

PORVAIR PLC
INTERIM REPORT 2023

porvair

Aerospace & Industrial | Laboratory | Metal Melt Quality

Porvair is a specialist filtration, laboratory and environmental technology group.



Many of the products developed by Porvair are used to the benefit of the environment and wider society and our operations can make an important contribution to a cleaner and safer world.

Porvair is well positioned to play its part in the global drive towards a more sustainable future.

Strategic Purpose and ESG Commitment

Porvair's strategic purpose is to develop specialist filtration, laboratory and environmental technology businesses both organically and by acquisition for the benefit of all stakeholders. Principal measures of success are consistent earnings per share growth and improvement in selected Environmental, Social and Governance ("ESG") metrics.

Interim results

for the six months ended 31 May 2023

Highlights

- Revenue 10% higher at £90.6 million (2022: £82.3 million), 5% higher on a constant currency basis*.
- Operating profit 16% higher at £11.7 million (2022: £10.1 million).
- Adjusted operating profit* 17% higher at £12.2 million (2022: £10.4 million).
- Profit before tax 18% higher at £11.2 million (2022: £9.5 million).
- Adjusted profit before tax* 20% higher at £11.8 million (2022: £9.8 million).
- Basic earnings per share 20% higher at 19.3 pence (2022: 16.1 pence).
- Adjusted basic earnings per share* 22% higher at 20.3 pence (2022: 16.6 pence).
- Cash at £19.7 million (31 May 2022: £12.2 million; 30 November 2022: £18.3 million) after investing £2.9 million (2022: £2.3 million) in capital expenditure and acquisitions.
- Interim dividend increased 0.1 pence per share to 2.0 pence (2022: 1.9 pence).

*See notes 1, 2 and 3 for definitions and reconciliations.

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Revenue (£m)

£90.6m

(2022: £82.3m)

Operating profit (£m)

£11.7m

(2022: £10.1m)

Adjusted operating profit* (£m)

£12.2m

(2022: £10.4m)

Profit before tax (£m)

£11.2m

(2022: £9.5m)

Adjusted profit before tax* (£m)

£11.8m

(2022: £9.8m)

Basic earnings per share (pence)

19.3p

(2022: 16.1p)

Adjusted basic earnings per share* (pence)

20.3p

(2022: 16.6p)

Cash (£m)

£19.7m

(2022: £12.2m)

Interim dividend (pence per share)

2.0p

(2022: 1.9p)

Operating review

Operating summary

The Group has begun 2023 with a record set of results, delivering 10% revenue growth (5% constant currency) which with improved margins has generated 17% adjusted operating profit growth (around 11% constant currency). Cash generation was as expected, leaving cash reserves of £19.7 million at 31 May 2023.

Beneath the headlines, trading has been mixed across segments. Stronger demand in aerospace and petrochemical markets is supporting both the Metal Melt and Aerospace & Industrial divisions; and new products, along with steady demand for water quality assurance, are responsible for the growth in Seal Analytical. This is balanced by the anticipated de-stocking in laboratory and industrial consumable markets with supply chain issues now mainly resolved. Inflation in wages and services remains a concern but raw material cost pressure is less acute than was the case twelve months ago.

The Group order book was at record levels for most of the period, and remains high at the start of the second half, but again the detail on a market-by-market basis is more nuanced. Lead times which were stretched in 2022 have started to return to more normal levels in 2023 and while this is advantageous in terms of customer service, and will benefit inventory turns in the second half, it makes near-term forecasting in these markets difficult.

The Group continues its consistent investment programme. In addition to the Ratiolab acquisition which we hope to close in the second half, investments have been made in productivity and margin enhancements.

Financial summary

	H1 2023 £m	H1 2022 £m	Growth %
Revenue	90.6	82.3	10
Operating profit	11.7	10.1	16
Adjusted operating profit*	12.2	10.4	17
Profit before tax	11.2	9.5	18
Adjusted profit before tax*	11.8	9.8	20
	Pence	Pence	
Earnings per share	19.3	16.1	20
Adjusted earnings per share*	20.3	16.6	22
	£m	£m	
Cash generated from operations	8.2	7.2	
Net cash (excluding lease liabilities)	19.7	12.2	

*See notes 1, 2 and 3 for definitions and reconciliations.

Strategy and purpose

Porvair's strategy and purpose has remained consistent for over 19 years, a period that now encompasses two recessions and a pandemic. This longer-term growth record gives the Board confidence in the Group's capabilities and is the basis for capital allocation and planning decisions.

The Group's record for growth, cash generation and investment is:

	5 years CAGR*	10 years CAGR*	15 years CAGR*
Revenue growth	8%	9%	9%
Earnings per share growth	10%	12%	12%
Adjusted earnings per share growth	13%	13%	12%
	£m	£m	£m
Cash from operations	94.1	158.3	194.9
Investment in acquisitions and capital expenditure	40.8	81.5	97.0

*Compound annual growth rate.

Operating review continued

Strategic statement and business model

Porvair's strategic purpose is the development of specialist filtration, laboratory and environmental technology businesses for the benefit of all stakeholders. Principal measures of success include consistent earnings growth and selected ESG measures. The Group publishes a full ESG report at the time of the annual Final Results.

The Group is positioned to benefit from global trends: tightening environmental regulations; growth in analytical science; the need for clean water; carbon-efficient transportation; the replacement of plastic and steel by aluminium; and the drive for manufacturing process quality and efficiency.

