20 May 2014

Victrex plc – Interim Results 2014

Victrex plc, an innovative world leader in high performance polymer solutions, today announces its interim results for the six months ended 31 March 2014.

'A strong start to 2014 – continued growth momentum'

	H1 2014	H1 2013	% change
Group sales volume	**1,584 tonnes**	1,392 tonnes	14%
Revenue	**£120.0m**	£106.4m	13%
Profit before tax (PBT)	**£48.9m**	£45.7m	7%
EPS	**45.1p**	41.7p	8%
Gross margin	**64.0%**	67.2%	-320bps
Dividend per share*	**11.39p**	10.35p	10%

*Dividend per share reflects a proposed interim dividend of 11.39p (H1 2013: 10.35p).

Highlights:

- Continued growth momentum: H1 revenue 13% ahead and PBT 7% ahead
- Strong trading in VPS driven by core PEEK sales; Invibio returned to growth
- Speciality Products remain strong; double-digit sales growth
- Margins reflect cost of manufacture, mix and currency in H1
- Major capacity expansion now scheduled for commissioning in early 2015; supporting core growth and new business opportunities
- Good cash generation; interim dividend increased by 10%

Anita Frew, Chairman of Victrex, said: "Victrex saw continued growth momentum during the first half of 2014, principally reflecting a very strong second quarter. We delivered broad based growth across our strategic markets, with a particularly strong performance in our core VPS business, alongside continued growth in Speciality Products and a return to growth in Invibio. Margins in the first half reflect product mix, cost of manufacture and currency. Our cash generation remains healthy, despite the significant capital investment this year to expand our manufacturing capacity.

"Across our markets, structural growth drivers remain strong and our development pipeline reflects an emphasis on larger and more value driven opportunities. We continue to focus on delivering leading edge solutions to our customers as the partner of choice. To support core growth and some new business opportunities, our new capacity is now scheduled for commissioning in early 2015.

"Our second half has started well, with initial volume trends building on our first half performance. Although we remain mindful of increasing currency headwinds as we move towards 2015, our continued growth momentum means our expectations for the full year are well supported. We will continue to focus on driving growth and creating value across our strategic markets."

Enquiries

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About Victrex:

Victrex is an innovative world leader in high performance polymer solutions. Every day, millions of people rely on products or applications which contain our materials, from smartphones, aeroplanes and cars to oil & gas operations and medical devices. With over 35 years' experience, we are investing in technical excellence to deliver new and leading edge solutions to our customers and our markets, and to drive value for our shareholders. Find out more at www.victrexplc.com

A presentation for investors and analysts will be held at 9.30am (BST) this morning at the Andaz Hotel, Liverpool Street, London, EC2M 7QN. A telephone dial in facility will be available for analysts and investors who are unable to attend the presentation, of which details are available from Ben Griffiths at MHP Communications on 0203 128 8106. The presentation can be viewed on Victrex's website at www.victrexplc.com.

Interim results statement for the half year ended 31 March 2014

Group financial results

Victrex delivered a strong and broad based first half performance across our strategic markets. Group revenue for the period was 13% ahead of the prior year (H1 2013: £106.4m) but with a slightly lower average selling price of £75.8/kg (H1 2013: £76.4/kg), resulting from a softer sales mix and some currency impact. Half year sales volume was 14% ahead of last year at 1,584 tonnes (H1 2013: 1,392 tonnes) following a much stronger second quarter performance which was ahead of our expectations. Growth across Victrex Polymer Solutions (VPS) was principally driven by our core PEEK resin sales, but with steady progress in Speciality Products, particularly Aptiv, where we are seeing continued demand and double-digit growth in the first half year. Automotive, Aerospace and Industrial markets continued to perform, with some early but encouraging signs of growth in Electronics.

In our Invibio business, we saw a steady recovery compared to the weaker period of destocking seen in the first half of last year. Revenue in Invibio was 11% ahead of the prior year at £26.9m (H1 2013: £24.2m). This predominantly reflects continued improvement in sales to the spine market in the mature areas of the US and Europe. Our emerging medical businesses and emerging geographies continue to show steady progress. In line with our strategy to be market led and leverage our technical excellence, progress in developing our markets also requires the appropriate investment to drive growth through regulatory, marketing and technical expertise, where we increased our resources, particularly in marketing.

Group gross margin at 64.0% (H1 2013: 67.2%) reflects a softer sales mix and some adverse currency movement as the Q2 outperformance saw some sales come through un-hedged. As indicated in previous communications, we also saw some increased costs of manufacture coming through from last year as we increase our range of production campaigns for specific products or applications, supporting our strategy to deliver leading edge solutions to our customers. On currency, whilst we now expect some adverse impact during the current year, we are particularly mindful of Sterling's appreciation against our major currencies of the US Dollar, Euro and Japanese Yen as we move into our next financial year. We will continue to review our currency policy accordingly.

