are fully paid. 748,500 ordinary shares of 2p each were issued in the period on the exercise of employee share options for a cash consideration of £236,000.

7. Other reserves

	Cumulative translation reserve Unaudited	**Retained earnings Unaudited**
	£'000	**£'000**
At 1 December 2011	883	5,886
Profit for the period attributable to shareholders	-	1,689
Direct to equity:		
Final dividends approved	-	(597)
Share based payments	-	146
Tax on share based payments	-	302
Interest rate swap cash flow hedge	-	46
Exchange differences	146	-
At 31 May 2012	1,029	7,472
At 1 December 2012	612	9,199
Profit for the period attributable to shareholders	-	2,099
Direct to equity:	-	
Final dividends approved	-	(694)
Share based payments	-	208
Tax on share based payments	-	270
Interest rate swap cash flow hedge	-	34
Exchange differences	323	-
At 31 May 2013	**935**	**11,116**

8. Cash generated from operations

	Six months ended 31 May	
	2013	2012
	Unaudited	Unaudited
	£'000	£'000
Operating profit	**3,460**	2,817
Non-cash pension charge	**150**	100
Share based payments	**208**	146
Depreciation and amortisation	**916**	749
Profit on disposal of property, plant and equipment	**(118)**	(88)
Operating cash flows before movement in working capital	**4,616**	3,724
Increase in inventories	**(673)**	(1,369)
Increase in trade and other receivables	**(494)**	(604)
(Decrease)/ increase in payables	**(1,483)**	2,173
(Increase)/decrease in working capital	**(2,650)**	200
Cash generated from operations	**1,966**	3,924

9. Reconciliation of net cash flow to movement in net debt

	Six months ended 31 May	
	2013	2012
	Unaudited	Unaudited
	£'000	£'000
Net increase in cash and cash equivalents	**181**	1,120
Effects of exchange rate changes	**(227)**	(172)
Repayment of/(increase in) borrowings	**886**	(1,621)
Repayment of finance leases	**-**	6
Net debt at the beginning of the period	**(3,870)**	(5,091)
Net debt at the end of the period	**(3,030)**	(5,758)

10. Post balance sheet event - Acquisition

The goodwill, business and trading assets of Eisenmann Metallurgical LLC, trading as Chand Eisenmann Metallurgical ("CEM"), were acquired on 4 June 2013 for a total consideration of $5.5 million in cash and deferred consideration. CEM designs and manufactures sintered metal filters from a facility in Caribou, Maine.

11. Exchange rates

Exchange rates for the US dollar during the period were:

	Average rate to 31 May 13 Unaudited	Average rate to 31 May 12 Unaudited	**Closing rate at 31 May 13 Unaudited**	Closing rate at 30 Nov 12 Unaudited
US dollar	1.55	1.58	**1.52**	1.60

12. Seasonality

The results for the six months ended 31 May 2013 are impacted by a lower number of working days in the first six months of the year than in the second half of the year.

13. Basis of preparation

Porvair plc is a public limited company registered in the UK and listed on the London Stock Exchange.

This unaudited condensed half-yearly consolidated financial information for the six months ended 31 May 2013 has been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed half-yearly consolidated financial information should be read in conjunction with the annual financial statements for the year ended 30 November 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 November 2012, as described in those financial statements. As at the date of signing the interim financial statements, there are no new standards likely to affect the financial statements for the year ending 30 November 2013.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

This condensed half-yearly consolidated financial information has been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain current assets, financial assets and financial liabilities held for trading and derivative contracts, which are held at fair value.

The preparation of condensed half-yearly consolidated financial information in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed half-yearly consolidated financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

After having made appropriate enquiries, including a review of progress against the Group's budget for 2013, its medium term plans and taking into account the banking facilities available until January 2018, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this condensed half-yearly consolidated financial information.

This condensed half-yearly consolidated financial information and the comparative figures does not constitute full accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30

November 2012, which include an unqualified audit report, no emphasis of matter paragraph and no statements under sections 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

This report will be available at Porvair plc's registered office at 7 Regis Place, Bergen Way, King's Lynn, PE30 2JN and on the Company's website www.porvair.com.

Statement of directors' responsibilities

The Directors confirm that this condensed half-yearly consolidated financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the year, their impact on the condensed half-yearly consolidated financial information and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the year and any material changes in the related party transactions described in the last annual report.

The directors of Porvair plc are listed in the Porvair plc Annual Report for the year ended 30 November 2012. Michael Gatenby resigned from the Board at the Annual General Meeting on 16 April 2013. A list of current directors is maintained on the Porvair plc website www.porvair.com.

By order of the board

Ben Stocks
Group Chief Executive

Chris Tyler
Group Finance Director

21 June 2013

Independent review report to Porvair plc

Introduction
We have been engaged by the company to review the condensed half-yearly consolidated financial information in the half-yearly financial report for the six months ended 31 May 2013, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed half-yearly consolidated financial information.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 13, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed half-yearly consolidated financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed half-yearly consolidated financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, 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.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial information in the half-yearly financial report for the six months ended 31 May 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
21 June 2013
Cambridge

Notes:

(a) The maintenance and integrity of the Porvair plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed half-yearly consolidated financial information since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.