Porvair businesses have certain key characteristics in common:

- Specialist design, engineering or commercial skills are required;
- Product use and replacement is mandated by regulation, quality accreditation or a maintenance cycle; and
- Products are typically designed into a system that will have a long life-cycle and must perform to a given specification.

Orders are won by offering the best technical solutions or commercial service at an acceptable cost. Technical expertise is necessary in all markets served. New products are often adaptations of existing designs with attributes validated in our own test and measurement laboratories. Experience in specific markets and applications is valuable in building customer confidence. Domain knowledge is important, as is deciding where to direct resources.

This leads the Group to:

1. Focus on markets with long-term growth potential;
2. Look for applications where product use is mandated and replacement demand is regular;
3. Make new product development a core business activity;
4. Establish geographic presence where end-markets require; and
5. Invest in both organic and acquired growth.

Therefore:

- We focus on three operating segments: Aerospace & Industrial; Laboratory; and Metal Melt Quality. All have clear long-term growth drivers;
- Our products typically reduce emissions or protect complex downstream systems and, as a result, are replaced regularly. A high proportion of our annual revenue is from repeat orders;
- Through a focus on new product development, we aim to generate growth rates in excess of the underlying market. Where possible, we build intellectual property around our product developments;
- Our geographic presence follows the markets we serve. In the last twelve months: 51% of revenue was in the Americas; 18% in Asia; 20% in Continental Europe; 10% in the UK; and 1% in Africa. The Group has plants in the US, UK, Germany, the Netherlands and China. In the last twelve months: 56% of revenue was manufactured in the US; 27% in the UK; 14% in Continental Europe; and 3% in China; and
- We aim to meet dividend and investment needs from free cash flow and modest borrowing facilities. In recent years we have expanded manufacturing capacity in the UK, Germany, US and China, and made several acquisitions. All investments are subject to a hurdle rate analysis based on strategic and financial priorities.

Environmental, Social and Governance ('ESG')

The Board understands that responsible business development is essential for creating long-term value for stakeholders. Most of the products made by Porvair are used to the benefit of the environment. Our water analysis equipment measures contamination levels in water. Industrial filters are typically needed to reduce emissions or improve efficiency. Aerospace filters improve safety and reliability. Nuclear filters confine fissile materials. Metal Melt Quality filters reduce waste and help improve the strength to weight ratio of metal components.

A full ESG report was published in February 2023 setting out:

- Porvair's ESG management framework, goals and TCFD reporting;
- How climate change and a net zero carbon future might affect markets served by the Group;
- ESG metrics and results; and
- How the Group has acted for the benefits of its stakeholders in 2022.

This ESG report will be updated in February 2024.

Operating review continued

Divisional review

Aerospace & Industrial			
	H1 2023 £m	H1 2022 £m	Growth %
Revenue	36.5	30.7	19
Operating profit	5.1	2.9	76
Adjusted operating profit*	5.4	3.1	74

*See notes 1, 2 and 3 for definitions and reconciliations.

The Aerospace & Industrial division designs and manufactures a wide range of specialist filtration products, demand for which is driven by customers seeking better engineered, cleaner, safer or more efficient operations. Differentiation is achieved through design engineering; the development of intellectual property; quality accreditations; and technical customer service.

Revenue in the period increased by 19%. Better aerospace orders supported an increase in output and margins benefitted from productivity investments made in recent years. Royal Dahlman, based in Holland and mainly serving the petrochemical market with emissions control filters, is having a much better year supported by orders through our Indian engineering team. In the US, industrial consumable demand is lower, notably in microelectronics where de-stocking is affecting near-term demand. Acquired in March, HRW expands the machining and product design skills of our facility in Idaho, and this will help to support microelectronic margins over the balance of the year.

Divisional review

Laboratory			
	H1 2023 £m	H1 2022 £m	Growth %
Revenue	29.1	30.8	(6)
Operating profit	4.7	5.9	(20)
Adjusted operating profit*	4.9	6.1	(20)

*See notes 1, 2 and 3 for definitions and reconciliations.

The Laboratory division has two operating businesses: Porvair Sciences (including J.G. Finneran and Kbio) and Seal Analytical.

- Porvair Sciences manufactures laboratory filters, small instruments and associated consumables. Differentiation is achieved through proprietary manufacturing capabilities; filtration media; and technical customer service.
- Seal Analytical is a leading supplier of instruments and consumables for environmental laboratories, for which demand is driven by water quality regulations. Differentiation is achieved through consistent new product development and technical customer service.

After several years of robust growth, revenues in the Laboratory division fell 6% in the period.

Seal Analytical had another strong half, supported by demand for both their new AQ700 instrument and associated automation devices. De-stocking of laboratory consumables from the second quarter affected Porvair Sciences, where lead-times have now fallen to more normal levels. This helps levels of customer service and inventory turns, but challenges manufacturing efficiency. In the plants affected, cost-reduction programmes have been undertaken to balance changing order patterns.