Our strategy to leverage our position of technical excellence to deliver new solutions to our customers means continued investment in resources to drive and enable our future growth programmes. This includes the technical, marketing and regulatory functions, with total indirect overheads increasing by 8% (and 2% ahead of H2 2013), slightly ahead of the increase seen in 2013.

As well as purchasing our products, our customers and end users increasingly require pro-active technical solutions and support, including working with us on joint development programmes. To support this, we continued our investment in research and development, of which approximately 85% relates to market and customer related product and application development. Our expenditure increased to £7.4m this year (H1 2013: £7.3m), representing 6.2% of revenue (H1 2013: 6.8%).

Resulting Group profit before tax of £48.9m (H1 2013: £45.7m) reflects the strong growth during the first half year, offset by a slightly softer sales mix, slightly increased overheads to support our growth strategy, and an adverse currency movement in H1. Basic earnings per share of 45.1p per share (H1 2013: 41.7p per share) reflects the lower effective tax rate of 22% (H1 2013: 23.2%) largely reflecting the lower UK corporation tax rate.

Balance sheet

Victrex continues to maintain a strong balance sheet, supporting our ability to invest for future growth and supporting our focus on working with our customers as the partner of choice. Net assets at 31 March 2014 totalled £326.0m (H1 2013: £274.0m). Our working capital management reflects how Victrex differentiates through product leadership and security of supply for both existing and future potential customers and end users.

Our inventory levels reduced from the last year end position and also decreased slightly year on year to £47.9m (H1 2013: £53.7m). This reflects the higher sales performance and product demand, as well as demand for the breadth of product grades, which influenced the slight increase in cost of manufacture noted previously. Trade receivables are in line with the prior year, with receivables which are either current or less than 30 days overdue at 99% (H1 2013: 97%). Trade payables reflect consistent creditor days with the prior year, with our commitment to our suppliers that we pay within agreed terms to maintain a strong working and strategic relationship. As communicated at our preliminary results announcement in December 2013, return on capital employed has reduced slightly following a strategic decision to maintain a strong balance sheet during high capital expenditure. ROCE for the half year was 11.7% (H1 2013: 12.8%).

Cash flow and capacity investment

2014 sees our highest level of capital expenditure as we invest in the construction of our third PEEK plant, which will underpin our future growth and enable our customers to have confidence in capacity being available to support larger long-term applications. Investment in this facility has continued to support our commercial discussions, particularly as we focus on larger and more impactful long term opportunities; enabling customers or potential customers to have the confidence that capacity is available, particularly compared to other competitors. We also continued to invest in downstream capacity, principally the Aptiv film capability.

Our new capacity – PEEK Powder Plant 3 – will now be commissioned from early 2015 (the second quarter of Victrex's financial year), helping support us with some potential new business opportunities, principally in the short lifecycle Electronics market. Our capacity investment reflects the continued underlying confidence in our business and our future opportunities, where global megatrends remain strong**.** Despite our high capital expenditure this year, Victrex continues to see healthy cash generation. Cash generated from operations was £53.1m (H1 2013: £41.1m) representing an operating cash conversion of 109% (H1 2013: 91%). Capital expenditure payments significantly increased on the prior year to £28.2m (H1 2013: £16.0m), mainly as a result of our capacity investment and completing the increase in BDF production capacity (the main raw material for PEEK).

Taxation paid during the period was £12.2m (H1 2013: £11.9m), which reflects both the reduction in the UK corporation tax rate as well as the stronger performance. Total dividends during the period increased to £27.6m (H1 2013: £23.9m) reflecting the 15% increase in the final dividend last year. As a result, the closing Group cash balance as at 31 March 2014 was £79.4m with no debt (H1 2013: £74.3m; no debt).

Proposed dividend

Our progressive and sustainable dividend policy, which takes account of cash generation and use of capital, including for potential acquisitions, also reflects our underlying confidence in the growth programmes and prospects for our business. Following an increase in the 2013 final dividend by 15% to 32.65p, the Group is proposing an increase of 10% in the interim dividend to 11.39p (H1 2013: 10.35p). Dividend cover is 1.9 times (H1 2013: 2.0 times).

