8 December 2015

Victrex plc – Preliminary Results 2015

‘Balanced portfolio driving growth’

Victrex plc, an innovative world leader in high performance polymer solutions, today announces its preliminary results for the financial year ended 30 September 2015.

	FY2015	FY 2014	% change
Revenue	**£263.5m**	£252.6m	+ 4%
Gross profit	**£168.2m**	£163.2m	+ 3%
Gross margin	**63.8%**	64.6%	-80bps
Profit before tax (PBT)	**£106.4m**	£102.7m	+ 4%
EPS	**98.1p**	94.6p	+ 4%
Dividend per share*	**46.82p**	45.15p	+ 4%

*Proposed dividend per share reflects a final dividend of 35.09p (FY 2014: 33.76p) in addition to the interim dividend of 11.73p. Total dividends for the year: 46.82p. FY14 excludes the special dividend of 50p/share.

Highlights:

- **Balanced portfolio driving growth**
  - *Revenue up 4%, PBT up 4%, fully overcoming £7m FX, Oil & Gas and Medical headwinds*
  - *Double-digit growth in constant currency (8% revenue growth; 10% PBT growth)*
  - *Good performance in VPS; Invibio impacted by US Spine market consolidation*

- **Strong pipeline; growth programmes on track**
  - *Continued opportunities in Consumer Electronics*
  - *HA-Enhanced (Spine) adoption on plan*
  - *Magma Oil & Gas mega-programme approaching meaningful revenue in 2016*
  - *Kleiss Gears acquisition to support Automotive growth*

- **New capacity fully on-stream; further downstream investment**
  - *7,000 tonne PEEK manufacturing capacity underpins future growth*
  - *New downstream investments in FY16 to support mega-programmes:*
    - *PEEK tape (Magma and Aerospace) and Trauma (Medical) manufacturing*
    - *Investments fall within capex guidance (c£25m-£35m pa)*

- **New capital allocation framework; opportunity for enhanced returns**
  - *Growth investment remains top priority*
  - *Approximately 50% of net cash returned in future as special dividend (subject to investment requirements):*
    - *50p/share de minimis; retain medium-term net cash position*
  - *Progressive regular dividend; retain cover around 2x*
  - *FY15 total dividend growth of 4%, with final dividend of 35.09p (FY14: 33.76p)*

David Hummel, Chief Executive of Victrex, said: “2015 was a good year overall for Victrex, where our strong and balanced portfolio helped to drive growth, fully overcoming the significant headwinds we faced from foreign currency, weaker Oil & Gas and US medical industry consolidation.

“Our development pipeline is strong and continues to offer significant long term potential, alongside our 7,000 tonnes of PEEK capacity, our technical excellence and our application development know-how. We will make further downstream manufacturing investments this year to support our pipeline. These investments, to underpin Aerospace, Magma and medical manufacturing programmes, will further differentiate Victrex and continue our transition to become a solutions provider.

"We are pleased to be announcing a new capital allocation framework today, which prioritises investment for growth, but offers the opportunity for enhanced shareholder returns.

"Looking forward, Victrex continues to differentiate itself, through technical excellence, application development know-how and our significant upstream and downstream manufacturing capacity. At this early stage, we are mindful that industry challenges in Oil & Gas and Invibio may continue during the first half. For 2016 as a whole however, we remain well positioned for year on year progress."

About Victrex:

Victrex is an innovative world leader in high performance polymer solutions, focused on the strategic markets of Automotive, Aerospace, Energy, Electronics and Medical. 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 leading edge solutions to shape future performance for 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 Laura Stewart at Pendomer Communications on +44 (0) 203 603 5220. The presentation can be viewed on Victrex's website at www.victrexplc.com.

Enquiries:

Victrex plc:

Andrew Hanson, Head of Investor Relations & Communications	+44 (0) 7809 595831
Louisa Burdett, Group Finance Director	+44 (0) 1253 897700
David Hummel, Chief Executive	+44 (0) 1253 897700

Pendomer Communications:

Charles Armitstead	+44 (0) 203 603 5220

Preliminary results statement for the year ended 30 September 2015

'Balanced portfolio driving growth'

Group financial results

Victrex delivered a good overall performance in 2015, with our balanced portfolio allowing us to fully overcome the significant headwinds we faced from foreign currency, the weaker Oil & Gas market and US medical industry consolidation. Our focused Product Leadership strategy, which is transitioning us from our historic position of materials manufacturer to solutions provider, continues to deliver. Our world leading position in high performance polymer solutions reflects not only our capacity, but our technical excellence, materials know-how and IP, application development expertise and increased downstream focus.