As outlined in the results announcement in January, the Board anticipated this de-stocking cycle and does not see any fundamental changes in the underlying growth drivers of the Laboratory division, in which investment continues. The acquisition of Ratiolab was announced in May, subject to regulatory approval. Ratiolab GmbH, located outside Frankfurt, distributes a wide range of laboratory consumables in Europe and the Middle East, offering technical customer service to a wide range of customers, only some of which are already served by the Group. Ratiolab Kft.,

Operating review continued

located close to Budapest, manufactures laboratory consumables in a modern and well-invested facility, the freehold of which is included in the acquisition. Ratiolab has annual external revenues of around €12 million. The transaction is expected to be earnings neutral (after acquisition costs) in 2023, and earnings accretive thereafter.

The Board believes Ratiolab will fit well into the Group's Laboratory division, offering a complementary product range and adding European manufacturing capabilities, injection moulding expertise, new routes to market and additional engineering and customer service capabilities.

Divisional review

Metal Melt Quality

	H1 2023 £m	H1 2022 £m	Growth %
Revenue	24.9	20.8	20
Operating profit	3.7	2.8	32
Adjusted operating profit*	3.7	2.8	32

*See notes 1, 2 and 3 for definitions and reconciliations.

The Metal Melt Quality division manufactures filters for molten aluminium, ductile iron and nickel-cobalt alloys. It has a well-differentiated product range based on patented products and a promising new product pipeline.

Revenue grew by 20%, helped by further recovery of aerospace-related filters; the switch from plastic to recyclable aluminium in beverage packaging; and the higher proportion of aluminium used in electric and hybrid vehicles. Margins at 15% remain ahead of their 10% – 12% target level.

The satellite manufacturing plant in China has had a strong start to the year. Covid restrictions were lifted at the start of the period enabling staff to return to work consistently. An increasing proportion of the filters made in China for the Chinese market are for higher-grade metal alloys where filtration efficiency is more important.

Alternative performance measures – profit

	H1 2023 £m	H1 2022 £m	Growth %
Adjusted operating profit	12.2	10.4	17
Adjusted profit before tax	11.8	9.8	20
Adjusted profit after tax	9.3	7.6	22

The Group presents alternative performance measures to enable a better understanding of its trading performance (see note 1). Adjusted operating profit and adjusted profit before tax exclude items that are considered significant and where treatment as an adjusting item provides a more consistent assessment of the Group's trading. Adjusting items comprise a £0.4 million charge (2022: £0.3 million) for the amortisation of acquired intangible assets, together with a £0.2 million charge (2022: £nil) for costs incurred in relation to the acquisition of both HRW and Ratiolab (see note 9).

Finance costs

The Group incurred a net interest charge of £0.4 million (2022: £0.6 million) which consisted of the finance cost on the pension deficit, lease liability interest, and the unwind of discounted provisions and other payables. The Group also incurred undrawn commitment fees on the Group's banking facilities, though there were largely offset by interest receivable on deposits.

Tax

The Group tax charge was £2.4 million (2022: £2.1 million), including the tax effect of adjusting items (see note 1). The adjusted income tax expense was £2.4 million (2022: £2.2 million), with the effective rate of income tax on adjusted profit before tax at 21% (2022: 22%).

Earnings per share and dividends

The basic earnings per share for the period was 19.3 pence (2022: 16.1 pence). Adjusted earnings per share was 20.3 pence (2022: 16.6 pence).

The Board has declared an interim dividend of 2.0 pence (2022: 1.9 pence) per share.

Investment

In the last five years, £40.8 million has been invested in acquisitions and capital expenditure. In the first half of 2023, the Group invested £0.7 million on the HRW acquisition and £2.2 million on capital expenditure (2022: £2.3 million).

Operating review continued

Cash flow, cash and net debt

Cash generated from operations in the six months to 31 May 2023 was £8.2 million (2022: £7.2 million). The Group normally sees an outflow of working capital in the first half of the year. Working capital increased by £5.0 million (2022: £4.9 million) in the period.

Net cash at 31 May 2023 was £19.7 million (31 May 2022: £12.2 million; 30 November 2022: £18.3 million). Lease liabilities were £11.0 million (31 May 2022: £11.5 million; 30 November 2022: £11.5 million).

Provisions and contingent liabilities

The Group has £4.4 million (31 May 2022: £4.5 million; 30 November 2022: £4.0 million) of provisions for dilapidations and performance warranties.

The Group has outstanding performance bonds with customers at 31 May 2023 of US\$nil (31 May 2022: US\$2.5 million; 30 November 2022: US\$1.0 million) and €0.2 million (31 May 2022: €0.4 million; 30 November 2022: €0.3 million).

Return on capital employed

The Group's return on capital employed was 16% (2022: 13%). Excluding the impact of goodwill and retirement benefit obligations, the return on operating capital employed was 37% (2022: 33%).

Outlook

This is a record set of results for the half-year and shows the Group performing well overall, despite inconsistency of demand across markets served. Aerospace, petrochemical and water quality markets are having a strong year. As expected at the time of the results announcement in January, orders in industrial and laboratory consumable segments have been lower as they go through a de-stocking cycle and lead-times return to more normal levels.

Looking ahead, while noting that inconsistent order patterns pose risks to forecasting, the Board expects the Group's full year result to be ahead of that for 2022. The aggregate Group order book, which has been at record levels for much of 2023, remains high. Porvair's long-term earnings record is supported by established global trends: tightening environmental regulations; growth in analytical science; the need for clean water; carbon-efficient transportation; the replacement of plastic and steel with aluminium; and the drive for manufacturing process quality and efficiency. The Board expects the momentum of this strong start to 2023 will carry through to a satisfactory conclusion to the year and views the longer-term with confidence.