Victrex Polymer Solutions

	Six months Ended 31 March 2014 £m	Six months ended 31 March 2013 £m	Change
Revenue	**93.1**	82.2	13%
Gross profit	**53.2**	50.0	6%
Operating profit	**35.5**	33.2	7%

VPS generated revenue 13% ahead of the prior year of £93.1m (H1 2013: £82.2m) reflecting broad based growth across our strategic markets and a particularly strong performance from core PEEK resin sales, alongside continued progress in Speciality Products where Aptiv sales saw double digit growth. Gross margin at 57.1% (H1 2013: 60.8%) reflects a slightly softer mix, adverse currency and the slightly increased cost of manufacture we communicated last year. Sales, marketing and administrative expenses increased by £0.9m to £17.7m (H1 2013: £16.8m) with continued investment to develop our organisational infrastructure and capabilities to drive our future growth initiatives. The resulting operating profit of £35.5m was approximately 7% ahead of the previous year (H1 2013: £33.2m).

Core market overview

Sales volume in Europe of 884 tonnes was 15% ahead of the prior year (H1 2013: 767 tonnes) driven by significant growth in all key markets, particularly Automotive. In the US, sales volumes of 410 tonnes was 6% ahead of the prior year (H1 2013: 388 tonnes) reflecting some recovery following the weaker performance last year which was impacted by Consumer Electronics. In Asia, sales volume of 290 tonnes was 22% ahead of the prior year (237 tonnes) with good growth in industrial and transport applications, and a steadier performance in semiconductor applications. Japan also saw a steady recovery, from a low base, with sales into Japan ahead by approximately 20% year on year.

Industrial sales volume at 584 tonnes was ahead of the first half of 2013 (524 tonnes), with increased demand for industrial machinery and equipment, and increased emerging market demand, offset by slightly softer sales into the oil and gas sector, largely due to drilling activity remaining muted.

Transport sales volume increased 28% to 485 tonnes (H1 2013: 380 tonnes) with strong sales into automotive and aerospace. The increase in automotive sales reflects the trend towards highly durable and weight saving materials, as global megatrends of emissions reduction in cars and fuel saving for aeroplanes remain strong. Victrex secured the Frost & Sullivan award for European Customer Leadership, reflecting the strong position of Victrex in developing new and innovative materials in the Automotive market, including Wear Grade products. In Aerospace, build rates steadily increased during the first half of 2014. We also continue to work on a number of opportunities to translate the existing level of our materials across the aircraft, as well as some retrofitting opportunities for existing aircraft.

Electronics sales increased slightly to 331 tonnes (H1 2013: 312 tonnes) reflecting a slightly improved performance in semiconductor applications, but with consumer electronics offsetting overall performance. We continue to focus on new business opportunities in the short lifecycle Electronics market as we move towards 2015.

Product and market development

Becoming the partner of choice in delivering solutions to customers remains key. Our speciality products business, driven predominantly by our Aptiv film business used in many acoustic applications, delivered a good performance during the first half, with sales increasing by 15% and pricing and margin remaining robust. Our other existing speciality product platforms are coating, pipes and composites. Exploring both organic and non-organic platforms for future investment remains a key focus. The first half of 2014 saw continued success in closing new applications across all our markets as the megatrends of light-weighting for fuel efficiency, miniaturisation and complexity of natural resource exploration, play to the strengths of our products.

The development pipeline reflects our focus on larger and more impactful targets, in line with our strategy to drive value rather than just focusing on the total volume of opportunities. Our portfolio management approach, to ensure we focus on the deliverability of our development pipeline, is expected to be the benchmark for how we measure the pipeline going forward. For the first half, the pipeline contained 1,509 potential developments (30 September 2013: 1,600) with an estimated Mature Annualised Volume (MAV) of 2,053 tonnes (30 September 2013: 2,064 tonnes) if all of the developments were successfully commercialised.

Growth drivers

Our strategic markets continue to demand higher performance with less; less material, less energy, less waste, less noise, less time, less cost. This drives the need for innovative designs using our materials and expertise to bring them to market. The unique combination of properties and physical forms of Victrex materials help customers deliver against these challenges. We continue to see good growth potential for our business, reflected by our strong development pipeline, as well as opportunities to target further market penetration or geographies through strategic marketing. Continued investment in talent, technology and new capacity means that we are well placed to take advantage of growth opportunities – whether organically or through selective acquisitions – in delivering solutions to our customers and markets.

Invibio Biomaterial Solutions

	Six months ended 31 March 2014 £m	Six months ended 31 March 2013 £m	Change
Revenue	**26.9**	24.2	11%
Gross profit	**23.6**	21.5	10%
Operating profit	**15.4**	14.0	10%

Revenue in Invibio increased by 11% to £26.9m (H1 2013: 24.2m) reflecting a steady recovery in our spine business during the second half of last year and continued momentum during the first half, following the effects of destocking and lower inventory levels last year. Gross margins remained strong at 87.7% (H1 2013: 88.8%). In line with previous guidance and to support our strategy of leveraging technical excellence and a market led approach, investment in sales, marketing and administrative resources increased to £8.2m (H1 2013: £7.5m), resulting in an operating profit of £15.4m (H1 2013: £14.0m).

