

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, solicitor, accountant or other independent financial adviser authorised under the Financial Services Act 1986.

If you have sold or transferred all of your ordinary shares in Porvair plc, other than ex-rights, please forward this document and the accompanying Form of Proxy and any Provisional Allotment Letter you receive at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, the Provisional Allotment Letter should not be forwarded to, or transmitted in or into, the United States, Canada, Australia, Japan or the Republic of Ireland.

A copy of this document, which comprises a prospectus relating to Porvair plc prepared in accordance with the listing rules made under Section 142(6) of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration, as required by section 149 of that Act.

Application has been made to the UK Listing Authority and to the London Stock Exchange respectively for the New Ordinary Shares to be admitted to the Official List and trading on the London Stock Exchange's market for listed securities. It is expected that such admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on 18 June 2001.

porvair plc

3 for 7 Rights Issue
of

up to 11,041,094 New Ordinary Shares of 2p each at 260p per share



This document should be read in conjunction with the Provisional Allotment Letter which is expected to be sent to Qualifying Shareholders (other than certain overseas Shareholders) on 15 June 2001. The latest time for acceptance and payment in full under the Rights Issue is expected to be 3.00 pm on 10 July 2001. The procedure for acceptance and payment is set out in Part II of this document.

Close Brothers Corporate Finance Limited, which is regulated by the Security and Futures Authority, is acting for Porvair plc and no-one else in relation to the matters described in this document and will not be responsible to any other person for providing protections afforded to its customers or for providing advice in relation to the matters referred to herein.

Beeson Gregory Limited, which is regulated by the Security and Futures Authority, is acting for Porvair plc and no-one else in relation to the matters described in this document and will not be responsible to any other person for providing protections afforded to its customers or for providing advice in relation to the matters referred to herein.

The New Ordinary Shares and the Provisional Allotment Letters have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States or under the applicable securities laws of Canada, Australia, Japan or the Republic of Ireland. Subject to certain limited exceptions neither the New Ordinary Shares nor the Provisional Allotment Letters may be offered, sold, taken up, renounced or delivered within the United States, Canada, Australia, Japan or the Republic of Ireland or to or by any national, resident or citizen of such countries.

Notices of two extraordinary general meetings of the Company, to be held at 9.00 am on 15 June 2001 and at 9.00 am on 22 June 2001 respectively at Riverside Industrial Estate, Estuary Road, King's Lynn, Norfolk PE30 2HS are set out at the end of this document. To be valid, the enclosed Forms of Proxy for use in connection with the First Extraordinary General Meeting and the Second Extraordinary General Meeting should be completed in accordance with the instructions thereon and returned to Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ as soon as possible, but in any event so as to arrive no later than 9.00 am on 13 June 2001 in respect of the First Extraordinary General Meeting and no later than 9.00 am on 20 June 2001 in respect of the Second Extraordinary General Meeting.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2001
Record date for the Rights Issue	8 June
Last time and date for receipt of the blue Form of Proxy in respect of the First Extraordinary General Meeting	9.00 am on 13 June
First Extraordinary General Meeting	9.00 am on 15 June
Provisional Allotment Letters despatched	15 June
Admission occurs and dealings in New Ordinary Shares commence, nil paid	18 June
Last time and date for receipt of the white Form of Proxy in respect of the Second Extraordinary General Meeting	9.00 am on 20 June
Second Extraordinary General Meeting	9.00 am on 22 June
Latest time and date for splitting Provisional Allotment Letters	3.00 pm on 5 July
Latest time and date for acceptance and payment in full and registration of renunciation	3.00 pm on 10 July
Dealings commence in the New Ordinary Shares, fully paid	11 July
Crediting of CREST accounts with New Ordinary Shares	20 July
Certificates for New Ordinary Shares despatched by	20 July

DEFINITIONS

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

"2Fi"	2Fi Holdings Limited, acquired by PTL on 1 May 2001 from the 2Fi Managers and 3i Group plc
"2Fi Managers"	John Sexton, David Amey and James Robinson
"Act"	Companies Act 1985, as amended by the Companies Act 1989 and every statutory modification or re-enactment thereof for the time being in force
"Admission"	the admission of the New Ordinary Shares, nil paid, to the Official List <i>becoming effective in accordance with the Listing Rules and admission of the New Ordinary Shares, nil paid, to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with the Admission and Disclosure Standards</i>
"Acquisitions"	the acquisitions of Microfiltrex, 2Fi, Engineered Ceramics and a 25 per cent. stake in Sympatex
"Beeson Gregory"	Beeson Gregory Limited, stockbroker, listing agent and joint underwriter to the Company, of The Registry, Royal Mint Court, London EC3N 4LB
"Canada"	Canada and each province thereof
"Close Brothers"	Close Brothers Corporate Finance Limited, sponsor and financial adviser to the Company or, in the context of the Underwriting Agreement, Close Brothers Limited, joint underwriter to the Company, (as the context requires) both of 10 Crown Place, London EC2A 4FT
"CREST"	the system operated by CRESTCo Limited in accordance with which securities may be held and transferred in uncertificated form
"Directors" or "Board"	the directors of the Company whose names are set out on page 6 of this document
"Engineered Ceramics"	an operating business unit of General Signal Technology Corporation, a subsidiary of SPX Corporation, the business and assets of which were acquired by Selee on 27 February 2001
"Enlarged Group"	the Group, as enlarged by the Acquisitions
"Extraordinary General Meetings"	the First Extraordinary Meeting and the Second Extraordinary General Meeting
"First Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held at 9.00 am on 15 June 2001 convened by the notice which is set out on page 44 of this document
"Forms of Proxy"	the blue form of proxy for use in respect of the First Extraordinary General Meeting and the white form of proxy for use in the Second Extraordinary General Meeting, both of which are enclosed with this document
"Group"	the Company and its subsidiary undertakings
"Issue Price"	260p per New Ordinary Share
"Listing Rules"	rules and regulations made by the UK Listing Authority under Part IV of the Financial Services Act 1986 (as amended from time to time)
"London Stock Exchange"	London Stock Exchange plc

"Microfiltrex"	Fairey Microfiltrex Limited, acquired by PTL on 26 March 2001 from Fairey Group plc
"New Ordinary Shares"	up to 11,041,094 new Ordinary Shares to be issued pursuant to the Rights Issue
"Official List"	the Official List of the London Stock Exchange
"Ordinary Shares"	ordinary shares of 2p each in the capital of the Company
"Ploucquet"	C.F. Ploucquet GmbH & Co
"Porvair" or "the Company"	Porvair plc
"Porvair Filtration Group"	the new filtration business to be formed from the integration of Microfiltrex, 2Fi and Porvair's existing UK-based filtration business
"Porvair Fuel Cell Technologies"	Porvair Fuel Cell Technology Inc., a wholly owned subsidiary of Porvair
"Provisional Allotment Letter"	the renounceable provisional allotment letter to be sent to each Qualifying Shareholder (other than certain overseas Shareholders as set out in paragraph 4 of Part II of this document) for use in connection with the Rights Issue
"PTL"	Porvair Technology Limited, the company through which Porvair's existing UK-based filtration business is conducted, which will act as the holding company for Porvair Filtration Group
"Qualifying Shareholders"	the holders of existing Ordinary Shares on the register of members of the Company on the Record Date
"Record Date"	the close of business on 8 June 2001, or such later date as the Company shall announce
"Resident of Canada"	a citizen, national or resident of Canada, the estate of any such person, a partnership, corporation or other entity created in or under the laws of Canada, or any estate or trust, the income of which is liable to Canadian income tax regardless of its source
"Resolutions"	the ordinary resolutions to be proposed at the First Extraordinary General Meeting
"Rights Issue"	the proposed issue, by way of rights, of New Ordinary Shares to Qualifying Shareholders on the terms and subject to the conditions described in this document and the Provisional Allotment Letter
"Second Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held at 9.00 am on 22 June 2001 convened by the notice which is set out on page 45 of this document
"Securities Act"	the United States Securities Act of 1933 (as amended)
"Selee"	Selee Corporation, a wholly owned subsidiary of Porvair
"Shareholder"	a holder of Ordinary Shares
"Share Option Schemes"	the Porvair Share Option Scheme 1986 and the Porvair Executive Share Option Scheme 1997
"South Africa"	the Republic of South Africa, its territories and possessions and areas subject to its jurisdiction or under its control

“Sympatex”	Sympatex Technologies GmbH, a 25 per cent. stake in which was acquired by Porvair on 21 March 2001
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services Act 1986
“Underwriters”	Close Brothers Limited and Beeson Gregory
“Underwriting Agreement”	the conditional agreement dated 30 May 2001 between the Company, Close Brothers and Beeson Gregory relating to the underwriting of the Rights Issue, a summary of the principal terms and conditions of which is set out in paragraph 7 of Part V of this document
“USA” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US person”	a US person as defined in regulation S promulgated under the Securities Act

PART I

LETTER FROM THE CHAIRMAN OF PORVAIR



(Registered in England and Wales No 1661935)

Directors

John Morgan *(Non-Executive Chairman)*
Benjamin Stocks *(Group Chief Executive)*
Mark Moran *(Group Finance Director)*
Michael Ost *(Non-Executive Director)*
William Wallis *(Non-Executive Deputy Chairman)*

Registered Office

Riverside Industrial Estate
Estuary Road
King's Lynn
Norfolk
PE30 2HS

30 May 2001

To Shareholders and, for information only, to the holders of options under the Share Option Schemes

Dear Shareholder

3 for 7 Rights Issue of up to 11,041,094 New Ordinary Shares at 260p per share

Introduction

Your Board has today announced a 3 for 7 rights issue of up to 11,041,094 New Ordinary Shares at 260p per share to raise approximately £27.3 million net of expenses. The Rights Issue has been fully underwritten by Close Brothers and Beeson Gregory.

The purpose of this document is to provide you with details of and the reasons for the Rights Issue and to explain why your Board considers that the Rights Issue is in the best interests of the Company and Shareholders as a whole.

In addition, this document contains a notice convening two extraordinary general meetings. The First Extraordinary General Meeting is to be held at Riverside Industrial Estate, Estuary Road, King's Lynn, Norfolk PE30 2HS at 9.00 am on 15 June 2001 to increase the Company's authorised share capital and to grant the Directors authority to allot shares. The Rights Issue is conditional inter alia on the passing of the Resolutions. The Second Extraordinary General Meeting is to be held at Riverside Industrial Estate, Estuary Road, King's Lynn, Norfolk PE30 2HS at 9.00 am on 22 June 2001 to disapply statutory pre-emption rights. The Rights Issue is not conditional on the passing of this resolution.

Background to and reasons for the Rights Issue

Porvair's strategy is to identify and develop materials technologies that display clear technical edge, strong market position and significant potential for profitable growth.

In Porvair's Annual Report and Accounts for the year ended 30 November 2000, the Board set out its strategic outlook for 2001, describing the year ahead as being one of transition. The Board undertook to increase research and development expenditure substantially in support of promising materials technology applicable to fuel cell development.

This evolutionary change of strategic emphasis prompted a review of the Group's investment and development programmes, with the intention of identifying those areas of the business best positioned for organic and acquisitive growth and those areas best positioned to maximise shorter term profit and cash generation.

During the current year, Porvair has made the following acquisitions in identified growth areas of the business:

<i>Date</i>	<i>Company</i>	<i>Total acquisition cost</i>	<i>Form of consideration</i>
27 February 2001	Engineered Ceramics	US\$5.4 million	Cash
21 March 2001	Sympatex (25 per cent. stake)	£2.2 million*	Cash
26 March 2001	Microfiltrex	£12.3 million	Cash
1 May 2001	2Fi	£7.5 million	Cash, unsecured loan notes and ordinary shares in PTL

* This figure includes a loan of €1.6 million (£1.0 million) to Sympatex.

Porvair has funded the cash consideration payable in respect of the Acquisitions, together with the associated costs, through bank borrowings which include a bridge facility for £16.0 million that expires on 31 March 2002. The net proceeds of the Rights Issue will be used to reduce these borrowings and to re-pay the bridge facility in full. As set out in Part IV of this document, Porvair will have pro forma net borrowings of £5.2 million following the Rights Issue.

The capital structure of the Group following the Rights Issue will provide the Company with flexibility to take advantage of acquisition opportunities which the Directors expect to arise for the ongoing development of Porvair's business whilst continuing to invest at substantially increased levels in support of promising fuel cell technology. A number of such potential opportunities are currently being investigated by the Board. It is not possible to foretell with any certainty whether any of these opportunities might result in a transaction or, if they do, within what timescale such a transaction might take place.

The Acquisitions

Engineered Ceramics

Engineered Ceramics was an operating business unit of General Signal Technology Corporation, a subsidiary of SPX Corporation, the business and assets of which were acquired by Selee on 27 February 2001 at a cost of US\$5.4 million in cash.

Engineered Ceramics is a US-based manufacturer of high performance products for the molten metal and thermal processing industries. It has a strong position in supplying the investment casting industry, a market in which Porvair's subsidiary Selee has a fast growing presence. Engineered Ceramics will be operated by Selee. The Directors expect that combining Engineered Ceramics' product base with Selee's sales force and new materials pipeline will enable Porvair to continue to grow in this market. Financial, administrative and information systems have already been successfully integrated into Selee. Commercial integration is progressing well and the Directors are investigating several potential opportunities to utilise the skill bases of Selee and Engineered Ceramics for the benefit of the combined business.