Ben Stocks

Group Chief Executive

30 June 2023

Operating review continued

Related parties

Other than remuneration of key management personnel, there were no related party transactions in the six months ended 31 May 2023 (2022: 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. Further details of the Group's risk profile analysis can be found in the Strategic Report section of the Annual Report & Accounts for the year ended 30 November 2022.

Certain elements of the Group's order position can change quickly in the face of changing economic circumstances. The Metal Melt Quality division, Laboratory division and general industrial filtration within the Aerospace & Industrial division all have relatively short lead times and order cycles and, therefore, revenue is subject to fluctuations which could have a material effect on the Group's results for the balance of 2023.

Forward-looking statements

Certain statements in this interim 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 be 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.

Condensed consolidated income statement

For the six months ended 31 May	Note	Six months ended 31 May	
		2023 Unaudited £'000	2022 Unaudited £'000
Continuing operations			
Revenue			
Cost of sales	1,2	90,552 (59,924)	82,280 (55,018)
Gross profit		30,628	27,262
Other operating expenses		(18,975)	(17,185)
Adjusted operating profit	1,2	12,226	10,412
Adjustments:			
Amortisation of acquired intangible assets		(370)	(335)
Other acquisition-related costs		(203)	–
Operating profit	1,2	11,653	10,077
Finance costs		(437)	(566)
Profit before tax		11,216	9,511
Adjusted income tax expense		(2,449)	(2,202)
Adjustments:			
Tax effect of adjustments to operating profit	1	82	67
Income tax expense		(2,367)	(2,135)
Profit for the period		8,849	7,376
Earnings per share (basic)	3	19.3p	16.1p
Earnings per share (diluted)	3	19.3p	16.1p
Adjusted earnings per share (basic)	3	20.3p	16.6p
Adjusted earnings per share (diluted)	3	20.3p	16.6p

Condensed consolidated statement of comprehensive income

For the six months ended 31 May	Six months ended 31 May	
	2023 Unaudited £'000	2022 Unaudited £'000
Profit for the period	8,849	7,376
Other comprehensive income/(expense)		
Items that will not be reclassified to profit and loss:		
Actuarial gain in defined benefit pension plans net of tax	750	3,037
Items that may be subsequently reclassified to profit or loss:		
Exchange (loss)/gain on translation of foreign subsidiaries	(2,751)	3,329
Total other comprehensive (expense)/income for the period	(2,001)	6,366
Total comprehensive income for the period	6,848	13,742

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

Condensed consolidated balance sheet

As at 31 May	Note	As at 31 May		As at
		2023 Unaudited £'000	2022 Unaudited £'000	30 November 2022 Audited £'000
Non-current assets				
Property, plant and equipment		24,710	22,705	24,311
Right-of-use assets		9,614	10,207	10,144
Goodwill and other intangible assets		76,470	75,630	77,900
Deferred tax asset		740	342	1,046
		111,534	108,884	113,401
Current assets				
Inventories		32,803	28,266	30,973
Trade and other receivables		26,278	28,109	24,471
Derivative financial instruments		335	–	554
Cash and cash equivalents		19,678	15,988	18,297
		79,094	72,363	74,295
Current liabilities				
Trade and other payables		(28,664)	(28,478)	(27,881)
Current tax liabilities		(572)	(1,246)	(309)
Lease liabilities		(2,046)	(2,097)	(2,156)
Derivative financial instruments		–	(269)	(319)
Provisions	5	(4,028)	(4,177)	(3,692)
		(35,310)	(36,267)	(34,357)
Net current assets		43,784	36,096	39,938
Non-current liabilities				
Borrowings		–	(3,754)	–
Deferred tax liability		(2,698)	(2,472)	(2,811)
Retirement benefit obligations		(6,759)	(7,102)	(9,816)
Other payables		–	(900)	–
Lease liabilities		(8,968)	(9,395)	(9,316)
Provisions	5	(345)	(312)	(328)
		(18,770)	(23,935)	(22,271)
Net assets		136,548	121,045	131,068
Capital and reserves				
Share capital		927	924	927
Share premium account		37,778	37,078	37,626
Cumulative translation reserve		12,702	10,986	15,453
Retained earnings		85,141	72,057	77,062
Equity attributable to owners of the parent		136,548	121,045	131,068

The interim financial information on pages 8 to 20 was approved by the Board of Directors on 30 June 2023 and was signed on its behalf by:

Ben Stocks
Group Chief Executive

James Mills
Group Finance Director

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

Condensed consolidated cash flow statement

For the six months ended 31 May	Note	Six months ended 31 May	
		2023 Unaudited £'000	2022 Unaudited £'000
Cash flows from operating activities			
Cash generated from operations	7	8,211	7,239
Interest paid		(154)	(194)
Tax paid		(2,057)	(1,400)
Net cash generated from operating activities		6,000	5,645
Cash flows from investing activities			
Interest received		39	–
Acquisition of subsidiaries		(678)	–
Purchase of property, plant and equipment		(2,221)	(2,310)
Purchase of intangible assets		(30)	(43)
Proceeds from sale of property, plant and equipment		–	16
Net cash used in investing activities		(2,890)	(2,337)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		152	–
Purchase of Employee Benefit Trust shares		(372)	(406)
Decrease in borrowings	8	–	(1,350)
Repayment of lease liabilities		(1,259)	(1,208)
Net cash used in financing activities		(1,479)	(2,964)
Net increase in cash and cash equivalents	8	1,631	344
Effects of exchange rate changes		(250)	202
Cash and cash equivalents at the beginning of the period		1,381	546
Cash and cash equivalents at the end of the period		18,297	15,442
		19,678	15,988