Core market overview

Spine remains our core market and saw continued progress during the first half and compared to the softer first half of 2013. The spine market generated sales of £20.1m, an increase of £1.9m (10%) on the much weaker prior year. Improvement reflects steady recovery from the de-stocking that impacted our business last year, alongside translating

Spine sales into newer emerging markets, which continue to be attractive for us, particularly Asia. Revenues in Asia were up 6% to £1.9m (H1 2013: £1.8m). Our emerging markets outside of spine saw steady progress, although Arthroscopy continues to demand more radical resorbable solutions, which we are evaluating in order to capture more opportunities within this market. Arthroscopy sales were down year on year on low market growth but saw some limited improvement on the second half of last year.

Product and market development

Healthcare remains high up the news agenda. Invibio is the proven market leader in providing versatile and high performance PEEK based polymer solutions to the medical device market. With a strong track record and unrivalled expertise, our materials are used extensively across a number of core applications such as spinal fusion and arthroscopy, as well as in emerging opportunities such as dental, trauma and knee.

Spine

One of our focus areas, alongside our position in mature markets, has also been in emerging geographies where we have seen a 7% increase in regulatory approvals. We also invested in specific regulatory resource in emerging geographies this year, including South America. New forms also comprise one of our growth opportunities. Last year we launched the first stage of our PEEK-OPTIMA® HA-ENHANCED product, which promotes bone growth and we continue to focus on adoption and education programmes in collaboration with our customers and with European Spine surgeons. Initial feedback on HA-ENHANCED has been very positive but we are yet to complete the full product launch phase across all our geographies, with the focus shifting to the US as we move towards 2015.

Emerging markets

Our activities in emerging markets were driven by JUVORA, our dedicated dental brand, which offers a certified dental disc, providing our customers and their patients with an effective metal free dentures solution, with improved comfort and fit. Following the traction for our JUVORA brand last year across geographies, we now have over 90 labs passing through our certified training programme. JUVORA also has US FDA regulatory approval. The trends for the denture market are extremely encouraging and we believe that the JUVORA product is well positioned to be the material of choice for a significant patient population that could reach as many as 1.5 million denture applications per year. JUVORA remains as a Horizon 2 (2-5 year) opportunity but progress remains encouraging in driving adoption, ahead of more meaningful sales. We are also seeing some positive interest from newer geographies such as Turkey and Greece.

We continue to focus on building our regulatory expertise, market insight and technology leadership, to ensure we can capture real value from medical markets including trauma (Horizon 2) and knee (Horizon 3), where our materials can deliver superior performance and accelerate healing, as well as offering durability and less complexity than many incumbent solutions. In Knee, where failure rates from existing metal based materials are high, as well as patient discomfort, we signed a partner agreement during the first half year although this remains as a medium to long term opportunity. Knee offers the potential to be tailored towards high volume emerging markets where there is real demand for radical solutions, but at a lower price level to drive adoption.

Sustainability

Following the success of Victrex being named amongst the top 20 Most Admired Companies in the UK by Management Today last year, we have continued to focus on becoming a more sustainable business and recently received accreditation to ISO 14001 for our Environmental Management System on our main Hillhouse manufacturing plant in the UK. Sustainability continues to be a key focus area for us, in line with the sustainable products and applications we deliver for our customers.

People

On behalf of the Board and as I step down from being Chairman, I would like to thank all of our employees for their contribution so far this year and for their contributions throughout my tenure. It has been an honour to chair Victrex, one of Britain's great industrial manufacturing companies and a true export champion. Victrex has a clear strategy, a culture of innovation, technical leadership, a strong financial position and our timely investment in new capacity will support our continuing commercial success and growth.

Outlook

Our second half has started well, with initial volume trends building on our first half performance. Although we remain mindful of increasing currency headwinds as we move towards 2015, our continued growth momentum means our expectations for the full year are well supported. We will continue to focus on driving growth and creating value across our strategic markets.