Engineered Ceramics' unaudited management accounts for the year ended 31 December 2000 showed profit before interest and tax of US\$0.9 million on turnover of US\$5.6 million. Net assets were US\$1.5 million at that date.

Sympatex

Porvair acquired a 25 per cent. stake in Sympatex on 21 March 2001 for €1.7 million (£1.2 million) (including expenses) in cash and at the same time provided a loan of €1.6 million (£1.0 million) to Sympatex on which interest is receivable at a commercial rate. Porvair has the right to one seat on a four-seat supervisory board and holds 25 per cent. of the voting rights. The remaining 75 per cent. of Sympatex is owned by Ploucquet, a leading European textile, lamination and specialist clothing manufacturer, which acquired Sympatex with effect from 1 January 2001.

Sympatex is a supplier of windproof, waterproof and breathable membranes under the Sympatex brand name for use in weather resistant clothing and shoes. Sympatex has a leading market share in German-speaking Europe and is a key competitor to Gore-Tex worldwide. The Directors expect that the combination of

Sympatex's brand strength and marketing reach with Ploucquet's textile and lamination expertise and Porvair's proven membrane technology will strengthen Sympatex's competitive position and accelerate its development. Under the terms of a shareholding agreement, Porvair will undertake new product development programmes for Sympatex and will supply any resulting products. Moreover, Porvair has the right to licence the Sympatex brand name for its own products.

Porvair views this acquisition as a significant step forward for its membranes business, offering a clear route to market for new product development and an enhanced focus on windproof/waterproof/breathable technology. This has accelerated progress in the simplification of the Group's membranes operation. Marginal product lines will cease production in 2001, thereby reducing cost and complexity and freeing cash resources.

As announced on 10 April 2001, a one-time cost of approximately £3.0 million, primarily associated with the write down of assets used in the production of redundant products, has been incurred as an exceptional item during the six months ending 31 May 2001.

Microfiltrex

Microfiltrex was acquired by PTL on 26 March 2001 from Fairey Group plc (now renamed Spectris plc) at a cost of £12.3 million in cash. The acquisition was the first step in the formation of a new high-quality specialist filtration business, to be named Porvair Filtration Group, which is described in more detail below.

Microfiltrex designs, manufactures and markets custom microfiltration and separation systems for demanding environments. It operates at the high performance end of the filtration market, focusing on high specification, bespoke solutions for its customers. Microfiltrex serves customers in technologically demanding industries, primarily aerospace and defence, electric power generation and fine chemicals.

In its audited statutory accounts for the year ended 31 December 2000, Microfiltrex reported profit before interest and tax of £1.3 million on turnover of £8.4 million. Net assets were £0.2 million at that date.

2Fi

2Fi was acquired by PTL on 1 May 2001 from the 2Fi Managers and 3i Group plc at a cost of £7.5 million. The consideration was satisfied by the payment of approximately £1.0 million (principally to 3i) in cash, £1.5 million in unsecured loan notes and the issue of, in aggregate, 3,823,620 A ordinary shares in PTL (representing 21 per cent. of the issued share capital of PTL) to the 2Fi Managers. The acquisition marked the second step in the formation of Porvair Filtration Group.

2Fi designs, manufactures and markets custom microfiltration and separation systems for demanding environments, primarily for chemical, general industrial and pharmaceutical markets. It was founded in 1993 by the 2Fi Managers, two of whom were previously employees of Microfiltrex, and has grown rapidly since this time. It has a wide product base and excellent technical expertise.

In its audited statutory accounts for the year ended 31 October 2000, 2Fi reported profit before interest and tax of £0.8 million on sales of £6.0 million. Net assets were £1.5 million at that date.

Porvair Filtration Group

Porvair is in the process of integrating Microfiltrex and 2Fi with its existing UK-based filtration business, PTL, to create a new specialist filtration business to be named Porvair Filtration Group. The Directors expect that the combination of Microfiltrex's excellent reputation and market position, the proven entrepreneurial skill and market knowledge of 2Fi's management and Porvair's microporous materials expertise and financial discipline will position the new business as a leading specialist filtration operation.

Porvair Filtration Group will be managed by the 2Fi Managers. They hold, in aggregate, 21 per cent. of the issued share capital of PTL, which will form the holding company for Porvair Filtration Group and, as part of their incentive plan, will have the opportunity to increase their holdings by approximately a further 3 per cent., in aggregate, if certain performance targets are achieved. The 2Fi Managers have agreed not to dispose

of any shares in PTL for a period of three years. Further details of the arrangements with the 2Fi Managers are set out in paragraph 7(g) of Part V of this document.

The combination of businesses to form the Porvair Filtration Group will provide additional benefits in the following areas:

- product range: a broader product range can be sold through a centrally managed sales force;
- markets: 2Fi is strong in the UK, while Microfiltrex generates 30 per cent. of sales in the US where Porvair has a strong infrastructure;
- costs: a single management team will remove unnecessary duplication;
- materials: input costs will be reduced by the development of filtration media within the Enlarged Group; and
- new product development: the Board expects that access to the enhanced range of technologies offered by the Enlarged Group coupled with incentivised management will enable Porvair Filtration Group to develop exciting new products and applications.

Further details of the Acquisitions are set out in paragraph 7 of Part V of this document.

Porvair Fuel Cell Technologies

Porvair has a strong position in the development of fuel cell components through its division, Porvair Fuel Cell Technology, which is engaged actively in the licensing and development of new materials for specific use in challenging fuel cell environments. Porvair's materials are concerned with the control of heat, catalysis and moisture in fuel cell systems.

In 2001, Porvair has undertaken to increase substantially its research and development expenditure in support of promising fuel cell materials technology. The majority of Porvair's research and development expenditure in the current financial year is expected to be attributable to fuel cell activities. The technical programme associated with this expenditure consists of fourteen specific projects. Commercial progress is encouraging with 39 sampling/development programmes in place to date.

One of the fourteen projects has involved identifying other relevant materials sciences. Porvair has made exciting progress here, and in April 2001 agreed a licence with Oak Ridge National Laboratory, a US government funded energy research body. The licence relates to a patent-protected porous carbon composite mouldable bi-polar plate which will undergo trials for use in Proton Exchange Membrane fuel cell stacks. It is an excellent strategic fit and complements Porvair's existing MetPore™ fuel cell technology and advanced ceramics manufacturing capabilities. Porvair's exclusive access to this intellectual property will strengthen its position in the developing fuel cell market.

The Enlarged Group

The effect of the Acquisitions is to position Porvair as a materials technology group focused in the areas of filtration media and membranes technology through three principal operations with both scale and focus and fuel cell technology through an investment programme with exciting medium to long-term opportunities:

Selee

Selee, as enlarged by the acquisition of Engineered Ceramics, is North America's leading producer of open-pore ceramic foam for molten metal filtration applications.

Membranes

Membranes, as enlarged by the acquisition of the 25 per cent. stake in Sympatex, is a producer of polyurethane membranes under the Permair, Porelle, Sealskinz and Sympatex brands.

Porvair Filtration Group

Porvair Filtration Group will be a specialist vertically integrated business providing customised filtration solutions for demanding environments.

Porvair Fuel Cell Technologies

Porvair Fuel Cell Technologies is a developer and manufacturer of componentry for fuel cell, fuel reformation and allied applications.

Other businesses

In addition, Porvair has two smaller profitable businesses focusing on ceramic moulds and assay equipment for the life sciences market.

Current trading and profit forecast

The Group is trading in line with market expectations and the Board remains confident of the prospects for the Group in the current financial year.

Simplification of the Group's membranes activities to maximise profit and cash generation potential is under way and will reduce its contribution this year.

Progress in relation to the Group's fourteen fuel cell projects has been encouraging and the Board expects to make further advances in this area during the course of the year.

Recent additions to the Group have started strongly.

The Board expects that group operating profit on continuing activities before research and development expenditure, goodwill amortisation and exceptional items for the six months ending 31 May 2001 will be approximately £3.7 million (2000: £3.4 million) and that loss before tax for the Group (after research and development expenditure, goodwill amortisation, exceptional items and interest) will be approximately £3.0 million for the same period (2000: profit £1.0 million). Further details of the profit forecast, including letters from PricewaterhouseCoopers and Close Brothers in connection with this profit forecast, are set out in Part III of this document.

Terms and conditions of the Rights Issue

The Company proposes to raise approximately £27.3 million net of expenses by issuing up to 11,041,094 New Ordinary Shares at 260p per share payable in full on acceptance by way of the Rights Issue which will be made on the following basis:

3 New Ordinary Shares for every 7 existing Ordinary Shares

held by Shareholders on the Record Date and so in proportion for any other number of Ordinary Shares then held. Entitlements to New Ordinary Shares will be rounded down to the nearest whole share and shares representing fractional entitlements will not be allotted. The New Ordinary Shares will, when paid for in full, carry the right to receive in full any dividends and distributions declared, paid or made after the date of this document and will otherwise rank *pari passu* in all respects with the existing issued Ordinary Shares.

The Rights Issue has been fully underwritten by Close Brothers and Beeson Gregory. Any New Ordinary Shares not taken up under the Rights Issue will be issued to persons procured by Beeson Gregory as subscribers or failing that to Close Brothers and Beeson Gregory in equal proportions pursuant to the Underwriting Agreement.

Application has been made to the UK Listing Authority and to the London Stock Exchange respectively for the New Ordinary Shares to be admitted to the Official List in nil paid form and to trading on the London Stock Exchange's market for listed securities in nil paid form.

The Rights Issue is conditional, *inter alia*, on the Resolutions being passed at the First Extraordinary General Meeting, Admission taking place not later than 18 June 2001 (or such later time and date as the Underwriters

and the Company may agree, not being later than 26 June 2001) and the Underwriting Agreement not being terminated in accordance with its terms at any time prior to Admission. It is expected that Admission will occur and that dealings in the New Ordinary Shares, nil paid, will commence on 18 June 2001.

It is expected that the latest time and date for acceptance and payment in full in respect of the Rights Issue will be 3.00 pm on 10 July 2001.

The Provisional Allotment Letter that will be sent to Qualifying Shareholders following the passing of the Resolutions to be proposed at the First Extraordinary General Meeting will indicate the number of New Ordinary Shares provisionally allotted to each such Qualifying Shareholder pursuant to the Rights Issue and for which he or she is entitled to subscribe and contain instructions regarding acceptance, payment, renunciation, splitting and registration.

Your Board is mindful of the Monopolies and Mergers Commission's recommendations with regard to competitive tendering of sub-underwriting commissions. However, after careful consideration of the benefits to the Company, the Directors believe that such a process would not be appropriate in connection with the Rights Issue.

Further information on the Rights Issue is set out in Part II of this document. A summary of the principal terms of the Underwriting Agreement is set out in paragraph 7(a) of Part V of this document.

Action to be taken in respect of the Rights Issue

If, once you have received a Provisional Allotment Letter, you wish to take up your entitlement in whole or in part, you should lodge your Provisional Allotment Letter in accordance with the instructions thereon, together with a remittance for the full amount payable, by post or by hand, with Capita IRG Plc, New Issues Department, P.O. Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or by hand only (during normal business hours), with Capita IRG Plc, Guildhall House, 81-87 Gresham Street, London EC2 so as to arrive no later than 3.00 pm on 10 July 2001. A prepaid envelope will be provided for this purpose.

Further information on the procedure for acceptance and payment and the procedure in respect of rights not taken up is set out in Part II of this document and will be set out in the Provisional Allotment Letter. Shareholders should retain this document pending receipt of Provisional Allotment Letters.

Extraordinary General Meetings

You will find set out at the end of this document notices convening the First Extraordinary General Meeting to be held at 9.00 am on 15 June 2001 and the Second Extraordinary General Meeting to be held at 9.00 am on 22 June 2001. The First Extraordinary General Meeting has been convened by the notice to increase the Company's share capital and to grant the Directors authority to issue the New Ordinary Shares. Accordingly, Resolutions will be proposed at the First Extraordinary General Meeting to:

1. increase the authorised share capital of the Company from £688,000 to £1,500,000 (an increase in authorised share capital of 118 per cent.) by the creation of 40,600,000 new Ordinary Shares; and
2. authorise the Directors to allot relevant securities up to an aggregate nominal amount of £466,180 (amounting to the New Ordinary Shares plus 33 $\frac{1}{3}$ per cent. of the issued ordinary share capital following the Rights Issue) pursuant to section 80 of the Act, such authority to expire on 14 June 2006.

The Rights Issue is conditional upon the passing of the Resolutions.

The Second Extraordinary General Meeting has been convened to maintain Porvair's flexibility to issue shares for cash following the Rights Issue, within the limits recommended by the Association of British Insurers. A resolution will be proposed at the Second Extraordinary General Meeting to disapply the statutory pre-emption rights contained in section 89 of the Act in relation to pre-emptive issues and issues for cash not exceeding an aggregate nominal value of £36,804 (amounting to 5 per cent. of the issued ordinary share capital of the Company following the Rights Issue), such authority to expire on 21 June 2006.

Other than pursuant to the Rights Issue, or in respect of the Company's obligations under the Share Option Schemes, the Directors have no present intention to exercise the authority to issue shares as at the date of this document.

Action to be taken in respect of the Extraordinary General Meetings

You will find enclosed with this document blue and white Forms of Proxy to enable you to vote at the First and Second Extraordinary General Meetings respectively. Whether or not you intend to be present at the First and/or Second Extraordinary General Meetings, you are requested to complete and return the Forms of Proxy in accordance with the instructions printed thereon to Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1BR as soon as possible, but in any event so as to arrive no later than 9.00 am on 13 June 2001 in respect of the First Extraordinary General Meeting and no later than 9.00 am on 20 June 2001 in respect of the Second Extraordinary General Meeting.