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

Condensed 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 equity £'000
At 1 December 2021	924	37,078	7,657	63,287	108,946
Profit for the period	–	–	–	7,376	7,376
Other comprehensive income	–	–	3,329	3,037	6,366
Total comprehensive income for the period	–	–	3,329	10,413	13,742
Purchase of own shares (held in trust)	–	–	–	(406)	(406)
Share-based payments (net of tax)	–	–	–	369	369
Dividends	–	–	–	(1,606)	(1,606)
At 31 May 2022	924	37,078	10,986	72,057	121,045
At 1 December 2022	927	37,626	15,453	77,062	131,068
Profit for the period	–	–	–	8,849	8,849
Other comprehensive (expense)/income	–	–	(2,751)	750	(2,001)
Total comprehensive (expense)/income for the period	–	–	(2,751)	9,599	6,848
Purchase of own shares (held in trust)	–	–	–	(372)	(372)
Issue of ordinary share capital	–	152	–	–	152
Share-based payments (net of tax)	–	–	–	597	597
Dividends	–	–	–	(1,745)	(1,745)
At 31 May 2023	927	37,778	12,702	85,141	136,548

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

Notes to the condensed interim consolidated financial information

1 Alternative performance measures

Alternative performance measures are used by the Directors and management to monitor business performance internally and exclude certain cash and non-cash items which they believe are not reflective of the normal course of business of the Group. The Directors believe that disclosing such non-IFRS measures enables a reader to isolate and evaluate the impact of such items on results and allows for a fuller understanding of performance from year to year. Alternative performance measures may not be directly comparable with other similarly titled measures used by other companies.

Alternative revenue measures (unaudited)

	Six months ended 31 May		Growth %
	2023 £'000	2022 £'000	
Aerospace & Industrial			
Revenue at constant currency	34,503	29,971	15
Exchange	2,037	714	
Revenue as reported	36,540	30,685	19
Laboratory			
Revenue at constant currency	26,964	29,840	(10)
Exchange	2,163	935	
Revenue as reported	29,127	30,775	(5)
Metal Melt Quality			
Revenue at constant currency	21,655	19,355	12
Exchange	3,230	1,465	
Revenue as reported	24,885	20,820	20
Group			
Revenue at constant currency	83,122	79,166	5
Exchange	7,430	3,114	
Revenue as reported	90,552	82,280	10

Revenue at constant currency is derived from translating overseas subsidiaries results at budgeted fixed exchange rates. In 2023 and 2022, the rates used were US\$1.40:£1 and €1.20:£1, compared with actual rates of US\$1.22:£1 (2022: US\$1.31:£1) and €1.14:£1 (2022: €1.19:£1).

Notes to the condensed interim consolidated financial information continued

1 Alternative performance measures continued

Alternative profit measures (unaudited)

A reconciliation of the Group's adjusted performance measures to the reported IFRS measures is presented below:

	H1 2023			H1 2022		
	Adjusted £'000	Adjustments £'000	Reported £'000	Adjusted £'000	Adjustments £'000	Reported £'000
Operating profit	12,226	(573)	11,653	10,412	(335)	10,077
Finance costs	(437)	–	(437)	(566)	–	(566)
Profit before tax	11,789	(573)	11,216	9,846	(335)	9,511
Income tax expense	(2,449)	82	(2,367)	(2,202)	67	(2,135)
Profit for the period	9,340	(491)	8,849	7,644	(268)	7,376

An analysis of adjusting items is given below:

	2023 £'000	2022 £'000
Affecting operating profit:		
Amortisation of acquired intangible assets	(370)	(335)
Other acquisition-related costs	(203)	–
	(573)	(335)
Affecting tax:		
Tax effect of adjustments to operating profit	82	67
Total adjusting items	(491)	(268)

Adjusted operating profit excludes:

- The amortisation of intangible assets arising on acquisition of businesses of £0.4 million (2022: £0.3 million); and
- Other acquisition-related costs of £0.2 million (2022: £nil) in relation to the HRW acquisition and the planned acquisition of Ratiolab (see note 9).

2 Segmental information

The chief operating decision maker has been identified as the Board of Directors. The Board of Directors has instructed the Group's internal reporting to be based around differences in products and services, in order to assess performance and allocate resources. The key profit measure used to assess the performance of each reportable segment is adjusted operating profit/(loss). Management has determined the operating segments based on this reporting.

As at 31 May 2023, the Group is organised on a worldwide basis into three operating segments:

- 1) Aerospace & Industrial – principally serving the aviation, and energy and industrial markets;
- 2) Laboratory – principally serving the bioscience and environmental laboratory instrument and consumables market; and
- 3) Metal Melt Quality – principally serving the global aluminium, North American Free Trade Agreement (NAFTA) iron foundry and super-alloys markets.