Revenue 4% ahead
Group revenue for the period on a reported basis was £263.5m, 4% ahead of the prior year (2014: £252.6m). Whilst pricing in the core business remains broadly stable, the impact of currency, lower sales in our higher priced Invibio medical business and higher year on year sales from our Consumer Electronics opportunity, meant a lower average reported selling price of £62.5/kg (2014: £71.1/kg). Excluding Consumer Electronics volumes and the impact of foreign currency, our average selling price remained broadly stable year on year at £72/kg, which also reflects a lower proportion of our higher priced Invibio business.

Group sales volumes remained strong, 19% ahead of last year at 4,217 tonnes (2014: 3,551 tonnes). Our stronger first half year performance was balanced by a flat second half year, with tougher year on year comparatives, new plant costs coming through and the impact of Oil & Gas weakness during the second half.

H2 2015 performance summary

	H2 2015	H2 2014	% change
Group Revenue	£133.2m	£132.6m	0%
Profit before tax (PBT)	£52.5m	£53.8m	-2%
Gross margin	62.8%	65.1%	-230bps
EPS	48.3p	49.5p	-2%

Broadly stable margins
Group gross margins of 63.8% (2014: 64.6%) were broadly stable, with continued manufacturing efficiency during the year. Currency and a weaker mix impacted gross margin for the second half (H2 2015: 62.8% vs H2 2014: 65.1%). We also saw additional costs from our third PEEK manufacturing plant come through in the second half, and will continue to do so in 2016 as these costs fully annualise. Our medium term aspirations are unchanged, in seeking to retain strong margins and deliver quality earnings. We believe that absolute gross profit is also a good indicator of our future performance rather than solely the gross margin percentage. This reflects our mega-programmes potentially offering a larger share of the overall economic transaction.

Currency impact fully overcome
Victrex faced a foreign currency impact of approximately £7m at PBT level this year as the strength of Sterling moved against our major trading currencies during 2014. Our hedging policy deferred most of the impact to our 2015 financial year. We were able to fully overcome these currency headwinds, which reflect all of our manufacturing being in the UK and 97% of our sales being global. Looking forward, we continue to monitor the potential impact of currency, which is slightly adverse to our profits for FY 2016, based on current rates and hedging in place.

Profit before tax and EPS 4% ahead
Group profit before tax at a reported level of £106.4m was 4% ahead of the prior year (2014: £102.7m). Recognising the currency impact, profit grew 10% in constant currency. Basic earnings per share of 98.1p per share (2014: 94.6p per share) also reflects the lower effective tax rate of 21.5% (2014: 21.9%) resulting from the lower UK corporation tax rate.

Operating performance

Good performance in VPS

VPS saw another year of good growth, reflecting broad based performance across Automotive, Aerospace, Electronics and General Industrial, offsetting the impact of weaker Oil & Gas sales. VPS revenue of £213.0m (2014: £199.2m) was 7% ahead of the prior year. Long term megatrends across all of our markets remain strong. In Automotive and Aerospace, fuel efficiency, cost efficiency, durability and the ability to deliver faster manufacturing, thanks to PEEK's processability, remain key; yield and reliability is a priority in Oil & Gas, with a demand for higher performance materials in Electronics.

Oil & Gas volumes were down 22% during the year, although we were able to offset the impact through the rest of our portfolio. Our sales into this market comprise traditionally more stable chemical processing and operational applications, together with exploration applications. Whilst we remain cautious on this market looking forward, the opportunity of cost reduction by Oil & Gas majors means that our Magma flexible pipe mega-programme, which offers a more efficient solution compared to metal, sold a number of test orders into the market during 2015. With further orders of flexible pipes, including a Joint Development Agreement announced by Magma Global and BP, we anticipate the Magma programme could move close to meaningful revenue by the end of 2016.

In Consumer Electronics, this market remains attractive over the medium term, although there will be sales volatility based on year to year market acceptance and success of end product launches. We continued to enjoy strong volumes through 2015 and anticipate a continuation of this PEEK resin opportunity through 2016. Although this remains a good-sized opportunity, at this early stage we anticipate slightly lower volumes in 2016, compared to 2015. However, we will update the market after the important Christmas selling period, once visibility improves. Beyond 2016 and for the medium term, we continue to work hard to deliver differentiated opportunities in this market and use the current opportunity as a platform to future business.

Weaker Invibio; medium and long term opportunities intact

In our Invibio business, sales declined by 5% to £50.5m (2014: £53.4m) reflecting the impact of industry consolidation in the US spine market – Spine is around three quarters of our medical business – during the year, although Europe remained steady and Asia remained in positive growth.

PEEK continues to have a large share of spinal interbody fusion devices, however, this part of the market has now remained flat since 2011. With typically two-thirds of Invibio sales in the mature US market and around three-quarters of our medical business in Spine, our challenge is to drive medium term growth from incremental innovation, emerging markets and our new product platforms. We continue to make progress in all of these areas, with our PEEK-Optima® HA-Enhanced spine product having 12 regulatory submissions in financial year 2015 (18 in total, which includes those submissions made in FY14), strong emerging market growth (including 8% growth in Asia) and our new product platforms progressing well. Progress includes a doubling of early stage sales to the Dental market, although sales remain below a meaningful level, committed collaborations in our Trauma programme and a clinical trial on Knee approaching.