By completing and returning the form of proxy, you will not affect your right to attend and vote at the First or Second Extraordinary General Meeting, as the case may be, if you so wish.

Taxation

Your attention is drawn to paragraph 5 of Part II of this document which contains information regarding UK taxation in relation to the Rights Issue. **If you are in any doubt as to what action you should take in relation to the Rights Issue, you should consult your professional adviser immediately.**

Directors' intentions

The Directors (other than the Chairman), are entitled to subscribe for a maximum of 22,927 New Ordinary Shares and have irrevocably undertaken to take up their rights in full.

The Chairman intends to sell sufficient of his rights, nil paid, to enable him to subscribe for the balance of his entitlement, after providing for estimated costs and taxation.

Registration of New Ordinary Shares

For Qualifying Shareholders who hold Ordinary Shares in certificated form (ie not in CREST), the New Ordinary Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by 20 July 2001 to the persons entitled thereto at that person's registered address (provided that such registered address is not situated in the United States, Canada, Australia, Japan or the Republic of Ireland).

For Qualifying Shareholders who hold Ordinary Shares in uncertificated form (ie in CREST), the Company's registrars will instruct CREST to credit the appropriate CREST Member Account with their entitlements to New Ordinary Shares. It is expected that this will be done by 20 July 2001.

Participants in the Share Option Schemes

The attention of participants in the Share Option Schemes is drawn to the information which appears in paragraph 7 of Part II of this document.

Overseas Shareholders

The attention of overseas Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, is drawn to the information which appears in paragraph 4 of Part II of this document.

Additional information

Your attention is drawn to the additional information set out in Parts II to V of this document.

Recommendation

Your Board, which has received financial advice from Close Brothers, considers the Rights Issue and the resolutions to be proposed at the Extraordinary General Meetings to be in the best interests of the Company and its shareholders as a whole. In providing advice to the Board, Close Brothers has taken into account the Directors' commercial assessment of the Rights Issue and the resolutions. Accordingly, your Board unanimously recommends that Shareholders vote in favour of the resolutions to be proposed at the Extraordinary General Meetings as your Directors intend to do in respect of their own beneficial holdings which, in aggregate, amount to 794,916 Ordinary Shares representing approximately 3 per cent. of the current issued share capital of the Company.

Yours sincerely

John Morgan
Chairman

PART II

TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1. Further details of the Rights Issue

Porvair proposes to raise approximately £28.7 million (approximately £27.3 million net of expenses) by way of the issue of up to 11,041,094 New Ordinary Shares. Subject to the conditions set out below and in the Provisional Allotment Letter, Shareholders will be provisionally allotted New Ordinary Shares at a price of 260p per share, payable in full on acceptance on the following basis:

3 New Ordinary Shares for every 7 existing Ordinary Shares

held on the Record Date and so in proportion for any other number of Ordinary Shares then held.

Entitlements to New Ordinary Shares will be rounded down to the nearest whole share and shares representing fractional entitlements will not be allotted.

The latest time and date for acceptance and payment in full is 3.00 pm on 10 July 2001.

The New Ordinary Shares will, when issued and fully paid, entitle the holders to receive in full any dividends or distributions declared, paid or made after the date of this document and will otherwise rank *pari passu* in all respects with the existing issued Ordinary Shares. Application has been made to the UK Listing Authority and to the London Stock Exchange respectively for the New Ordinary Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that the Provisional Allotment Letters will, subject to the Resolutions being passed, be despatched on 15 June 2001 immediately following the First Extraordinary General Meeting and that, subject to Admission, dealings in the New Ordinary Shares will commence, nil paid, on 18 June 2001.

The Rights Issue has been fully underwritten by Close Brothers and Beeson Gregory. The Rights Issue is conditional upon:

- (i) the passing of the Resolutions (without amendment) at the First Extraordinary General Meeting and not any adjournment thereof;
- (ii) formal approval by the UK Listing Authority of this document not later than 30 May 2001 (or such later time as the Underwriters may agree);
- (iii) the delivery of two copies of this document to the Registrar of Companies in England and Wales on the date of the Underwriting Agreement;
- (iv) this document having been posted to Qualifying Shareholders (other than certain overseas Shareholders) by not later than the date of the Underwriting Agreement;
- (v) Provisional Allotment Letters having been posted to Qualifying Shareholders (other than certain overseas Shareholders) by not later than the first dealing day after the passing of the resolutions at the First Extraordinary General Meeting;
- (vi) the publication of a notice in the London Gazette not later than the first dealing day after the First Extraordinary General Meeting;
- (vii) none of the warranties contained in the Underwriting Agreement being or becoming untrue, inaccurate or misleading at any time prior to Admission by reference to the facts and circumstances from time to time subsisting in any manner which is material in the context of the Rights Issue;
- (viii) the Company complying with its obligations under the Underwriting Agreement to the extent required to be performed prior to Admission and no significant change or new matter having occurred in relation to the Company prior to Admission requiring publication of a supplementary prospectus; and

- (ix) Admission becoming effective no later than 8.30 am on 18 June 2001 (or such later date as the underwriters and the Company may agree being not later than 8.30 am on 26 June 2001).

The attention of Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, is drawn to paragraph 4 below.

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 15 June 2001, the expected timetable set out at the front of this document and as reflected elsewhere in this document will be adjusted accordingly. The revised dates will be set out in the Provisional Allotment Letters.

Further details of the Underwriting Agreement are set out in paragraph 7(a) of Part V of this document.

2. Action to be taken

Each Provisional Allotment Letter will represent a right to subscribe for New Ordinary Shares which, if renounced by the Qualifying Shareholder originally entitled thereto, will become a negotiable bearer document.

The Provisional Allotment Letter will set out the holding of existing Ordinary Shares on the Record Date on which a Qualifying Shareholder's entitlement has been based, the aggregate number of New Ordinary Shares which such holder will have been provisionally allotted and the procedure to be followed if such holder wishes to dispose (whether before or after payment of the Issue Price) of all or part of their entitlement. The Provisional Allotment Letter will also include full details regarding acceptance and payment, splitting and registration of renunciation. The allotment and issue of the New Ordinary Shares will be made upon, and will be subject to, the terms and conditions set out in this document and in the Provisional Allotment Letter and the Company's Memorandum and Articles of Association.

All documents and remittances will be sent to or by allottees or their renouncees (or their agents) at the risk of such persons.

(a) Procedure for acceptance and payment

Persons who wish to take up their entitlement, in whole or in part, must return the Provisional Allotment Letter, together with a remittance for the full amount payable on acceptance, in accordance with the instructions printed thereon, by hand or by post to Capita IRG Plc, New Issues Department, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or by hand only (during normal business hours) to Capita IRG Plc, Guildhall House, 81-87 Gresham Street, London EC2 so as to be received not later than the latest time stated in the Provisional Allotment Letter (which is expected to be 3.00 pm on 10 July 2001). A first class reply-paid envelope will be enclosed with the Provisional Allotment Letter for the purpose of lodging the Provisional Allotment Letter by post. Persons posting their Provisional Allotment Letter in the United Kingdom are recommended to allow at least two working days for delivery.

The Company reserves the right (which shall only be exercised with the consent of the Underwriters) to accept: (i) Provisional Allotment Letters and accompanying remittances which are received through the post not later than 8.00 am on 11 July 2001 (the cover bearing a legible postmark not later than 3.00 pm on 10 July 2001); and (ii) applications in respect of which a remittance is received prior to 3.00 pm on 10 July 2001 from an authorised person (as defined in the Financial Services Act 1986) specifying the number of New Ordinary Shares concerned and undertaking to lodge the relevant Provisional Allotment Letter in due course. The Company reserves the right (but shall not be obliged) to treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required.

All payments must be made by cheque or bankers' draft in pounds sterling drawn on a bank or building society in the United Kingdom or the Channel Islands which is either a settlement member of the Cheque & Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and bankers' drafts (as appropriate) to be cleared through the facilities

provided for the members of either of those companies, and must bear the appropriate sort code in the top right hand corner.

Cheques and bankers' drafts should be made payable to "Capita IRG Plc a/c Porvair plc" crossed "A/C Payee Only". Interest will not be paid on payments received before they are due but will accrue for the benefit of the Company. The Company reserves the right to present cheques and bankers' drafts for payment upon receipt and to instruct Capita IRG Plc to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty by the person returning the Provisional Allotment Letter that the remittance will be honoured on first presentation. The Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured.

All enquiries in connection with the Provisional Allotment Letters should be addressed to Capita IRG Plc, New Issues Department, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH.

(b) Dealings in nil paid rights

Dealings on the London Stock Exchange in the New Ordinary Shares are expected to commence, nil paid, on 18 June 2001. A transfer of such rights in nil paid form can only be made by delivery of a duly renounced Provisional Allotment Letter or split Provisional Allotment Letter to the transferee, without payment of the subscription price for the New Ordinary Shares provisionally allotted by 3.00 pm on 10 July 2001.

(c) Renunciation and splitting

Provisional Allotment Letters will be renounceable (save as required by the laws of certain foreign jurisdictions) subject to the terms and conditions thereof, by completing the form of renunciation on the Provisional Allotment Letter and handing it intact to the person through or to whom the New Ordinary Shares are being sold or transferred. Once renounced, a Provisional Allotment Letter will become a negotiable document in bearer form. The latest time and date for registration of renunciation (by return of the Provisional Allotment Letter to Capita IRG Plc) is expected to be 3.00 pm on 10 July 2001 and thereafter New Ordinary Shares will be in registered form transferable by written instrument of transfer complying with the Company's Articles of Association or, if they have been converted into uncertificated form, in accordance with the relevant procedure for transfer in CREST.

If a Qualifying Shareholder wishes to have registered in his name only some of the New Ordinary Shares to which he is entitled and to transfer the remainder, or wishes to transfer all the New Ordinary Shares but to different persons, he may have the Provisional Allotment Letter split (in accordance with the instructions thereon), for which purpose he must complete and sign Form X on the Provisional Allotment Letter. The Provisional Allotment Letter must then be lodged by post or by hand (during normal business hours only) with Capita IRG plc, New Issues Department, P.O. Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or by hand only (during normal business hours) to Capita IRG Plc, Guildhall House, 81-87 Gresham Street, London EC2, not later than the latest time for splitting (which is expected to be 3.00 pm on 5 July 2001) to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of New Ordinary Shares to be comprised in each Provisional Allotment Letter should be stated in an accompanying letter. Split Provisional Allotment Letters will be marked "original duly renounced" before they are issued.

(d) Registration and CREST

Definitive share certificates for the New Ordinary Shares in certificated form are expected to be despatched by first-class post by 20 July 2001. It is expected that where Ordinary Shares are held in a CREST account, the New Ordinary Shares subscribed for by the holder of such shares under the terms of the Rights Issue may be credited to such CREST account on 20 July 2001, subject to the provision of the appropriate information in the Provisional Allotment Letter. Pending despatch of share certificates, transfers of New Ordinary Shares will be certified against the surrender of fully paid

Provisional Allotment Letters or, where renunciation has been registered, against registration of renunciation in the possession of Capita IRG Plc, New Issues Department, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU. After the despatch of share certificates or credit of CREST accounts, Provisional Allotment Letters will cease to be valid for any purpose whatsoever.

(e) Registration in names of persons other than Qualifying Shareholders originally entitled

The renounee or his agent(s) who wishes to have the New Ordinary Shares comprised in a Provisional Allotment Letter registered in his name or the name of his agents must complete Form Y on the Provisional Allotment Letter and lodge the entire letter, by hand or by post with Capita IRG Plc, together with payment in full, if not already made not later than the latest time for registration of renunciation which is expected to be 3.00 pm on 10 July 2001.

(f) Governing law

The terms and conditions of the Rights Issue as set out in this document and in the Provisional Allotment Letter shall be governed by and construed in accordance with the laws of England.

3. Procedure in respect of rights not taken up

If Qualifying Shareholders do not wish to take up their entitlement under the Rights Issue, they do not need to take any action but are nevertheless requested to complete and return their Forms of Proxy in connection with the Extraordinary General Meetings.

If payment in full for an entitlement to New Ordinary Shares (whether from Qualifying Shareholders or any person in whose favour rights have been renounced) is not received by 3.00 pm on 10 July 2001, in accordance with the procedure laid down for acceptance and payment in this document and in the Provisional Allotment Letter, or such later time as may be permitted under paragraph 2 above, then that provisional allotment will be deemed to have been declined and will lapse.

Beeson Gregory as agent of the Company, will use its reasonable endeavours to procure, as soon as reasonably practicable and in any event by not later than 3.00 pm on the business day following the latest time for acceptance and payment in full shown in the Provisional Allotment Letter, subscribers for such New Ordinary Shares if a price at least equal to the aggregate of the Issue Price and the expenses of procuring such subscribers (including any value added tax thereon) can be obtained. If subscribers for the New Ordinary Shares are procured on such a basis it will be a term of such subscription that any amount in excess of that sum shall be paid to the original provisional allottee, subject to the terms of this paragraph 3. New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to such subscribers at the Issue Price and the premium (being the amount paid by such subscribers after deducting the Issue Price and the expenses of procuring subscribers (including any value added tax thereon)) will be paid (without interest) to those provisional allottees who have not taken up their entitlements pro rata, save that amounts of less than £3.00 will not be paid to such Qualifying Shareholders but will be aggregated and paid to the Company for its own benefit.