Anita Frew
Chairman
19 May 2014

Condensed Consolidated Income Statement

	Note	Unaudited six months ended 31 March 2014 £m	Unaudited six months ended 31 March 2013 £m	Audited year ended 30 September 2013 £m
Revenue	5	**120.0**	106.4	221.9
Cost of sales		**(43.2)**	(34.9)	(74.1)
Gross profit		**76.8**	71.5	147.8
Sales, marketing and administrative expenses		**(28.2)**	(26.1)	(53.8)
Operating profit	5	**48.6**	45.4	94.0
Financial income		**0.4**	0.4	0.8
Financial expenses		**(0.1)**	(0.1)	(0.2)
Profit before tax		**48.9**	45.7	94.6
Income tax expense	6	**(10.7)**	(10.6)	(21.7)
Profit for the period attributable to owners of the parent		**38.2**	35.1	72.9
Earnings per share				
Basic	7	**45.1p**	41.7p	86.5p
Diluted	7	**45.0p**	41.5p	86.0p
Dividends				
Year ended 30 September 2012:				
Final dividend paid February 2013 at 28.4p per share		**-**	23.9	23.9
Year ended 30 September 2013:				
Interim dividend paid July 2013 at 10.35p per share		**-**	-	8.8
Final dividend paid February 2014 at 32.65p per share		**27.6**	-	-
		27.6	23.9	32.7

An interim dividend of 11.39p per share will be paid on 1 July 2014 to shareholders on the register at the close of business on 13 June 2014. This dividend will be recognised in the period in which it is approved.

Condensed Consolidated Statement of Comprehensive Income

	Unaudited six months ended 31 March 2014 £m	Unaudited six months ended 31 March 2013 £m	Audited year ended 30 September 2013 £m
Profit for the period	**38.2**	35.1	72.9
Items that will not be reclassified to profit or loss			
Defined benefit pension schemes' actuarial losses	**(0.7)**	(6.7)	(0.7)
Income tax on items that will not be reclassified to profit or loss	**0.1**	1.5	0.1
	(0.6)	(5.2)	(0.6)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences for foreign operations	**(0.4)**	0.1	(0.5)
Effective portion of changes in fair value of cash flow hedges	**3.5**	(4.3)	1.1
Net change in fair value of cash flow hedges transferred to profit or loss	**(3.8)**	(1.4)	0.4
Income tax on items that may be reclassified to profit or loss	**(0.2)**	1.0	(0.6)
	(0.9)	(4.6)	0.4
Total other comprehensive income for the period	**(1.5)**	(9.8)	(0.2)
Total comprehensive income for the period attributable to owners of the parent	**36.7**	25.3	72.7

Condensed Consolidated Balance Sheet

	Unaudited 31 March 2014 £m	Unaudited 31 March 2013 £m	Audited 30 September 2013 £m
Assets			
Non-current assets			
Property, plant and equipment	**200.8**	156.6	175.7
Intangible assets	**10.1**	10.1	10.1
Deferred tax assets	**5.3**	9.2	6.3
	216.2	175.9	192.1
Current assets			
Inventories	**47.9**	53.7	51.1
Current income tax assets	**2.2**	1.3	1.2
Trade and other receivables	**29.8**	28.8	26.5
Derivative financial instruments	**5.6**	1.8	5.1
Cash and cash equivalents	**79.4**	74.3	91.6
	164.9	159.9	175.5
Total assets	**381.1**	335.8	367.6
Liabilities			
Non-current liabilities			
Deferred tax liabilities	**(16.4)**	(14.3)	(15.6)
Retirement benefit obligations	**(3.4)**	(9.7)	(3.6)
	(19.8)	(24.0)	(19.2)
Current liabilities			
Derivative financial instruments	**(0.1)**	(5.5)	(0.4)
Current income tax liabilities	**(8.7)**	(10.5)	(10.7)
Trade and other payables	**(26.5)**	(21.8)	(23.6)
	(35.3)	(37.8)	(34.7)
Total liabilities	**(55.1)**	(61.8)	(53.9)
Net assets	**326.0**	274.0	313.7
Equity			
Share capital	**0.9**	0.8	0.8
Share premium	**34.0**	30.7	31.3
Translation reserve	**1.1**	2.1	1.5
Hedging reserve	**3.1**	(2.3)	3.3
Retained earnings	**286.9**	242.7	276.8
Total equity attributable to owners of the parent	**326.0**	274.0	313.7