Notes to the condensed interim consolidated financial information continued

2 Segmental information continued

Other Group operations' costs, assets and liabilities are included in the "Central" division. Central costs mainly comprise Group corporate costs, including new business development costs, some research and development costs and general financial costs. Central assets and liabilities mainly comprise Group retirement benefit obligations, tax assets and liabilities, cash and borrowings.

The segment results for the period ended 31 May 2023 are as follows:

2023 – Unaudited	Aerospace & Industrial £'000	Laboratory £'000	Metal Melt Quality £'000	Central £'000	Group £'000
Total segment revenue	36,553	30,076	24,885	–	91,514
Inter-segment revenue	(13)	(949)	–	–	(962)
Revenue	36,540	29,127	24,885	–	90,552
Adjusted operating profit/(loss)	5,359	4,898	3,715	(1,746)	12,226
Amortisation of acquired intangible assets	(217)	(153)	–	–	(370)
Other acquisition-related costs	–	–	–	(203)	(203)
Operating profit/(loss)	5,142	4,745	3,715	(1,949)	11,653
Finance costs	–	–	–	(437)	(437)
Profit/(loss) before tax	5,142	4,745	3,715	(2,386)	11,216

The segment results for the period ended 31 May 2022 are as follows:

2022 – Unaudited	Aerospace & Industrial £'000	Laboratory £'000	Metal Melt Quality £'000	Central £'000	Group £'000
Total segment revenue	30,769	31,797	20,820	–	83,386
Inter-segment revenue	(84)	(1,022)	–	–	(1,106)
Revenue	30,685	30,775	20,820	–	82,280
Adjusted operating profit/(loss)	3,091	6,064	2,782	(1,525)	10,412
Amortisation of acquired intangibles assets	(182)	(153)	–	–	(335)
Operating profit/(loss)	2,909	5,911	2,782	(1,525)	10,077
Finance costs	–	–	–	(566)	(566)
Profit/(loss) before tax	2,909	5,911	2,782	(2,091)	9,511

The segment assets and liabilities at 31 May 2023 are as follows:

At 31 May 2023 – Unaudited	Aerospace & Industrial £'000	Laboratory £'000	Metal Melt Quality £'000	Central £'000	Group £'000
Segmental assets	70,099	64,762	34,099	1,990	170,950
Cash and cash equivalents	–	–	–	19,678	19,678
Total assets	70,099	64,762	34,099	21,668	190,628
Segmental liabilities	(20,488)	(13,498)	(6,587)	(6,748)	(47,321)
Retirement benefit obligations	–	–	–	(6,759)	(6,759)
Total liabilities	(20,488)	(13,498)	(6,587)	(13,507)	(54,080)

Notes to the condensed interim consolidated financial information continued

2 Segmental information continued

The segment assets and liabilities at 31 May 2022 are as follows:

At 31 May 2022 – Unaudited	Aerospace & Industrial £'000	Laboratory £'000	Metal Melt Quality £'000	Central £'000	Group £'000
Segmental assets	77,124	57,114	30,777	244	165,259
Cash and cash equivalents	–	–	–	15,988	15,988
Total assets	77,124	57,114	30,777	16,232	181,247
Segmental liabilities	(20,481)	(15,358)	(7,015)	(6,492)	(49,346)
Retirement benefit obligations	–	–	–	(7,102)	(7,102)
Borrowings	–	–	–	(3,754)	(3,754)
Total liabilities	(20,481)	(15,358)	(7,015)	(17,348)	(60,202)

The segment assets and liabilities at 30 November 2022 are as follows:

At 30 November 2022 – Audited	Aerospace & Industrial £'000	Laboratory £'000	Metal Melt Quality £'000	Central £'000	Group £'000
Segmental assets	68,033	63,324	36,063	1,979	169,399
Cash and cash equivalents	–	–	–	18,297	18,297
Total assets	68,033	63,324	36,063	20,276	187,696
Segmental liabilities	(21,640)	(13,168)	(6,893)	(5,111)	(46,812)
Retirement benefit obligations	–	–	–	(9,816)	(9,816)
Total liabilities	(21,640)	(13,168)	(6,893)	(14,927)	(56,628)

Geographical analysis

Revenue

	Six months ended 31 May			
	2023 Unaudited		2022 Unaudited	
	By destination £'000	By origin £'000	By destination £'000	By origin £'000
United Kingdom	8,975	24,018	8,735	25,794
Continental Europe	18,475	14,054	18,961	10,146
United States of America	43,250	49,701	37,171	43,961
Other NAFTA	2,204	–	1,734	–
South America	1,448	–	987	–
Asia	15,395	2,779	13,558	2,379
Africa	805	–	1,134	–
	90,552	90,552	82,280	82,280

Notes to the condensed interim consolidated financial information continued

3 Earnings per share (EPS)

As reported

	Six months ended 31 May					
	2023 Unaudited			2022 Unaudited		
	Earnings £'000	Weighted average number of shares	Per share Pence	Earnings £'000	Weighted average number of shares	Per share Pence
Profit for the period – attributable to owners of the parent	8,849			7,376		
Shares in issue		46,343,604			46,201,685	
Shares owned by the Employee Benefit Trust		(410,009)			(289,162)	
Basic EPS	8,849	45,933,595	19.3	7,376	45,912,523	16.1
Dilutive share options outstanding	–	18,087	–	–	42,640	–
Diluted EPS	8,849	45,951,682	19.3	7,376	45,955,163	16.1

In addition to the above, the Group also calculates an earnings per share based on adjusted profit as the Board believes this to be a better measure to judge the progress of the Group, as discussed in note 1.