If at any time after the latest time and date for acceptance and payment in full, Beeson Gregory (after consultation with Close Brothers) reasonably considers that it is unlikely that subscribers can be procured on the basis described above, its obligation to endeavour to procure subscribers shall cease. If subscribers for the New Ordinary Shares not taken up cannot be procured on the basis described above, Close Brothers and Beeson Gregory will themselves subscribe or procure subscribers for any of such New Ordinary Shares, in equal proportions, at the Issue Price in accordance with the terms of the Underwriting Agreement.

The provisions of this paragraph 3 shall apply to the rights of Shareholders with registered addresses in Australia, Canada, Japan, the Republic of Ireland and the United States of America to whom Provisional Allotment Letters will not be sent.

Neither the Company, Close Brothers, Beeson Gregory, nor any person procuring or seeking to procure such subscribers shall be responsible or have any liability for any loss or damage to any person arising from any such transactions or for any insufficiency or alleged insufficiency of any dealing price at which any rights to New Ordinary Shares may be sold or subscribers for New Ordinary Shares may be procured or for the timing

of any such sale or subscription. Payments for the amount due (if any) will be sent by cheque, at the risk of the person entitled thereto at his registered address or, in the case of joint holders, to the registered address of the first named holder.

4. Overseas Shareholders

Receipt of a copy of this document and/or the Provisional Allotment Letter does not and will not constitute an offer to overseas Shareholders in any territories in which it would be unlawful to make an offer and in such circumstances this document (except for the Notices of Extraordinary General Meetings) and/or the Provisional Allotment Letter is or will be sent for information only. It is the responsibility of any persons (including, without limitation, nominees, agents and trustees) receiving a copy of this document and/or the Provisional Allotment Letter outside the United Kingdom and wishing to take up New Ordinary Shares under the Rights Issue to satisfy himself as to the full observance of the laws of the relevant territory including the obtaining of any governmental or other consents which may be required for observing any other formalities needing to be observed in such territory.

In accordance with section 90(5) of the Act, the offer by way of rights to Shareholders who have no registered address within the United Kingdom and who have not supplied an address to the Company within the United Kingdom for the giving of notices, will be made by the Company publishing a notice in The London Gazette stating where copies of this document and the Provisional Allotment Letter may be inspected or obtained on personal application by or on behalf of such Shareholders. However, in order to facilitate acceptance of the offer by way of rights made such Shareholders by virtue of such publication, it is expected that Provisional Allotment Letters will also be posted to overseas Shareholders (other than as stated below). Accordingly, subject to the further provisions of this paragraph 4, such Shareholders may accept the offer by way of rights either by returning the Provisional Allotment Letters posted to them in accordance with the instructions set out thereon or (subject to surrendering any Provisional Allotment Letters so posted to them) by obtaining copies thereof from Capita IRG Plc, New Issues Department, P.O. Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH and returning them in accordance with the instructions set out thereon.

Persons (including, without limitation, nominees, agents and trustees) receiving this document and/or the Provisional Allotment Letter should not, in connection with the New Ordinary Shares, distribute or send it in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a Provisional Allotment Letter is received by any person in any such jurisdiction or by the agent or nominee of such a person, he must not seek to take up New Ordinary Shares or renounce such Provisional Allotment Letter except with the express agreement of the Company. Any person who does forward a Provisional Allotment Letter into any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this paragraph 4.

The Company reserves the right to treat as invalid any purported acceptance of the allotment of New Ordinary Shares comprised in a Provisional Allotment Letter or to refuse to register any purported renunciation of the rights represented thereby if it appears to the Company or its agents that acceptance of such allotment or renunciation or the registration of such renunciation may involve a breach of the laws or regulations of any jurisdiction or if in respect thereof the Qualifying Shareholder or its agent has not given the declaration set out in the paragraph of the Provisional Allotment Letter in respect of such matters. Notwithstanding any other statement in this document, the Company reserves the right to permit a Shareholder to take up or renounce his rights if the Company is satisfied that such action would not result in contravention of any applicable legal or regulatory requirements. The attention of Qualifying Shareholders who are not resident in, or who have registered addresses outside the United Kingdom, is drawn to subparagraphs (a) to (f) below.

(a) United States and Canada

The New Ordinary Shares and the Provisional Allotment Letters have not been and will not be registered under the Securities Act, the securities laws of any state of the United States or the securities legislation of any province or territory of Canada nor are the relevant exemptions being obtained from

the Securities Exchange Commission or the Securities Commission of any province or territory of Canada.

The New Ordinary Shares and the Provisional Allotment Letters are not being offered for sale and may not be, directly or indirectly, offered, sold, renounced, transferred taken up or delivered within the United States or Canada or to or for the benefit of any US Persons (as defined in Regulation S promulgated under the Securities Act) or Resident of Canada. Provisional Allotment Letters will, therefore, not be sent to Shareholders who have registered addresses in the United States or Canada, nor will applications be accepted from anyone who does not make the declaration of non-United States and non-Canadian beneficial ownership on the Provisional Allotment Letter unless in either case they are able to satisfy the Company that an allotment of New Ordinary Shares is permitted under an exemption under the Securities Act or under any relevant securities legislation of any province or territory of Canada. Persons (including, without limitation, nominees, agents and trustees) receiving a Provisional Allotment Letter should not distribute or send it to persons in Canada.

The offer by way of rights will be made to Shareholders with registered addresses in the US or Canada, who have not given the Company an address within the United Kingdom for the service of notices, by means of the notice in The London Gazette as explained in this paragraph 4.

References to the "United States" mean the United States of America, its territories and possessions, any state of the United States and all other areas subject to its jurisdiction, including the District of Columbia. References to "Canada" mean Canada, its provinces and territories, and all areas subject to its jurisdiction and references to a "Resident of Canada" mean a citizen, national or resident of Canada, the estate of any such person, a partnership corporation or other entity created in or under the laws of Canada, or any estate or trust, the income to which is liable to Canadian income tax regardless of its source.

(b) Australia

The offer by way of rights to Shareholders is not being made in the Commonwealth of Australia, its states, territories or possessions ("Australia") nor will this document or any advertisement or other offering material in relation to the New Ordinary Shares be distributed directly or indirectly in Australia.

Provisional Allotment Letters will not be sent to any Shareholder with a registered address in Australia who has not given an address in the United Kingdom for the service of notices.

The offer by way of rights will be made to Shareholders with registered addresses in Australia who have not given the Company an address within the United Kingdom for the service of notices, by means of the notice in The London Gazette as explained in this paragraph 4.

(c) South Africa

In order to comply with South African law, Provisional Allotment Letters sent to Shareholders with registered addresses in the Republic of South Africa, its territories and possessions and areas subject to its jurisdiction and control ("South Africa") will not be renounceable. Shareholders with registered addresses in South Africa will also require the approval of the South African Exchange Control authorities if they wish to take up their entitlement.

(d) Republic of Ireland

No document in relation to the New Ordinary Shares has been, or will be, lodged for registration with the Registrar of Companies in the Republic of Ireland and all subscribers for New Ordinary Shares must provide addresses outside the Republic of Ireland for the receipt of certificates for New Ordinary Shares. Persons will be deemed to have made an invalid acceptance if their Provisional Allotment Letter appears to the Company or its agents to have been executed in or despatched from the Republic of Ireland, or if they provide an address in the Republic of Ireland for registration, or if they are unable to make the representations and warranties set out in the Provisional Allotment Letter. Accordingly neither

this document nor Provisional Allotment Letters are being sent to any Shareholder with a registered address in the Republic of Ireland.

(e) *Japan*

The relevant clearances have not been and will not be obtained from the Japanese Ministry of Finance and no prospectus has been or will be lodged with, or registered by, the Japanese Ministry of Finance. Therefore, subject to certain exceptions, neither the Provisional Allotment Letters nor the New Ordinary Shares may, directly or indirectly, be offered or sold, taken up, or renounced in or into Japan, its cities, prefectures, territories or possessions ("Japan"). Accordingly, no Provisional Allotment Letter will be sent to Shareholders whose registered address is in Japan.

(f) *Other countries*

Shareholders resident in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for New Ordinary Shares pursuant to the Rights Issue.

This document (except for the Notices of Extraordinary General Meetings) is being sent for information only to those Shareholders who are unable to comply with the requirements of the laws of the overseas territory to which they are subject and will not constitute any offer or invitation to such persons to subscribe or purchase New Ordinary Shares.

The Company, Close Brothers and Beeson Gregory nonetheless reserve the right to make New Ordinary Shares available to overseas Shareholders notwithstanding any statement contained in this document, if they are advised to their satisfaction that any such Shareholder can properly accept an offer or invitation to subscribe for New Ordinary Shares without observance by the Company, Close Brothers or Beeson Gregory of any requirement which the Company (in its sole discretion) regards as unduly burdensome.

5. United Kingdom taxation

The comments below are intended only as a guide to the general tax position as at the date of this document for individual and corporate Qualifying Shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes beneficially holding existing Ordinary Shares as investments and not as securities to be realised in the course of the trade and are based on current United Kingdom legislation and Inland Revenue practice. Shareholders who are in any doubt as to their tax position or are subject to tax in a jurisdiction other than the United Kingdom, should consult their professional adviser without delay.

Taxation of Chargeable Gains

(a) **The following comments apply to Qualifying Shareholders in respect of New Ordinary Shares acquired pursuant to the Rights Issue.**

(i) *New Ordinary Shares acquired pursuant to the Rights Issue*

For the purpose of United Kingdom taxation on chargeable gains the issue of New Ordinary Shares by the Company to holders of existing Ordinary Shares pursuant to the Rights Issue should be treated as a reorganisation of the Company's share capital. Accordingly, a holder of existing Ordinary Shares will not be treated as making a disposal for the purposes of capital gains tax ("CGT") (or corporation tax on chargeable gains) of all or part of his or her or its holding of existing Ordinary Shares by reason of taking up all or part of his or her or its rights to the New Ordinary Shares. New Ordinary Shares issued to a Qualifying Shareholder should be treated as the same asset as such Qualifying Shareholder's holding of existing Ordinary Shares and as if they had been acquired at the same time as the existing holding. Accordingly, the acquisition cost of the enlarged holding will be deemed to be the aggregate of the allowable expenditure for the Qualifying Shareholder's original holding and the amount paid for the New Ordinary Shares. Such aggregated amount will, on the subsequent disposal of any shares comprised in the

composite holding of existing Ordinary Shares and New Ordinary Shares, be apportioned between the number of shares disposed of and the number remaining by reference to the market value of the existing Ordinary Shares as at the date of the disposal.

(ii) Indexation Allowance/Taper Relief

For disposals on or after 6 April 1998, indexation allowance is now only available for the purposes of corporation tax and is not therefore available for individuals, personal representatives or trustees. The following paragraphs accordingly deal separately with the positions of individual and corporate Shareholders.

Individual Qualifying Shareholders

Indexation has been replaced by a system of taper relief which may reduce the amount of the chargeable gain according to how long the asset has been held for periods after 5 April 1998, the amount of the taper relief being greater in respect of 'business assets' as defined by the legislation;

If Qualifying Shareholders hold existing Ordinary Shares which were acquired on or after 6 April 1998, then such existing Ordinary Shares will not be treated under the CGT "pooling" provisions as the same asset as any other existing Ordinary Shares acquired before that date. The consequence of this will be that in applying the reorganisation rules, an apportionment will have to be made between the existing Ordinary Shares held before 6 April 1998 and those acquired on or after that date. Such apportionment will be made on a pro rata basis. To the extent such New Ordinary Shares are apportioned to the existing Ordinary Shares which were held before 6th April 1998, then the reorganisation rules described above will still apply. Any existing Ordinary Shares acquired after that date, however, will constitute a separate holding or (if acquired on more than one day) a series of separate holdings and the reorganisation rules described above will apply separately in relation to each such existing holding, again on a pro rata basis.

If a Qualifying Shareholder subsequently disposes of all or any of the New Ordinary Shares acquired, he or it may, depending on the Qualifying Shareholder's particular circumstances, incur a liability to taxation on chargeable gains.

Corporate Qualifying Shareholders

New Ordinary Shares acquired by Qualifying Shareholders within the charge to UK corporation tax will be treated as the same asset as the existing Ordinary Shares in respect of which they are issued, acquired at the same time and for the same consideration as such existing Ordinary Shares. The benefit of indexation allowance will be available on the New Ordinary Shares, although for the purposes of calculating the indexation allowance on any subsequent disposal of the New Ordinary Shares the subscription price for the New Ordinary Shares will qualify for indexation allowance from the date it is paid or liable to be paid, not from the time the existing ordinary shares were acquired.

On a subsequent disposal of all or any of the New Ordinary Shares acquired a Qualifying Shareholder may incur a liability to UK corporation taxation on chargeable gains.

Shareholders in any doubt as to their taxation position should take appropriate independent advice.

- (b) The following comments apply to Shareholders who sell or otherwise dispose of all or part of the New Ordinary Shares provisionally allotted to them or their rights thereto or allow their rights to lapse in return for receiving a cash payment in respect thereof.**

A Shareholder may, depending on his circumstances, incur a liability to UK taxation on chargeable gains. However, under current Inland Revenue practice, if the proceeds resulting from a lapse of rights or disposal of provisionally allotted New Ordinary Shares do not exceed 5 per cent. of the market value (on the date of the lapse of rights or disposal) of the Shareholder's holding of existing Ordinary Shares or £3,000 whichever is the greater, if the taxpayer so wishes and makes a claim to that effect, the proceeds may be deducted from the acquisition cost of the existing holding (rather than treating the sum

received as giving rise to a gain upon the disposal of those rights) so that no immediate liability to CGT arises.