Condensed Consolidated Cash Flow Statement

	Note	Unaudited six months ended 31 March 2014 £m	Unaudited six months ended 31 March 2013 £m	Audited year ended 30 September 2013 £m
Cash flows from operating activities				
Cash generated from operations	9	53.1	41.1	100.9
Interest and similar charges paid		-	-	(0.1)
Interest received		0.3	0.3	0.9
Tax paid		(12.2)	(11.9)	(21.7)
Net cash flow from operating activities		41.2	29.5	80.0
Cash flows from investing activities				
Acquisition of property, plant and equipment		(28.2)	(16.0)	(40.7)
Net cash flow from investing activities		(28.2)	(16.0)	(40.7)
Cash flows from financing activities				
Proceeds from issue of ordinary shares exercised under option		2.7	1.6	2.2
Purchase of own shares held		-	(1.0)	(0.9)
Dividends paid		(27.6)	(23.9)	(32.7)
Net cash flow from financing activities		(24.9)	(23.3)	(31.4)
Net (decrease)/increase in cash and cash equivalents		(11.9)	(9.8)	7.9
Effect of exchange rate fluctuations on cash held		(0.3)	0.2	(0.2)
Cash and cash equivalents at beginning of period		91.6	83.9	83.9
Cash and cash equivalents at end of period		79.4	74.3	91.6

Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Equity at 1 October 2013	**0.8**	**31.3**	**1.5**	**3.3**	**276.8**	**313.7**
Total comprehensive income for the period						
Profit	-	-	-	-	**38.2**	**38.2**
Other comprehensive income						
Currency translation differences for foreign operations	-	-	**(0.4)**	-	-	**(0.4)**
Effective portion of changes in fair value of cash flow hedges	-	-	-	**3.5**	-	**3.5**
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	**(3.8)**	-	**(3.8)**
Defined benefit pension schemes' actuarial losses	-	-	-	-	**(0.7)**	**(0.7)**
Tax on other comprehensive income	-	-	-	**0.1**	**(0.2)**	**(0.1)**
Total other comprehensive income/(expense) for the period	-	-	**(0.4)**	**(0.2)**	**(0.9)**	**(1.5)**
Total comprehensive income/(expense) for the period	-	-	**(0.4)**	**(0.2)**	**37.3**	**36.7**
Contributions by and distributions to owners of the Company						
Share options exercised	**0.1**	**2.7**	-	-	-	**2.8**
Equity-settled share-based payment transactions	-	-	-	-	**0.4**	**0.4**
Purchase of own shares held	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	**(27.6)**	**(27.6)**
Equity at 31 March 2014	**0.9**	**34.0**	**1.1**	**3.1**	**286.9**	**326.0**

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Equity at 1 October 2012	0.8	29.1	2.0	2.1	237.1	271.1
Total comprehensive income for the period						
Profit	-	-	-	-	35.1	35.1
Other comprehensive income						
Currency translation differences for foreign operations	-	-	0.1	-	-	0.1
Effective portion of changes in fair value of cash flow hedges	-	-	-	(4.3)	-	(4.3)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	(1.4)	-	(1.4)
Defined benefit pension schemes' actuarial gains	-	-	-	-	(6.7)	(6.7)
Tax on other comprehensive income	-	-	-	1.3	1.2	2.5
Total other comprehensive (expense)/income for the period	-	-	0.1	(4.4)	(5.5)	(9.8)
Total comprehensive (expense)/income for the period period	-	-	0.1	(4.4)	29.6	25.3
Contributions by and distributions to owners of the Company						
Share options exercised	-	1.6	-	-	(0.4)	1.2
Equity-settled share-based payment transactions	-	-	-	-	0.9	0.9
Purchase of own shares held	-	-	-	-	(0.6)	(0.6)
Dividends to shareholders	-	-	-	-	(23.9)	(23.9)
Equity at 31 March 2013	0.8	30.7	2.1	(2.3)	242.7	274.0

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Equity at 1 October 2012	0.8	29.1	2.0	2.1	237.1	271.1
Total comprehensive income for the year						
Profit	-	-	-	-	72.9	72.9
Other comprehensive income						
Currency translation differences for foreign operations	-	-	(0.5)	-	-	(0.5)
Effective portion of changes in fair value of cash flow hedges	-	-	-	1.1	-	1.1
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	0.4	-	0.4
Defined benefit pension schemes' actuarial gains	-	-	-	-	(0.7)	(0.7)
Tax on other comprehensive income	-	-	-	(0.3)	(0.2)	(0.5)
Total other comprehensive (expense)/income for the year	-	-	(0.5)	1.2	(0.9)	(0.2)
Total comprehensive (expense)/income for the year year	-	-	(0.5)	1.2	72.0	72.7
Contributions by and distributions to owners of the Company						
Share options exercised	-	2.2	-	-	-	2.2
Equity-settled share-based payment transactions	-	-	-	-	1.3	1.3
Purchase of own shares held	-	-	-	-	(0.9)	(0.9)
Dividends to shareholders	-	-	-	-	(32.7)	(32.7)
Equity at 30 September 2013	0.8	31.3	1.5	3.3	276.8	313.7

Notes to the Half-yearly Financial Report

1. Reporting entity

Victrex plc (the 'Company') is a limited liability company incorporated and domiciled in the United Kingdom. The address of the Registered Office is Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire, FY5 4QD, United Kingdom. The Company is listed on the London Stock Exchange.