Adjusted

	Six months ended 31 May					
	2023 Unaudited			2022 Unaudited		
	Earnings £'000	Weighted average number of shares	Per share Pence	Earnings £'000	Weighted average number of shares	Per share Pence
Profit for the period – attributable to owners of the parent	8,849			7,376		
Adjusting items (note 1)	491			268		
Adjusted profit attributable to owners of the parent	9,340			7,644		
Adjusted basic EPS	9,340	45,933,595	20.3	7,644	45,912,523	16.6
Adjusted diluted EPS	9,340	45,951,682	20.3	7,644	45,955,163	16.6

4 Dividends per share

	Six months ended 31 May			
	2023 Unaudited		2022 Unaudited	
	Per share	£'000	Per share	£'000
Final dividend approved	3.8p	1,745	3.5p	1,606

The final dividend approved for the year ended 30 November 2022 was paid to shareholders on 7 June 2023.

The Directors have declared an interim dividend of 2.0 pence (2022: 1.9 pence) per share to be paid on 23 August 2023 to shareholders on the register at the close of business on 21 July 2023; the ex-dividend date is 20 July 2023.

Notes to the condensed interim consolidated financial information continued

5 Provisions

	Dilapidations £'000	Warranty £'000	Total £'000
At 1 December 2022	328	3,692	4,020
Additional charge in period	–	428	428
Release of provision	–	(79)	(79)
Unwinding of discount	17	–	17
Exchange	–	(13)	(13)
At 31 May 2023	345	4,028	4,373

Provisions arise from potential claims on major contracts, sale warranties, and discounted dilapidations for leased property. Matters that could affect the timing, quantum and extent to which provisions are utilised or released include the impact of any remedial work, claims against outstanding performance bonds, and the demonstrated life of the filtration equipment installed.

6 Contingent liabilities

At 31 May 2023, the Group has performance bonds totalling US\$nil and €0.2 million (30 November 2022: US\$1.0 million and €0.3 million). The uncalled performance bonds are expected to be called or released no later than December 2024.

7 Cash generated from operations

	Six months ended 31 May	
	2023 Unaudited £'000	2022 Unaudited £'000
Operating profit	11,653	10,077
Adjustments for:		
– Fair value movement of derivatives through profit and loss	(100)	249
– Share-based payments	552	387
– Depreciation of property, plant and equipment and amortisation of intangibles	2,127	1,862
– Depreciation of right-of-use assets	1,124	1,098
– Loss on disposal of property, plant and equipment	–	23
Operating cash flows before movement in working capital	15,356	13,696
Increase in inventories	(2,301)	(3,044)
Increase in trade and other receivables	(2,313)	(6,162)
(Decrease)/increase in trade and other payables	(734)	4,582
Increase/(decrease) in provisions	351	(292)
Increase in working capital	(4,997)	(4,916)
Post employment benefits (net cash movements)	(2,148)	(1,541)
Cash generated from operations	8,211	7,239

Notes to the condensed interim consolidated financial information continued

8 Reconciliation of net cash flow to movement in net debt

	Six months ended 31 May	
	2023 Unaudited £'000	2022 Unaudited £'000
Net cash/(debt) at the beginning of the period	6,825	(2,006)
Increase in cash and cash equivalents	1,631	344
Decrease in borrowings	–	1,350
Decrease in lease liabilities	348	878
Effects of exchange rate changes	(140)	176
Net cash at the end of the period	8,664	742
Cash and cash equivalents	19,678	15,988
Borrowings	–	(3,754)
Lease liabilities	(11,014)	(11,492)
Net cash at the end of the period	8,664	742

9 Acquisitions

On 3 March 2023, the Group acquired certain business and assets from HRW Inc., a small engineering operation in Nampa, Idaho, and key supplier to the Group's microelectronics filtration facility in Idaho. The acquisition expands machining and product design skills to that location.

The total maximum consideration is £0.9 million; consisting of initial and deferred consideration. In the period since acquisition, the business has contributed £0.1 million of adjusted operating profit to the Group results. Had the acquisition been consolidated from 1 December 2022, the income statement would show adjusted operating profit of £12.3 million.

The following table sets out the purchase consideration, together with the provisional fair value of assets acquired and liabilities assumed:

	Total £'000
Purchase consideration:	
Initial cash consideration	668
Deferred cash consideration	200
Total purchase consideration	868
Provisional fair value of net assets acquired (below)	(679)
Goodwill	189
	Fair value £'000
Provisional fair value of identifiable assets acquired and liabilities assumed:	
Technology and know-how	343
Property, plant and equipment (including right-of-use assets)	538
Inventory	37
Trade and other payables (including lease liabilities)	(239)
Provisional fair value of net assets acquired	679

Notes to the condensed interim consolidated financial information continued

9 Acquisitions continued

A preliminary valuation of the identifiable intangible assets has been carried out in the period. Acquisition-related intangible assets comprise technology and know-how of £0.3 million.

The goodwill is attributable to non-contractual relationships, the synergies between the business acquired and the operations of the Group, and the potential to develop the technologies acquired. None of these meet the criteria for recognition of intangible assets separable from goodwill. The goodwill recognised is attributable to the Aerospace & Industrial division and is expected to be deductible for income tax purposes.