Shareholders in any doubt as to their taxation position should take appropriate independent advice.

Taxation of Dividends

Under current UK legislation the Company is not required to withhold tax at source from dividend payments it makes.

A Shareholder who is resident (for tax purposes) in the United Kingdom and who receives a dividend from the Company will generally be entitled to receive a tax credit equal to one ninth of the cash dividend. The aggregate of the dividend and the tax credit (the "gross dividend") will be treated for UK income tax purposes as the Shareholder's top slice of income. The tax credit will be taken to satisfy the whole of the income tax liability in respect of the gross dividend of individuals resident in the UK for tax purposes whose income does not exceed the threshold for higher rate tax. Higher rate taxpayers will have to pay additional tax equal to 22.5 per cent. of the gross dividend. Individual shareholders will not be able to reclaim any part of the tax credit from the Inland Revenue subject to limited exceptions in relation to dividends paid on or before 5 April 2004 on shares held in individual savings accounts and personal equity plans. Charities may be entitled to receive compensation for the loss of tax credit in relation to dividends paid on or before 5 April 2004 such that their entitlement to reclaim tax credits will effectively be phased out on a year by year basis.

Any person who may be resident (for tax purposes) outside the UK should consult his own tax adviser on whether he is entitled to reclaim any part of the tax credit and, if so, the procedure for doing so and whether any double taxation relief is due in any country in which he is subject to tax. They should note that they will not generally be entitled to claim payment of any part of their tax credit from the Inland Revenue under a double tax treaty or otherwise or such claim may be negligible.

Subject to certain restrictions for some insurance companies, a corporate shareholder which is resident in the UK (for tax purposes) is not usually liable to UK corporation tax in respect of dividends received from the Company but cannot claim payment of the tax credit from the Inland Revenue. However, where shares are held as trading stock, dividends paid will be treated as part of the shareholders' trading profit.

Shareholders in any doubt as to their position should take appropriate independent advice.

Stamp Duty and Stamp Duty Reserve Tax

No liability to stamp duty and stamp duty reserve tax should arise on the allotment and issue of the Provisional Allotment Letters or the New Ordinary Shares by the Company pursuant to the Rights Issue.

The purchase of rights to New Ordinary Shares represented by Provisional Allotment Letters on or before the latest time for registration of renunciation will not be liable to stamp duty, but the purchaser will normally be liable to pay stamp duty reserve tax, at the rate of 0.5 per cent. of the actual consideration paid. Where such a purchase is effected through a stockbroker or financial intermediary, that person will normally account for the liability to stamp duty reserve tax and will indicate that this had been done in any contract note issued to a purchaser. In other cases, the purchaser must account to the Inland Revenue for the stamp duty reserve tax.

The conveyance or transfer on sale of New Ordinary Shares after the latest time for registration of renunciation will be liable to ad valorem stamp duty and stamp duty reserve tax, in each case at the rate of 0.5 per cent. of the amount or value of the consideration paid. However, where stamp duty is paid on an instrument of transfer which completes an unconditional agreement to transfer New Ordinary Shares, any liability to SDRT will be cancelled or repaid.

No stamp duty or stamp duty reserve tax will be payable on the registration of the original holders of Provisional Allotment Letters or their renounees.

It should be noted that certain categories of person are not liable to stamp duty or stamp duty reserve tax and others may be liable at a higher rate (this arises in connection with depositary receipt arrangements or clearance services) or may, although not primarily liable for tax, be required to notify and account for it.

The above comments are intended as a general guide to certain aspects of UK law and Inland Revenue practice. If you are in any doubt as to your tax position or are subject to taxation in any other jurisdiction you should consult an independent professional adviser.

6. Requirements of the Money Laundering Regulations 1993

The verification of identity requirements of the Money Laundering Regulations 1993 will apply to acceptances of New Ordinary Shares and verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter is lodged may be required. Failure to provide the necessary evidence of identity may result in the acceptance being treated as invalid or in delays in allotting New Ordinary Shares to an acceptor. In order to avoid this, if the value (at the Issue Price) of the shares accepted exceeds £10,000 (or in the case of acceptances which are linked where the aggregate exceeds that amount), payment should be made by means of a cheque drawn by the person named on the Provisional Allotment Letter (or one of, such persons if there are joint holders). If this is not practicable and you use a cheque drawn by a third party, a building society cheque or a banker's draft, you should:

- (a) write the full name and address of the person (or one of the joint holders) on the Provisional Allotment Letter on the back of the cheque, building society cheque or banker's draft and record the date of birth of that person;
- (b) if a building society cheque or banker's draft is used, ensure that the building society or bank endorses on the cheque or draft the name and account number of the person whose building society or bank account is being debited; and
- (c) if you are accepting as agent for one or more persons, indicate on the Provisional Allotment Letter *whether you are a United Kingdom or an EC regulated person or institution (e.g. a bank or broker) and specify your status*. If you are not a United Kingdom or an EC regulated person or institution you should contact Capita IRG Plc, New Issues Department, P.O. Box 166 Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH and seek guidance.

If you deliver your Provisional Allotment Letter personally by hand, you should ensure that you have with you evidence of identity bearing your photograph (e.g. your valid passport).

Acceptances submitted by agents should be accompanied by a letter confirming their regulatory body and membership number and that the necessary identification procedures as required by the Money Laundering Regulations 1993 have been fulfilled. Verification of identity details must be retained for at least five years and such details must be made available to Capita IRG Plc or the appropriate authorities upon demand.

Capita IRG Plc is entitled in its absolute discretion to determine whether verification of identity is required in respect of any acceptor and whether such requirements have been satisfied and neither Capita IRG Plc nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of such discretion or as a result of the rejection or scaling down of any acceptance.

In any event, if it appears to Capita IRG Plc that an acceptor is acting on behalf of some other person, further verification of the identity of any person on whose behalf the applicant appears to be acting may be required. In relation to any acceptance in respect of which the necessary verification of the identity of the applicant or the person on whose behalf the acceptor appears to be acting has not been received on or before the latest date for receipt of Provisional Allotment Letters and payment (or such later date as the Company may in its absolute discretion determine), the Company may, in its absolute discretion:

- (a) elect to treat the relevant acceptance as invalid; and/or

- (b) delay the allotment of the New Ordinary Shares to the acceptor until the necessary verification has been provided.

7. Share Option Schemes

The holders of options under the Share Option Schemes are not entitled to participate in the Rights Issue. In accordance with the rules of the Share Option Schemes and subject, where appropriate, to Inland Revenue approval being obtained, the number of Ordinary Shares subject to options and/or the exercise price of all options will fall to be adjusted in consequence of the Rights Issue in such manner as the auditors of the Company certify to be fair and reasonable.

PART III

PROFIT FORECAST AND ASSOCIATED LETTERS

Profit forecast

Having made due and careful enquiry, the Directors forecast that, on the bases and assumptions set out below and in the absence of unforeseen circumstances, the operating profit/loss for the Group for the six months ending 31 May 2001 (the "Forecast") will be as follows:

Group operating profit before goodwill amortisation and exceptional items

	2001 Forecast			2000 Actual
	Continuing activities £million	Acquisitions £million	Total £million	£million
Group operating profit before research and development expenditure, goodwill amortisation and exceptional items will be approximately	3.7	1.1	4.8	3.4
Research and development expenditure will be approximately	(2.1)	(0.2)	(2.3)	(1.0)
Group operating profit before goodwill amortisation and exceptional items will be approximately	1.6	0.9	2.5	2.4

Goodwill amortisation

Goodwill amortisation will be approximately £1.2 million (2000: £1.0 million).

Exceptional items

Exceptional items will be approximately £3.4 million (2000: £nil) and principally comprise costs of writing down assets at the Group's membrane operations as a consequence of the simplification of that business.

Operating loss

The resultant operating loss will be approximately £2.1 million (2000: operating profit £1.4 million) before charging interest and taxation.

Loss before tax

Loss before tax will be approximately £3.0 million (2000: profit £1.0 million).

Bases and assumptions

The Forecast has been prepared on a basis consistent with the accounting policies normally adopted by the Group. The Forecast has been based on the unaudited management accounts of the Group for the five months ended 30 April 2001 and the Directors' forecasts for the month ending 31 May 2001, taking into account the recently completed Acquisitions and on the basis of the following principal assumptions which are outside the control of the Directors:

- (a) there will be no significant industrial, economic or political disputes or other interruptions to business adversely affecting the Group, its operations or its customers; and
- (b) there will be no material change in regulations or legislation affecting the Group.

Letters

The Directors, who are solely responsible for the Forecast, have received the following letters in connection with the Forecast:

(a) Letter from PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers
Benson House
33 Wellington Street
Leeds LS1 4JP

The Directors
Porvair plc
Riverside Industrial Estate
Estuary Road
King's Lynn
Norfolk
PE30 2HS

The Directors
Close Brothers Corporate Finance Limited
10 Crown Place
London
EC2A 4FT

30 May 2001

Dear Sirs

Porvair plc

We have reviewed the basis of compilation and the accounting policies for the profit forecast of Porvair plc ('the Company') and its subsidiary undertakings for the six months ending 31 May 2001 as set out on page 25 of the Company's prospectus dated 30 May 2001.

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board.

The profit forecast, for which the directors of the Company are solely responsible, includes the results shown by unaudited management accounts for the five months ended 30 April 2001 and a forecast for the month ending 31 May 2001.

In our opinion the profit forecast has been properly compiled on the basis stated and the basis of accounting is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants

(b) Letter from Close Brothers



Close Brothers Corporate Finance Limited

The Directors
Porvair plc
Riverside Industrial Estate
Estuary Road
King's Lynn
Norfolk
PE30 2HS

30 May 2001

Dear Sirs

We refer to the profit forecast of Porvair plc and its subsidiary undertakings (together the "Group") for the six months ending 31 May 2001 (the "Profit Forecast") set out in Part III of the prospectus dated 30 May 2001 issued by Porvair plc (the "Prospectus"). The Profit Forecast is based on the results shown by the unaudited management accounts of the Group for the five months ended 30 April 2001 and the Directors' forecast for the Group for the month ending 31 May 2001.

We have discussed the Profit Forecast, together with the bases and assumptions upon which it is made, with you and PricewaterhouseCoopers, the reporting accountants. We have also considered the letter dated 30 May 2001 addressed to you and us from PricewaterhouseCoopers regarding the accounting policies and calculations underlying the Profit Forecast.

On the basis of these discussions and having regard to that letter, we consider that the Profit Forecast, for which you are solely responsible, has been made after due and careful enquiry by the Directors.

Yours faithfully
For and on behalf of Close Brothers Corporate Finance Limited

AJ Cunningham
Director

PART IV

PRO FORMA STATEMENT OF NET ASSETS

Basis of preparation

The pro forma financial information set out below has been prepared on the basis of the notes set out below, to demonstrate the effect of the Acquisitions and the Rights Issue on the net assets and liabilities of the Group as if the Rights Issue and the Acquisitions had taken place on 30 November 2000. It has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the Enlarged Group's financial position.

The net assets of Porvair as at 30 November 2000 included in the pro forma financial information have been extracted, without material adjustment, from the audited accounts of Porvair for the year ended 30 November 2000.

		Adjustments							
	Porvair as at 30 November 2000 £'000	(Note 1) £'000	(Note 2) £'000	(Note 3) £'000	(Note 4) £'000	Enlarged Group pre rights issue £'000	Rights Issue (Note 5) £'000	Pro forma £'000	
Fixed assets									
Goodwill	18,599	1,966	12,132	5,702	—	38,399	—	38,399	
Investment in associated undertaking	—	—	—	—	2,200	2,200	—	2,200	
Tangible assets	20,543	331	822	976	—	22,672	—	22,672	
Investments in joint venture:									
Share of gross assets	305	—	—	—	—	305	—	305	
Share of gross liabilities	(250)	—	—	—	—	(250)	—	(250)	
	55	—	—	—	—	55	—	55	
	39,197	2,297	12,954	6,678	2,200	63,326	—	63,326	
Current assets							—		
Stocks	11,993	316	1,593	900	—	14,802	—	14,802	
Debtors	15,914	1,366	1,459	1,569	—	20,308	—	20,308	
Cash at bank and in hand	856	—	128	666	—	1,650	—	1,650	
	28,763	1,682	3,180	3,135	—	36,760	—	36,760	
Creditors: Amounts falling due within one year	(13,179)	(234)	(2,895)	(2,075)	—	(18,383)	—	(18,383)	
Net current assets	15,584	1,448	285	1,060	—	18,377	—	18,377	
Total assets less current liabilities	54,781	3,745	13,239	7,738	2,200	81,703	—	81,703	
Creditors: Amounts falling due after more than one year	(10,668)	(3,745)	(13,239)	(3,180)	(2,200)	(33,032)	27,300	(5,732)	
Provisions for liabilities and charges	(434)	—	—	(45)	—	(479)	—	(479)	
Net assets	43,679	—	—	4,513	—	48,192	27,300	75,492	
Net borrowings	9,960							5,221	
Net gearing (per cent.) (Note 6)	40							14	

Notes

- (1) Engineered Ceramics was acquired on 27 February 2001. The net assets of Engineered Ceramics included in the pro forma financial information have been extracted without material adjustment from unaudited management accounts at 31 December 2000. The total acquisition cost (including expenses) was US\$5.4 million (equivalent to £3.745 million) payable in cash. The difference between the acquisition cost (including expenses) and net assets has been treated as goodwill. No fair value adjustments have been made.