This Half-yearly Financial Report is an interim management report as required by DTR 4.2.3 of the Disclosure and Transparency Rules of the UK Financial Conduct Authority.

These condensed consolidated interim financial statements as at and for the six months ended 31 March 2014 comprise the Company and its subsidiaries (together referred to as the 'Group').

The comparative figures for the financial year ended 30 September 2013 are extracted from the Company's statutory accounts for that year. Those accounts have been reported on by the Company's auditor, filed with the Registrar of Companies and are available on request from the Company's Registered Office or to download from www.victrexplc.com. The auditor's report on those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain any statement under sections 498 (2) or (3) of the Companies Act 2006.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by KPMG LLP and its report is set out below.

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ('IAS') 34 – Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 September 2013.

This Half-yearly Financial Report was approved by the Board of Directors on 19 May 2014.

Risks and uncertainties
The principal risks and uncertainties which could impact the Group's long-term performance remain those detailed on pages 21, 22 and 91 of the Group's 2013 Annual Report and Accounts, a copy of which is available on the group's website, www.victrexplc.com. No new risks have been identified. These risks remain valid as regards their potential to impact the Group during the second half of the current financial year. The Group has a comprehensive system of risk management installed within all parts of its business to mitigate these risks as far as is possible.

3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied in the Company's published consolidated financial statements for the year ended 30 September 2013 except for the application of relevant new standards.

A number of new standards and amendments to existing standards are effective for the financial year ending 30 September 2014, including IAS 19 Revised. None of these have had a material impact and accordingly the 31 March 2013 and 30 September 2013 comparatives have not been restated.

A number of amendments to standards and interpretations have been issued during the period, which are either not yet endorsed, or endorsed but not yet effective, and accordingly the Group has not yet adopted.

Going concern
The Directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing this Interim Announcement.

4. Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 September 2013.

5. Segment reporting

The Group's business is strategically organised as two business units: Victrex Polymer Solutions, which focuses on our transport, industrial and electronics markets; and Invibio Biomaterial Solutions, which focuses on providing specialist solutions for medical device manufacturers.

	Unaudited six months ended 31 March 2014			Unaudited six months ended 31 March 2013			Audited year ended 30 September 2013		
	Victrex Polymer Solutions £m	Invibio Biomaterial Solutions £m	Group £m	Victrex Polymer Solutions £m	Invibio Biomaterial Solutions £m	Group £m	Victrex Polymer Solutions £m	Invibio Biomaterial Solutions £m	Group £m
Revenue from external sales	93.1	26.9	120.0	82.2	24.2	106.4	171.1	50.8	221.9
Segment operating profit	35.5	15.4	50.9	33.2	14.0	47.2	68.6	29.3	97.9
Unallocated central costs			(2.3)			(1.8)			(3.9)
Operating profit			48.6			45.4			94.0
Net financing income			0.3			0.3			0.6
Profit before tax			48.9			45.7			94.6
Income tax expense			(10.7)			(10.6)			(21.7)
Profit for the period attributable to owners of the parent			38.2			35.1			72.9

6. Income tax expense

Taxation of profit before tax in respect of the six months ended 31 March 2014 has been provided at the estimated effective rates chargeable for the full year in the respective jurisdiction.

	Unaudited six months ended 31 March 2014 £m	Unaudited six months ended 31 March 2013 £m	Audited year ended 30 September 2013 £m
UK corporation tax	7.9	10.6	17.9
Overseas tax	1.2	0.6	1.6
Deferred tax	1.6	(0.6)	2.2
	10.7	10.6	21.7

In the 2013 Budget, the Chancellor announced that the main rate of corporation tax for UK companies would reduce from 23% to 21% with effect from 1 April 2014, with a further reduction from 21% to 20% with effect from 1 April 2015. These reductions were substantively enacted for financial reporting purposes on 2 July 2013.

In accordance with IAS 12 – Income Taxes, the deferred tax liabilities and assets have been calculated using a rate of 20%, being the rate being the expected applicable rate when these assets and liabilities are realised / settled.