These estimates of fair value may be adjusted in future in accordance with the requirements of IFRS 3 *Business Combinations*.

On 4 May 2023, the Group announced that it will acquire, subject to Hungarian regulatory approval, 100% of the issued share capital of two businesses, Ratiolab GmbH and Ratiolab Kft. (together "Ratiolab") as outlined in the Divisional review above.

The direct cost of acquisitions was £0.2 million. This cost has been charged to the income statement and is presented as an adjusting item (see note 1).

10 Exchange rates

Exchange rates for the US dollar and Euro during the period were:

	Average rate to 31 May 2023 Unaudited	Average rate to 31 May 2022 Unaudited	Closing rate at 31 May 2023 Unaudited	Closing rate at 30 Nov 2022 Unaudited
US dollar	1.22	1.31	1.23	1.19
Euro	1.14	1.19	1.15	1.16

11 Basis of preparation

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

This unaudited condensed interim consolidated financial information for the six months ended 31 May 2023 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 contained in UK-adopted International Accounting Standards. The condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended 30 November 2022, which were prepared in accordance with applicable law and UK-adopted International Accounting Standards.

The accounting policies applied in these interim financial statements are consistent with those applied in the Group's consolidated financial statements for the year ended 30 November 2022. A number of new amendments are effective from 1 December 2022 but they do not have a material effect on the Group's financial statements.

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

This condensed interim consolidated financial information has been prepared on a going concern basis under the historical cost convention, as modified by the recognition of certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

Notes to the condensed interim consolidated financial information continued

11 Basis of preparation continued

The preparation of condensed interim 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 interim 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. In preparing the condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 30 November 2022.

After having made appropriate enquiries, including a review of progress against the Group's budget for 2023, its current trading and medium-term plans; and taking into account the banking facilities available until May 2026, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the condensed interim consolidated financial information. Accordingly, they continue to adopt the going concern basis in preparing this condensed interim consolidated financial information.

This condensed interim consolidated financial information and the comparative figures do not constitute full accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 November 2022, which were approved by the Board of Directors on 27 January 2023 and 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 condensed interim consolidated financial information has been reviewed, not audited.

The condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements; it should be read in conjunction with the Group's annual financial statements for the year ended 30 November 2022. There have been no changes in any risk management policies since the year end.

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 interim consolidated financial information has been prepared in accordance with IAS 34 Interim Financial Reporting as contained in UK-adopted International Accounting Standards, 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 interim 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 2022. 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

James Mills
Group Finance Director

30 June 2023

Independent review report to Porvair plc

Conclusion

We have been engaged by Porvair plc (the Company) to review the condensed set of financial statements of the Company and its subsidiaries (the 'Group') in the interim financial report for the six months ended 31 May 2023 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 11. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements of fact or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 31 May 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards, and the Disclosure Guidance and Transparency Rules 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" (ISRE (UK) 2410) issued for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 11, the annual financial statements of the Group are prepared in accordance with UK-adopted International Accounting Standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards.

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 management have inappropriately adopted the

going concern basis of accounting or that management 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 and the Company to cease to continue as a going concern.

Responsibilities of Directors

The interim financial report, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the interim financial report, the directors are responsible for assessing the Group's and the Company'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 the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Review of the Financial Information

In reviewing the interim financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the interim financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

30 June 2023

Shareholder information


Registrar services

Our shareholder register is managed and administered by Link Group. Link Group should be able to help you with most questions you have in relation to your holding in Porvair plc shares.

Link can be contacted at:

 **Link Group**
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

 www.linkgroup.eu

 Telephone: 0371 664 0300 if calling from the United Kingdom, or +44 (0) 371 664 0391 if calling from outside the United Kingdom. Calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales;

 E-mail: shareholderenquiries@linkgroup.co.uk.


In addition, Link offers a range of other services to shareholders including a share dealing service and a share portal to manage your holdings.

Share dealing service

A share dealing service is available to existing shareholders to buy or sell the Company's shares via Link Share Dealing Services. Online and telephone dealing facilities provide an easy to access and simple to use service.

For further information on this service, or to buy or sell shares, please contact:

 www.linksharedeal.com – online dealing

 0371 664 0445 – telephone dealing (from outside the UK: +44 (0) 371 664 0445).

 Email: info@linksharedeal.com

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell their shares. Shareholders in any doubt as to what action to take are recommended to seek financial advice from an independent financial adviser authorised by the Financial Services and Markets Act 2000.

Board committees, Secretary and advisers

Directors

Ben Stocks (Group Chief Executive)
 James Mills (Group Finance Director)
 John Nicholas* (Independent Non-Executive Chair)
 Sally Martin* (Senior Independent Non-Executive Director and Chair of the Remuneration Committee)
 Ami Sharma* (Independent Non-Executive Director and Chair of the Audit Committee)
 Sarah Vawda* (Independent Non-Executive Director and member of the Audit, Remuneration and Nomination Committees)

*denotes independent Non-Executive Director

Members of the Audit Committee

Ami Sharma (Chair)
 Sally Martin
 Sarah Vawda

Members of the Remuneration Committee

Sally Martin (Chair)
 John Nicholas
 Ami Sharma
 Sarah Vawda

Members of the Nomination Committee

John Nicholas (Chair)
 Sally Martin
 Ami Sharma
 Sarah Vawda

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