- (2) Microfiltrex was acquired on 26 March 2001. The net assets of Microfiltrex included in the pro forma financial information have been extracted without material adjustment from its audited statutory accounts for the year ended 31 December 2000. The total acquisition cost (including expenses) was £12.3 million payable in cash. Included within creditors due after more than one year are liabilities at 31 December 2000 of £939,000. The difference between the acquisition cost and net assets has been treated as goodwill. No fair value adjustments have been made.
- (3) 2Fi was acquired on 1 May 2001. The net assets of 2Fi included in the pro forma financial information have been extracted without material adjustment from its audited statutory accounts for the year ended 31 October 2000. The total acquisition cost was £7.5 million represented by the payment to the vendors of £2.5 million in cash and loan notes and £4.8 million in shares in PTL and expenses of £0.2 million. Included within creditors due after more than one year are liabilities at 31 October 2000 of £519,000. The difference between the acquisition cost and net assets has been treated as goodwill. The issue of shares in PTL creates a new minority interest in the Group of approximately £4.5 million. No fair value adjustments have been made.
- (4) The acquisition of a 25 per cent. stake in Sympatex on 21 March 2001 for €1.7 million (£1.2 million) (including expenses) in cash and a €1.6 million (£1.0 million) loan to Sympatex.
- (5) The receipt of £28.7 million from the proposed Rights Issue of up to 11,041,094 New Ordinary Shares of 2p each at 260p per share less estimated costs of £1.4 million. Details of the proposed Rights Issue are set out in Part II of this document.
- (6) Net gearing is calculated as net debt / (net assets less goodwill).
- (7) The pro forma statement of net assets of the Enlarged Group does not constitute statutory accounts within the meaning of section 240 of the Act.
- (8) Save as disclosed, no account has been taken of any trading or transactions of Porvair since 30 November 2000 or Engineered Ceramics and Microfiltrex since 31 December 2000 or 2Fi since 31 October 2000.

The following represents the full text of a letter received from PricewaterhouseCoopers in relation to the pro forma statement of net assets:



PricewaterhouseCoopers
Benson House
33 Wellington Street
Leeds LS1 4JP

The Directors
Porvair plc
Riverside Industrial Estate
Estuary Road
King's Lynn
Norfolk
PE30 2HS

The Directors
Close Brothers Corporate Finance Limited
10 Crown Place
London
EC2A 4FT

30 May 2001

Dear Sirs

Porvair plc ("the Company")

We report on the pro forma statement of net assets set out in Part IV of the Company's prospectus dated 30 May 2001. The pro forma statement of net assets has been prepared, for illustrative purposes only, to provide information about how the proposed 3 for 7 rights issue of shares in the Company might have affected the consolidated balance sheet of the Company as at 30 November 2000 having taken into account the material transactions which have been made by the Company.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the pro forma statement of net assets in accordance with paragraph 12.29 of the Listing Rules of the UK Listing Authority.

It is our responsibility to form an opinion, as required by the Listing Rules of the UK Listing Authority, on the pro forma statement of net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma statement of net assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 'Reporting on pro forma financial information pursuant to the Listing Rules' issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma statement of net assets with the directors of the Company.

Opinion

In our opinion:

- (a) the pro forma statement of net assets has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the pro forma statement of net assets as disclosed pursuant to paragraph 12.29 of the Listing Rules of the UK Listing Authority.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants

PART V

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names and business addresses are set out in paragraph 2 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

The full names of the Directors and their respective functions are:

<i>Director</i>	<i>Position</i>
John Mansel Morgan	Non-Executive Chairman
Benjamin Denys William Stocks	Group Chief Executive
Mark Moran	Group Finance Director
Michael Stuart Ost	Non-Executive Director
William Oscar Francis Wallis	Non-Executive Deputy Chairman

The business address of each of the Directors is Riverside Industrial Estate, Estuary Road, King's Lynn, Norfolk PE30 2HS.

3. The Company and its subsidiaries

- (a) The Company was incorporated in England and Wales on 3 September 1982 with registered number 1661935 as a private company limited by shares and with the name Alnery No. 152 Limited. The Company changed its name to Porvair Limited on 30 November 1982. On 22 April 1988 the Company was re-registered as a public company limited by shares under the Act with the name Porvair plc.
- (b) The Company's registered office and head office is Riverside Industrial Estate, Estuary Road, King's Lynn, Norfolk PE30 2HS.
- (c) The Company acts as the holding company of the Group. Its principal subsidiary undertakings are set out below, all of which (except where otherwise stated) are wholly owned directly or indirectly and are incorporated in England and Wales:

<i>Name</i>	<i>Principal activity</i>
Porvair International Limited	Manufacture, sale and distribution of advanced polyurethane membranes and associated products
Permair Leathers Limited	Manufacture and distribution of enhanced leather for the footwear industry
Selee Corporation*	Development, manufacture and marketing of ceramic foam filters for the aluminium, super alloy and iron foundry industries and molten metal handling consumables for the investment casting industry
Porvair Fuel Cell Technology Inc.*	Development and testing of metal and ceramic foam media for fuel cell and fuel reformation applications
Porvair Ceramics Limited	Development, manufacture and marketing of microporous synthetic materials for the sanitaryware and tableware industries

Porvair Technology Limited (79%)	Manufacture and supply of filters and sintered materials
Porvair Sciences Limited	Design and manufacture of filter-based disposables and instrumentation for use in the biotechnology market
Fairey Microfiltrex Limited (79%)	Manufacture and sale of porous metal filters for high performance applications
Fairey Microfiltrex Inc* (79%)	Agent for Fairey Microfiltrex Limited
2Fi Holdings Limited (79%)	Holding company for Filters for Industry Limited and MF&T Limited
Filters for Industry Limited (79%)	Manufacture and sale of metal process filters for chemical, pharmaceutical and industrial applications
MF&T Limited (79%)	Manufacture and sale of filters and filtration equipment

* – Incorporated in the United States

4. Share capital

- (a) The following table shows the authorised and issued share capital of the Company (i) as at the date of this document and (ii) following the passing of the Resolutions to be proposed at the First Extraordinary General Meeting and completion of the Rights Issue:

	<i>Authorised</i>		<i>Issued</i>	
	<i>Nominal value</i>	<i>Number</i>	<i>Nominal value</i>	<i>Number</i>
(i)	£688,000	34,400,000	£515,251	25,762,554
(ii)	£1,500,000	75,000,000	£736,073	36,803,648

- (b) The following options to subscribe for Ordinary Shares have been granted to certain employees (including Directors) under the terms of the Share Option Schemes:

<i>No of Ordinary Shares subject to option</i>	<i>Date granted</i>	<i>Consideration</i>	<i>Exercisable from</i>	<i>Exercisable until</i>	<i>Exercise price (p)</i>
24,826	7/10/93	Nil	1996	2003	236.08
37,065	18/10/94	Nil	1997	2004	269.13
251,000	7/03/96	Nil	1999	2006	413.00
35,000	30/07/97	Nil	2000	2007	299.00
50,000	10/02/98	Nil	2001	2005	352.50
100,000	20/02/90	Nil	2001	2005	367.50
20,000	25/02/99	Nil	2002	2009	123.50
55,000	25/02/99	Nil	2002	2006	123.50
35,000	16/08/99	Nil	2002	2006	157.50
10,000	18/02/00	Nil	2003	2010	206.50
55,000	28/06/00	Nil	2003	2007	228.00
<u>672,891</u>					

Under the terms of the Share Option Schemes, and subject, where appropriate, to Inland Revenue approval being obtained, the number of Ordinary Shares subject to options and/or the exercise price of all options will fall to be adjusted in consequence of the Rights Issue in such manner as the auditors of the Company certify to be fair and reasonable.

Options granted on or before 7 March 1996 were granted under the Porvair Share Option Scheme 1986. Options granted on or after 30 July 1997 were granted under the Porvair Executive Share Option Scheme 1997.

- (c) Save as disclosed in paragraph 4(b) above, no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.
- (d) The Ordinary Shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of Ordinary Shares in any class of shares in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where shares are held in certificated form, share certificates will be sent to the registered members by first class post.
- (e) The Ordinary Shares entitle the holder thereof to attend and vote at general meetings of the Company and each shareholder shall have one vote on a show of hands and on a poll every shareholder present in person, by representative (in the case of corporate members) or by proxy shall have one vote for each share of which he is a holder.
- (f) If the Company commences liquidation, the liquidator may, with the authority of an extraordinary resolution of the Company:
 - (i) divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members (in accordance with the existing rights of the members); and
 - (ii) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator shall determine;but no member shall be compelled to accept any assets on which there is a liability.
- (g) Subject to the Act, the Company in general meeting may declare dividends to be paid to members of the Company according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Subject to the Act, the Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the profits of the Company. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company. The Board may, if authorised by an Ordinary Resolution, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.
- (h) Any unissued share capital of the Company may be allotted and issued by the Directors, subject to the restrictions imposed by sections 80 and 89 of the Act. The provisions of Section 89(1) of the Act (which to the extent not disapplied, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the Company. The New Ordinary Shares will be created and issued pursuant to the Resolutions and resolutions of the Directors or a duly authorised committee thereof.

- (i) The closing middle-market quotations for an Ordinary Share, derived from the London Stock Exchange Daily Official List for the first dealing day in each of the last six months prior to the date of this document and on 29 May 2001 (being the last dealing day before the announcement of the Rights Issue and being the last practicable day prior to announcement of the Rights Issue) were as follows:

<i>Date</i>	<i>Market value of an Ordinary Share (p)</i>
1 December 2000	425
2 January 2001	414
1 February 2001	422
1 March 2001	375
2 April 2001	380
1 May 2001	337.5
29 May 2001	324

5. Directors' and others' interests

- (a) The following interests, all of which are beneficial (not including any of the options referred to in paragraph 5(b) below) of each Director and those of any person connected with him within the meaning of section 346 of the Act ("Connected Person") in the share capital of the Company which (i) have been notified by each Director to the Company pursuant to section 324 to section 328 of the Act, or (ii) are required to be entered in the register maintained under section 325 of the Act, or (iii) are interests of a Connected Person which would if the Connected Person were a Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known to, or could with reasonable diligence be ascertained by that Director, as at the date of this document and as they are expected to be following the Rights Issue are as follows:

	<i>Present</i>		<i>Following the Rights Issue</i>	
	<i>No of Ordinary Shares</i>	<i>Percentage</i>	<i>No of Ordinary Shares</i>	<i>Percentage</i>
John Morgan	741,416	2.88	*	*
Ben Stocks	9,200	0.04	13,142	0.04
Mark Moran	29,800	0.12	42,571	0.12
Michael Ost	2,000	0.01	2,857	0.01
William Wallis	12,500	0.05	17,857	0.05

* It is not possible to determine the number of Ordinary Shares John Morgan will hold following the Rights Issue as he is not taking up his full entitlement. The number of New Ordinary Shares acquired by him will depend on the price at which his nil paid rights are sold.

- (b) The following options to subscribe for Ordinary Shares (all of which have been granted for no consideration) have been granted to Directors under the terms of the Share Option Schemes:

	<i>No of Ordinary Shares subject to option</i>	<i>Date granted</i>	<i>Exercisable from</i>	<i>Exercisable until</i>	<i>Exercise price (p)</i>
Ben Stocks	100,000	20/02/98	20/02/01	20/02/05	367.50
	30,000	25/02/99	25/02/02	25/02/06	123.50
	20,000	16/08/99	16/08/02	16/08/06	157.50
Mark Moran	50,000	10/02/98	10/02/01	10/02/05	352.50
	25,000	25/02/99	25/02/02	25/02/06	123.50
	15,000	16/08/99	16/08/02	16/08/06	157.50

- (c) Save as disclosed in paragraphs 5(a) and 5(b) above, no Director has any interest in the share or loan capital of the Company or any of its subsidiaries nor does any Connected Person have any such interests, whether beneficial or non-beneficial.

- (d) Save as set out below, the Directors are not aware of any person who is directly or indirectly interested in 3 per cent. or more of the issued share capital of the Company:

	<i>Present</i>		<i>Following the Rights Issue*</i>	
	<i>No of Ordinary Shares</i>	<i>Percentage</i>	<i>No of Ordinary Shares</i>	<i>Percentage</i>
Schroder Investment Management Limited	2,748,750	10.7	2,748,750	7.5
Newton Investment Management Limited	1,399,461	5.4	1,399,461	3.8
Foreign and Colonial Enterprise Trust plc	1,337,925	5.2	1,337,925	3.6
Royal and Sun Alliance Group plc	1,217,125	4.7	1,217,125	3.3
Axa Investment Managers UK Limited	1,004,164	3.9	1,004,164	2.7
Edinburgh Small Companies Trust plc	1,000,000	3.9	1,000,000	2.7
Levantis Group	948,277	3.7	948,277	2.6

* Assuming that these Shareholders do not take up any of the New Ordinary Shares to which they are entitled under the Rights Issue.