7. Earnings per share

		Unaudited six months ended 31 March 2014	Unaudited six months ended 31 March 2013	Audited year ended 30 September 2013
Earnings per share	– basic	45.1p	41.7p	86.5p
	– diluted	45.0p	41.5p	86.0p
Profit for the financial period (£m)		38.2	35.1	72.9
Weighted average number of shares used	– basic	84,593,019	84,189,272	84,294,381
	– diluted	84,888,647	84,577,929	84,726,981

8. Exchange rates

The most significant Sterling exchange rates used in the accounts under the Group's accounting policies are:

	Unaudited six months ended 31 March 2014		Unaudited six months ended 31 March 2013		Audited year ended 30 September 2013	
	Average	**Closing**	Average	Closing	Average	Closing
US Dollar	**1.56**	**1.67**	1.57	1.52	1.57	1.62
Euro	**1.19**	**1.21**	1.19	1.18	1.21	1.20
Yen	**150**	**172**	127	143	128	159

9. Reconciliation of profit to cash generated from operations

	Unaudited six months ended 31 March 2014 £m	Unaudited six months ended 31 March 2013 £m	Audited year ended 30 September 2013 £m
Profit after tax for the period	**38.2**	35.1	72.9
Income tax expense	**10.7**	10.6	21.7
Net financing income	**(0.3)**	(0.3)	(0.6)
Operating profit	**48.6**	45.4	94.0
Adjustments for:			
Depreciation	**4.8**	5.3	9.5
Loss on disposal of non-current assets	**-**	-	0.3
Decrease/(increase) in inventories	**2.5**	(4.4)	(3.6)
(Increase)/decrease in trade and other receivables	**(2.6)**	(2.1)	1.3
Increase/(decrease) in trade and other payables	**1.2**	(4.4)	(1.3)
Equity-settled share-based payment transactions	**0.4**	0.9	1.3
Changes in fair value of derivative financial instruments	**(1.0)**	1.5	0.5
Retirement benefit obligations charge less contributions	**(0.8)**	(1.1)	(1.1)
Cash generated from operations	**53.1**	41.1	100.9

10. Related party transactions

The Group's related parties are as disclosed in the Annual Report and Accounts 2013. There were no material differences in related parties or related party transactions in the six months ended 31 March 2014 except for transactions with key management personnel. The most significant of these were as follows:

- on 16 December 2013, under the 2009 Long Term Incentive Plan ('LTIP'), when 33,076 and 15,834 share option awards were granted to D R Hummel and T J Cooper respectively at an option price of nil p per share when the market price was 1,652p per share; and
- on 13 January 2014, under the 2009 Long Term Incentive Plan ('LTIP'), when 16,484 share option awards were granted to L S Burdett at an option price of nil p per share when the market price was 1,804p per share.

Responsibility Statement of the Directors

The Directors confirm that to the best of their knowledge:

- The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union; and

- The Interim Management Report includes a fair review of the information required by:

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

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules of the Financial Conduct Authority, being:

    i. related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and

    ii. any changes in the related party transactions described in the last Annual Report that have done so.

The Directors of Victrex plc are detailed on pages 38, 39 and 58 of the Victrex plc Annual Report 2013.

By order of the Board

Louisa Burdett
Finance Director
19 May 2014

Forward-looking Statements

Sections of this Half-yearly Financial Report contain forward-looking statements, including statements relating to: future demand and markets for the Group's products and services; research and development relating to new products and services; and liquidity and capital resources. These forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future. Accordingly, actual results may differ materially from anticipated results because of a variety of risk factors, including: changes in interest and exchange rates; changes in global, political, economic, business, competitive and market forces; changes in raw material pricing and availability; changes to legislation and tax rates; future business combinations or disposals; relations with customers and customer credit risk; events affecting international security, including global health issues and terrorism; changes in regulatory environment; and the outcome of litigation.

Independent Review Report to Victrex plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Half-yearly Financial Report for the six months ended 31 March 2014 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Cash Flow Statement, Condensed Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the Half-yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The Half-yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-yearly Financial Report in accordance with the DTR of the UK FCA.

As discussed in note 3, the annual financial statements of the Company are prepared in accordance with IFRS as adopted by the EU. The condensed set of financial statements included in this Half-yearly Financial Report has been prepared in accordance with IAS 34 - Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half-yearly Financial Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-yearly Financial Report for the six months ended 31 March 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Stuart Burdass (Senior Statutory Auditor)
for and on behalf of

KPMG LLP
Chartered Accountants
St James' Square
Manchester
M2 6DS
19 May 2014

Shareholder Information

The Company's Annual Reports and Half-yearly Financial Reports are available on request from the Company's Registered Office or are available to download online at www.victrexplc.com

Financial calendar

Ex-dividend date for interim dividend	11 June 2014
Record date for interim dividend *	13 June 2014
Payment of interim dividend	1 July 2014
2014 year end	30 September 2014
Announcement of 2014 full year results	December 2014
Annual General Meeting	February 2015
Payment of final dividend	February 2015

* the date by which shareholders must be recorded on the share register to receive the dividend

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