- (e) So far as the Directors are aware, no person, directly or indirectly, jointly or severally, exercises or could exercise control over the Company as at 29 May 2001 (being the latest practicable date prior to publication of this document).
- (f) No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by the Group during the current or immediately preceding financial year or during any earlier financial year and which remains in any respect outstanding or unperformed.
- (g) There are no outstanding loans granted by any member of the Group to the Directors, nor any guarantees provided by any member of the Group for the benefit of the Directors.
- (h) In addition to their directorships in the Company and its subsidiaries, the Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current directorships/ partnerships</i>	<i>Past directorships/ partnerships</i>
John Morgan	Tanker Solutions Limited Victory Limited	Phoenix Travel (King's Lynn) Limited
Ben Stocks	None	Speciality Packaging plc
Mark Moran	None	Caradon Catnic Limited Caradon Celuform Limited Caradon Doors & Windows Limited Caradon Everest Limited Caradon Friedland Limited Caradon Gent Limited Caradon Ideal Limited Caradon Terrain Limited Caradon Trend Limited
Michael Ost	Lex Service plc	McKechnie plc Coats Viyella plc MG plc
William Wallis	Quilter & Co Limited Sentinel Housing Group Limited	Quilter Holdings Limited

- (i) None of the Directors has:

- (i) any unspent convictions in relation to indictable offences;

- (ii) been declared bankrupt or been involved in any similar individual voluntary arrangement;
- (iii) been an executive director of any company which, at the time of or within 12 months following his executive directorship, has been subject to a receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or composition or arrangement with its creditors generally or any class of its creditors;
- (iv) been a partner in any partnership which, at the time of or within 12 months following his being a partner, has been subject to a compulsory liquidation, administration, or partnership voluntary arrangement;
- (v) owned any assets which have been subject to a receivership or been a partner in a partnership subject to a receivership where he was a partner at the time or within the 12 months preceding such event; or
- (vi) been subject to public criticism by any statutory or regulatory authority (including recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

6. Directors' service agreements

- (a) The aggregate remuneration (including salaries, fees, pension contributions, bonus payments and benefits in kind) granted to the Directors for the year ended 30 November 2000 amounted to £747,000.
- (b)
 - (i) Ben Stocks is employed as the Group Chief Executive of Porvair at a salary of £170,000 under a contract (as amended) dated 31 October 1997. He is entitled to be paid an annual bonus based on the Remuneration Committee's assessment against progression against key strategic directives and total shareholder return capped at 50 per cent. of his salary. He is also entitled to standard executive benefits, including private medical insurance, pension and company car. The contract can be terminated by either party on 12 months' notice.
 - (ii) Mark Moran is employed as the Group Finance Director of Porvair at a salary of £140,000 under a contract (as amended) dated 5 July 1997. He is entitled to be paid an annual bonus based on the Remuneration Committee's assessment against progression against key strategic directives and total shareholder return capped at 50 per cent. of his salary. His contract of employment provides for benefits including private medical insurance, company car and pension. The contract can be terminated by either party on 12 months' notice.
 - (iii) Having served as an executive director since 1982 John Morgan was appointed as Non-Executive Chairman on 1 June 1999. The current terms of his appointment are set out in a letter of appointment dated 1 June 1999. He receives Director's fees at the annual rate of £32,000 for up to 20 days work per year. Additional work is payable at a rate of £1,500 per day. His letter of appointment provides for termination on 12 months' notice by either party.
 - (iv) William Wallis was first appointed as a Non-Executive Director on 29 November 1982. The current terms of his appointment are set out in a letter of appointment dated 22 June 1998. He receives Director's fees of £18,000 for up to 20 days work per annum. Payment for additional work is envisaged but no specific fee is provided. The letter of appointment provides for termination by either party on three months' notice. The letter of appointment contains provisions relating to confidential information. It also prohibits involvement in competitive businesses or businesses likely to involve a conflict with Porvair.
 - (v) Michael Ost was appointed as a Non-Executive Director of Porvair on 25 June 1999. He receives Director's fees of £18,000 for up to 20 days work per annum. Payment for additional work is envisaged but no specific fee is provided. The letter of appointment can be terminated by either party on three month's notice. The letter of appointment contains provisions relating to confidential information. It also prohibits involvement in competitive businesses or businesses likely to involve a conflict with Porvair.

- (c) Except as disclosed in paragraph 6(b) above there are no service contracts or letters of appointment in existence between any Director and the Company or any of its subsidiaries.
- (d) The total emoluments receivable by the Directors has not been varied as a consequence of the Acquisitions.

7. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) are, or may be material, and have been entered into by the Company or its subsidiary undertakings within the two years immediately preceding the date of this document or are contracts that contain any provision under which the Company or its subsidiary undertakings has any obligation or entitlement which is material to the Group as at the date of this document:

- (a) Under the Underwriting Agreement, Close Brothers and Beeson Gregory have severally agreed, subject to the conditions set out therein, to underwrite the issue of up to 11,041,094 New Ordinary Shares, in equal proportions, in consideration of the following commissions to be paid by the Company:
 - (i) to Close Brothers an underwriting commission of $\frac{1}{4}$ per cent. of the aggregate value at the Issue Price of the New Ordinary Shares;
 - (ii) to Beeson Gregory an underwriting and broking fee of £300,000 plus a commitment commission of $\frac{1}{2}$ per cent. of the aggregate value at the Issue Price of the New Ordinary Shares to be paid by Beeson Gregory to sub-underwriters in respect of the period from and including the date of the Underwriting Agreement to but excluding the day falling 30 days after the date of the Underwriting Agreement;
 - (iii) to Beeson Gregory an additional commission of $\frac{1}{8}$ per cent. of the aggregate value at the Issue Price of the New Ordinary Shares in respect of each period of 7 days or part thereof from and including the date falling 30 days after the date of the Underwriting Agreement to and including the first dealing day after the Acceptance Date (as defined therein) or if earlier to the date on which the Underwriters' obligations under the agreement terminate; and
 - (iv) to Beeson Gregory, a commission to be paid on to sub-underwriters, payable only in the event that the obligations of the Underwriters under the Underwriting Agreement become unconditional in all respects of $\frac{3}{4}$ per cent. of the aggregate value at the Issue Price of the New Ordinary Shares.

In addition, the Company will pay all other costs, charges and expenses of the Rights Issue and all related Value Added Tax.

The Underwriting Agreement contains certain standard representations, warranties, undertakings and indemnities given by the Company in favour of the Underwriters. The Underwriting Agreement is conditional on:

- (1) the passing of the Resolutions (without amendment) at the First Extraordinary General Meeting and not any adjournment thereof;
- (2) formal approval by the UK Listing Authority of this document not later than 30 May 2001 (or such later time as the Underwriters may agree);
- (3) the delivery of two copies of this document to the Registrar of Companies in England and Wales on the date of the Underwriting Agreement;
- (4) this document having been posted to Qualifying Shareholders (other than certain overseas Shareholders) by not later than the date of the Underwriting Agreement;
- (5) Provisional Allotment Letters having been posted to Qualifying Shareholders (other than certain overseas Shareholders) by not later than the first dealing day after the passing of the resolutions at the First Extraordinary General Meeting;

- (6) the publication of a notice in the London Gazette not later than the first dealing day after the First Extraordinary General Meeting;
- (7) none of the warranties contained in the Underwriting Agreement being or becoming untrue, inaccurate or misleading at any time prior to Admission by reference to the facts and circumstances from time to time subsisting in any manner which is material in the context of the Rights Issue;
- (8) the Company complying with its obligations under the Underwriting Agreement to the extent required to be performed prior to Admission and no significant change or new matter having occurred in relation to the Company prior to Admission requiring publication of a supplementary prospectus; and
- (9) Admission becoming effective no later than 8.30 am on 18 June 2001 (or such later date as the underwriters and the Company may agree being not later than 8.30 am on 26 June 2001).

The Underwriting Agreement may not be terminated following Admission.

If any time prior to 5.00 pm on the date of Underwriting Agreement, there shall develop, occur or come into effect any fundamental change in national or international financial, economic, political, military or market conditions which is likely to have a materially prejudicial effect on the Rights Issue or makes the success of the Rights Issue doubtful or makes it impracticable or inadvisable to proceed with the Rights Issue, then the Underwriters may in their absolute discretion by notice in writing to the Company served prior to close of trading on the first dealing day following the date of the Underwriting Agreement terminate the Underwriting Agreement and their respective obligations thereunder.

- (b) An asset purchase agreement between: General Signal Technology Corporation ("General") (1); GSTC Development Company (2); and Selee (3); dated 23 February 2001, pursuant to which Selee acquired the business and assets of the Engineered Ceramics division of General's business on 27 February 2001 for a total consideration of US\$5.4 million. Representations and warranties given by General (which were standard for a transaction of this kind) remain in effect for a period of 18 months from completion. All the consideration has now been paid. There is a de minimis provision of US\$10,000 per claim with an aggregate amount of US\$100,000 and General agrees to indemnify Selee in respect of any liability exceeding US\$100,000. General's liability is capped at US\$1,500,000. These limitations do not apply to specified representations and warranties, nor do they apply to any excluded liabilities or any breach of covenant or agreement by General.
- (c) A notarial record dated 21 March 2001 which sets out the terms on which Porvair International Limited ("PIL") agreed to acquire a 25 per cent. shareholding in each of Sympatex Technologies GmbH ("Sympatex") and Sympatex Verwaltungs GmbH from Ploucquet Textiles Zittau GmbH ("Ploucquet Textiles") and its holding company, Ploucquet Holdings GmbH, at a purchase price of a total of €136,500, all of which has now been paid. Ploucquet assigned to Sympatex the right to recover 25 per cent. of any amount recoverable under any claim by Ploucquet under the original purchase agreement between Ploucquet and Acordis AG dated 20 October 2000. Pursuant thereto other commercial agreements were entered into on the same date in connection with this transaction as follows:
 - (i) a partnership agreement in respect of Sympatex Marken GmbH & Co KG, a limited partnership which owns the trade marks used by Sympatex ("Marken"), between Sympatex Verwaltungs (as general partner) and Ploucquet Textiles and PIL (as limited partners) under which PIL's interest in Marken will be 31.25 per cent. until a licence agreement for the use of the Sympatex trade mark entered into between the partnership, Ploucquet Textiles and Sympatex expires. The licence agreement expires on 31 December 2010 at which time PIL's interest in Marken will reduce to 25 per cent. PIL has paid a total of €1,597,750 to Marken for its interest and has made a loan to Marken of €1,597,750. This loan bears interest at 6 per cent. per annum over a 10 year period, repayments to be made in 8 equal instalments to begin in year 3. The partnership agreement may not be terminated, except in insolvency situations, prior to 31 December 2010;

- (ii) a trade mark sublicensing agreement pursuant to which Sympatex granted PIL a sublicense in respect of the Sympatex trade mark for use in connection with certain of PIL's products. The licence agreement contains a standard warranty as to the ability of Sympatex to grant the sublicense, but no further warranties. Liability under this warranty is not subject to any limitation. This sublicensing agreement expires on 30 December 2010;
 - (iii) a consulting agreement pursuant to which PIL agreed to advise Ploucquet in connection with the research, development and production of membranes and their lamination. This agreement commenced on 1 April 2001 and terminates on 31 December 2006; and
 - (iv) a collaboration agreement between Sympatex and PIL pursuant to which PIL agreed to carry out research and development for Sympatex. Sympatex agrees to purchase all membranes (except for polyester membranes for which it has other suppliers) from PIL provided PIL's terms are competitive.
- (d) A sale and purchase agreement between: (1) PTL, (2) the Company and (3) Fairey Group plc ("Fairey") dated 26 March 2001 pursuant to which Fairey agreed to sell the entire issued share capital of Fairey Microfiltrex Limited to PTL free of indebtedness and the Company agreed to guarantee PTL's obligations under the agreement. The purchase price of £12,000,000 was subject to adjustment by: (i) the deduction of any outstanding sums between Fairey's group and Fairey Microfiltrex Limited and its wholly owned subsidiary, Fairey Microfiltrex, Inc., as at 30 March 2001; and (ii) an increase equal to the amount by which the consolidated net assets exceeded £2,300,000 at 30 March 2001. Fairey agreed to pay to PTL an amount equal to the deficit if the consolidated net assets fell below £2,100,000 at 30 March 2001. All consideration has now been satisfied. The agreement contains certain standard warranties in favour of PTL. The liability of Fairey under the warranties is subject to a de minimis level of £15,000 per claim or £200,000 in aggregate. Fairey's liability under the warranties is capped at the consideration paid for the shares. Warranty claims must be made by the first anniversary of the agreement except for claims under the environmental and tax warranties which must be made by the fifth and seventh anniversaries respectively.
- (e) (i) *Facilities Agreement*
- Pursuant to a facilities agreement dated 26 March 2001 (the "Facilities Agreement") between Porvair and PTL (as the Term Loan Borrowers), the companies named in schedule 6 thereto (as the Approved Companies) and Barclays Bank PLC (the "Bank") the Bank agreed to make available secured credit facilities comprising a sterling term loan of a maximum principal amount of £3,000,000 available to Porvair and a sterling term loan of a maximum principal amount of £13,000,000 available to PTL (together the "Term Loan Facility") and a revolving credit facility of a maximum principal amount of £15,000,000 (the "Revolving Credit Facility"). The Term Loan Facility has been used by PTL, inter alia, to finance the acquisition of the entire issued share capital of each of Microfiltrex and 2Fi.
- Part of the Revolving Credit Facility has been used to refinance existing borrowings with, inter alia, National Westminster Bank Plc, First Union and Barclays Bank PLC. The remainder of the Revolving Credit Facility is to be used for, inter alia, the working capital requirements of Porvair (and such subsidiaries of Porvair as shall be approved by the Bank and shall have acceded to the Facilities Agreement).
- The final repayment date of the Term Loan Facility is 31 March 2002 and the final repayment date of the Revolving Credit Facility is 30 September 2003. The Revolving Credit Facility is available for drawing in sterling, dollars or euros in a minimum advance of £250,000 (or such equivalent amount) and in integral multiples of £50,000 (or such equivalent amount) in accordance with the provisions of the Facilities Agreement) at any time from the date of the Facilities Agreement to 31 August 2003.
- The rate of interest on each advance under the Term Loan Facility will be the rate per annum equal to the sum of LIBOR, the MLA Cost Rate and the prevailing margin. The margin will initially be 1.5 per cent. per annum in relation to the Term Loan Facility and the Revolving Credit Facility,

each subject to the rate of default interest and the alternative interest rate as a result of market disruption. The margin in relation to advances under the Term Loan Facility will increase to 1.75 per cent. per annum on 1 August 2001, to 2.00 per cent. per annum on 1 October 2001 and to 2.25 per cent. per annum on 1 January 2002.

The Facilities Agreement contains standard representations and warranties, covenants and events of default.

(ii) *Guarantee and Debenture*

The obligations assumed under the Facilities Agreement were initially secured by a composite guarantee and debenture dated 26 March 2001 entered into by each of Porvair, Porvair Ceramics Limited, Porvair Sciences Limited, Porvair International Limited, Porvair Filtration Limited, PTL and Microfiltrex (the "Charging Companies") in favour of the Bank (the "Guarantee and Debenture"). Pursuant to the terms of the Guarantee and Debenture, each of the Charging Companies guarantees the performance of and charges all its assets and undertakings as security for such obligations and the obligations of the other Charging Companies.

(iii) *Deed of Novation and Amendment*

Pursuant to a deed of novation and amendment dated 1 May 2001 between Porvair and PTL (as the Term Loan Borrowers), the Companies Listed in Schedule 6 thereto (as the Approved Companies) and the Bank (the "Deed of Novation") the facilities made available to PTL and PTL's obligations to the Bank were transferred to Porvair. It was a condition of the acquisition of 2Fi that the Company enter into the Deed of Novation.

Pursuant to the Deed of Novation, the Bank released PTL from its obligations under the Facilities Agreement and certain terms of the Facilities Agreement were amended. Inter alia, the initial margin for the purpose of calculating the rate of interest on each advance under the Term Loan Facility and the Revolving Credit Facility was increased to 1.7 per cent. per annum, each subject to the rate of default interest and the alternative interest rate as a result of market disruption. The margin in relation to advances under the Term Loan Facility will increase to 1.95 per cent. per annum on 1 August 2001, to 2.20 per cent. per annum on 1 October 2001 and 2.45 per cent. per annum on 1 January 2002. Certain of the negative covenants contained in the Facilities Agreement were amended such that they no longer applied to PTL.

(iv) *Deed of Release*

Pursuant to a deed of release dated 1 May 2001 the Bank released PTL and Microfiltrex from all guarantees granted by such companies in favour of the Bank, including (but not limited to) the guarantee contained in the Guarantee and Debenture and released all such companies' assets and undertakings from the security constituted by the Guarantee and Debenture.

- (f) A sole commercial patent licence agreement dated 30 April 2001 between UT-Battelle LLC (otherwise known as Oak Ridge National Laboratory) ("UT") and Porvair Fuel Cell Technology Inc. ("FCT") effective from 1 April 2001 pursuant to which UT has granted to FCT a licence to use two US patents, in which UT has had rights granted to it by the Department of Energy of the United States Government, until their expiry for the purposes of manufacturing, selling and offering for sale products in the USA. In consideration of the grant of this licence, FCT has agreed to pay to UT in instalments a licence fee of US\$100,000 together with royalties on a sliding scale based on net sales of products. FCT may terminate this licence upon giving 60 days' notice to UT at any time provided that FCT is not in breach of any part of the licence. The licence contains limited standard representations and warranties by UT relating to the licenced product, the exclusivity of the licence, its right to grant the licence to FCT and, to UT's knowledge, the absence of any claims for infringement against UT in respect of the licenced patents. No de minimis or maximum limits or time limits are specified in relation to potential claims against such warranties. The licence expressly states that no further warranties or representations are given by UT and in particular excludes any warranties or representations in relation to the use of the patents or products manufactured from the use of the patents.

- (g) A share acquisition agreement relating to 2Fi between: the 2Fi Managers (1); 3i Group plc ("3i") (2); PTL (3); and the Company (4); dated 1 May 2001 pursuant to which PTL purchased the entire issued share capital of 2Fi. Cash consideration of £50,000, in aggregate, was paid to the 2Fi Managers together with 6 per cent. unsecured guaranteed loan notes in the sum of £500,000 for each 2Fi Manager. Interest is payable half yearly on the loan notes and the loan notes are repayable on 1 May 2002, or earlier on demand from the holders of the loan notes. In addition, PTL issued 1,274,540 A shares in PTL to each of the 2Fi Managers, together representing 21 per cent. of the outstanding issued share capital of PTL. Pursuant to the terms of the agreement, 3i was paid a dividend of £954,999 by 2Fi and received cash consideration of £1.00. The 2Fi Managers have been appointed as directors of PTL. PTL, the 2Fi Managers, Porvair Filtration Limited, and Porvair plc entered into a shareholders agreement, also dated 1 May 2001, pursuant to which, inter alia, the parties have agreed not to transfer their shares in PTL for 3 years following completion. Pursuant to a "ratchet mechanism" set out in PTL's articles of association, the 2Fi Managers can increase their holding of shares in PTL by approximately 3 per cent., conditional upon certain financial targets for Porvair Filtration Group being achieved prior to a sale or flotation of PTL, or the acquisition of the 2Fi Managers' shares by Porvair. Porvair has agreed to acquire the shares held by the 2Fi Managers (at their option) if a sale or flotation of PTL has not taken place by 1 August 2006. The 2Fi Managers have given certain standard warranties to PTL under which the liability of The 2Fi Managers is subject to a de minimis level of £25,000 in aggregate and a maximum aggregate for each 2Fi Manager of £500,000. Warranty claims must be made on or before 30 April 2003 except for claims under the tax warranties which must be made on or before 30 April 2008.

8. Working capital

The Company is of the opinion that, after taking into account the Group's existing bank or other facilities and the net proceeds of the Rights Issue, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

9. Litigation

Neither the Company nor any of its subsidiaries is or has been engaged in any legal or arbitration proceedings which may have or have had during the 12 months preceding the date hereof a significant effect on the Group's financial position and, as far as the Company is aware, no such proceedings are pending or threatened by or against it.

10. General

- (a) Save as disclosed in the paragraph headed "Current trading and profit forecast" on page 10 of Part I of this document there has been no significant change in the financial or trading position of the Group since 30 November 2000, being the date to which Porvair's latest audited accounts were made up.
- (b) The total expenses of or incidental to the Rights Issue (including amounts payable to financial intermediaries of £0.9 million) which are payable by the Company are estimated to amount to approximately £1.4 million (inclusive of VAT).
- (c) Close Brothers has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear. Close Brothers has authorised the contents of its letter for the purposes of section 152(1)(e) of the Financial Services Act 1986.
- (d) Beeson Gregory has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- (e) PricewaterhouseCoopers have given and not withdrawn their written consent to the inclusion in this document of their letters and references to their name in the form and context in which they appear. PricewaterhouseCoopers has authorised the contents of their letters for the purposes of Section 152(1)(e) of the Financial Services Act 1986.

- (f) The consolidated accounts of the Group for the three years ended 30 November 2000 were audited without qualification by PricewaterhouseCoopers, Benson House, 33 Wellington Street, Leeds LS1 4JP.
- (g) The Company's registrar and paying agent for the payment of dividends is Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ.
- (h) The issue price of each New Ordinary Share of 260p represents a premium per share of 258p over its nominal value of 2p.
- (i) The Ordinary Shares are, and the New Ordinary Shares will be, in registered form. The New Ordinary Shares will rank *pari passu* in all respects with the Ordinary Shares.
- (j) The New Ordinary Shares are not being marketed or made available to the public in whole or in part other than in connection with the Rights Issue.
- (k) There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

11. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Travers Smith Braithwaite, 10 Snow Hill, London, EC1A 2AL during normal business hours on any weekday (excluding Saturdays and public holidays) up to and including 10 July 2001:

- 11.1 the memorandum and articles of association of the Company;
- 11.2 the audited accounts of the Group for the financial years ended 30 November 1999 and 2000;
- 11.3 the letter from Close Brothers set out in Part III of this document;
- 11.4 the letters from PricewaterhouseCoopers set out in Parts III and IV of this document;
- 11.5 the Directors' service agreements and letters of appointment referred to in paragraph 6 of this Part V;
- 11.6 the material contracts referred to in paragraph 7 of this Part V;
- 11.7 the written consents referred to in paragraph 10 of this Part V; and
- 11.8 the irrevocable undertakings of the Director referred to in the paragraph headed "Directors' intentions" in Part I of this document.

30 May 2001

Porvair plc

(Registered in England and Wales No 1661935 and hereinafter referred to as "the Company")

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company will be held at Riverside Industrial Estate, Estuary Road, King's Lynn, Norfolk PE30 2HS on 15 June 2001 at 9.00 am for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

- (1) THAT, subject to and conditional upon the underwriting agreement dated 30 May 2001 and made between the Company (1); Close Brothers Limited (2); and Beeson Gregory Limited (3); becoming unconditional save for any condition relating to the passing of this resolution, the posting of the Provisional Allotment Letter or any condition relating to Admission (each as defined in the prospectus of the Company dated 30 May 2001 ("the Prospectus")) and not having been terminated in accordance with its terms: the authorised share capital of the Company be increased from £688,000 to £1,500,000 by the creation of an additional 40,600,000 ordinary shares of 2p each in the capital of the Company.
- (2) THAT, subject to Resolution 1 set out in the notice convening this meeting becoming unconditional, the directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 ("the Act") and in substitution and as a replacement for any existing authority to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £466,180; provided that in the case of any allotment other than allotments of New Ordinary Shares pursuant to the Rights Issue as defined in the Prospectus) the authority hereby conferred shall be limited to the allotment of relevant securities up to an aggregate nominal amount equal to one third of the aggregate of the nominal amount of all ordinary shares of 2p each in the capital of the Company in issue immediately after this resolution becomes unconditional and of any New Ordinary Shares allotted pursuant to the Rights Issue; and provided further that this authority shall expire (unless previously revoked, varied or renewed by the Company in general meeting) on 14 June 2006 except that the Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Registered office:

Riverside Industrial Estate
Estuary Road
King's Lynn
Norfolk
PE30 2HS

By Order of the Board
Mark Moran
Secretary

30 May 2001

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a member of the Company. A blue form of proxy accompanies this notice of Extraordinary General Meeting. Lodgement of a form of proxy will not preclude a member from attending and voting in person at the meeting if he or she wished to do so.
2. To be valid the enclosed blue form of proxy must be completed and lodged together with the power of attorney or other authority (if any) under which it is signed, or duly certified copy of such authority, with Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1BR so as to arrive not later than 48 hours before the time fixed for the meeting.
3. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the time at which a person must be entered on the Register of Members in order to have the right to vote at the meeting is 6.00 pm on 13 June 2001. If the meeting is adjourned, the time by which a person must be entered on the Register of Members in order to have the right to attend and vote at the adjourned meeting will be 48 hours before the time fixed for the adjourned meeting. Changed to entries on the Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Porvair plc

(Registered in England and Wales No. 1661935 and hereinafter referred to as "the Company")

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company will be held at Riverside Industrial Estate, Estuary Road, King's Lynn, Norfolk PO30 2HS on 22 June 2001 at 9.00 am for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

THAT, subject to the resolutions set out in the notice convening an Extraordinary General Meeting of the Company for 15 June 2001 becoming unconditional, the Directors be and are empowered in accordance with Section 95 of the Companies Act 1985 (the "Act") and in substitution and as a replacement for any existing power under that section, to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred on them by the second of those resolutions to allot relevant securities (as defined in Section 80 of the Act) as if sub-section 89(1) of the Act did not apply to such allotment and references in this resolution to the allotment of equity securities shall include references to the grant of a right to subscribe for, or to convert any securities into, relevant shares (as defined in Section 94 of the Act), provided that this power shall be limited:

- (i) to the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interest of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body in any territory;
- (ii) to the allotment (otherwise than pursuant to paragraph (i) above) of equity securities up to an aggregate nominal value not exceeding £36,804;

and this power shall expire, unless renewed or earlier revoked, on 21 June 2006 but shall extend to the making, before such expiry, of an offer or agreement which would, or which might, require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby has not expired.

Registered office:

Riverside Industrial Estate
Estuary Road
King's Lynn
Norfolk
PE30 2HS

By Order of the Board
Mark Moran
Secretary

30 May 2001

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a member of the Company. A white form of proxy accompanies this notice of Extraordinary General Meeting. Lodgement of this form of proxy will not preclude a member from attending and voting in person at the meeting if he or she wished to do so.
2. To be valid, the enclosed white form of proxy must be completed and lodged, together with the power of attorney or other authority (if any) under which it is signed, or duly certified copy of such authority, with Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex IG1 1BR so as to arrive not later than 48 hours before the time fixed for the meeting.
3. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the time at which a person must be entered on the Register of Members in order to have the right to vote at the meeting is 6.00 pm on 20 June 2001. If the meeting is adjourned, the time by which a person must be entered on the Register of Members in order to have the right to attend and vote at the adjourned meeting will be 48 hours before the time fixed for the adjourned meeting. Changes to entries on the Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.