Although short-term growth challenges remain and we are mindful of other potential short-term consolidation within the US Spine market, for the medium term, Invibio continues to be well placed with four mega-programmes (three outside of Spine) aligning with the need for enhanced clinical benefit. An ageing global population is also a supportive megatrend for our medical business. Clinical benefit compared to metal solutions will become increasingly important to the US healthcare system – and other geographic markets – as we seek to deliver proven value from medical solutions.

New capacity fully on stream; further downstream investment in FY16

We successfully commissioned both production streams of our third PEEK plant and our second Aptiv® film facility during the year. Our three PEEK manufacturing plants, which can operate independently, enable us to manufacture a range of grades and reduce down-time. Investment ahead of demand remains key to our market leading position and our ability to underpin application development with global OEMs (original equipment manufacturers) and customers. Our PEEK powder manufacturing capacity utilisation at year end was 87% (2014: 78%), based on our nameplate capacity of 5,000 tonnes in the year. Commissioning of the second stream of our third PEEK plant was completed at the end of our financial year, providing us with our current total nameplate capacity of 7,150 tonnes. Whilst incremental capacity adds some moderate operating cost, as volumes fill up we anticipate being able to improve operating efficiency further. Capacity is only one part of our solutions capability, alongside our technical excellence and application development know-how.

The manufacturing process for VICTREX PEEK also remains technically different, enabling us to differentiate our polymers versus competitors.

Continued investment to drive future growth

In FY16 we will invest in further downstream manufacturing to support our mega-programmes. These investments, which will fall within current capex guidance of c£25m-£35m per annum, comprise a new PEEK composite tape facility, with UD tape being used in the Magma Oil & Gas mega-programme and also in Aerospace. In Medical, we will invest in downstream machining capability for Trauma plates now we have partners signed up to instigate deployment.

Delivering new solutions to our customers means continued investment to drive our future growth programmes. This includes the technical, marketing, quality and regulatory functions. Overheads are managed at a Group level to enhance our focus on efficiency and reflect some of the complementary marketing or technical support for our growth programmes.

We continued to invest in research and development, of which approximately 85% relates to market and customer related product and application development. Our Research & Development (R&D) expenditure this year was £13.7m (2014: £15.7m), representing 5% of revenue (2014: 6%). The slight year on year reduction reflects some of our growth programmes moving past the technical qualification stage to market adoption and early commercialisation. Going forward, we expect to further invest in technical and marketing, as well as specialist talent, as we seek to accelerate adoption and drive our growth programmes.

Development pipeline

Our strategy of Product Leadership in PEEK, and other enabling polymers in the Polyaryletherketone (PAEK) family, keeps us focused on larger and more impactful targets. Whilst the scale of market opportunities remains significant, Victrex has chosen to focus on the deliverability and quality of our development pipeline, rather than just the volume of opportunities. The pipeline is now managed at a Group level under Martin Court, Managing Director of Invibio, ensuring that we can maximise resources and focus across our ‘mega-programmes’ and ‘major-programmes’.

Our six mega-programmes of PEEK-OPTIMA® HA-Enhanced (Spine), Juvora (Dental), Victrex Pipe/Magma, Trauma, Knee and Aerospace Loaded Brackets each offer revenue potential of at least £50m in their peak year, alongside more typical ‘Horizon 1’ (0-2 years) opportunities. Mobile Devices has moved to become a major programme, which offers peak revenue potential up to £50m, but reflects some of this Electronics business being commercialised in 2015, the opportunity for 2016 and potential possibilities beyond. Medium to longer term opportunities in this market remain attractive, although we are mindful of the historic short product lifecycles. Whilst we increasingly focus on revenue potential as part of our pipeline, our Mature Annualised Volume (MAV) of 1,986 tonnes (30 September 2014: 2,141 tonnes) this year remained strong.

Balance sheet strength

Our strong balance sheet remains a key competitive advantage, supporting our ability to invest for future growth and to provide security of supply to our customers.

Total dividends paid during the period increased to £81.2m (2014: £37.3m), reflecting the increase in the FY 2014 final dividend and a special dividend of 50p per share. As a result, the closing Group cash balance as at 30 September 2015 was £53.8m with no debt (2014: £89.6m; no debt).

Net assets at 30 September 2015 totalled £358.6m (2014: £353.4m). Our working capital reflects how we choose to differentiate ourselves through security of supply for both existing and future customers and end users. Regarding our retirement benefit obligations, we announced a proposal in November 2015 to close the UK defined benefit scheme to future accrual. The scheme closed to new entrants in 2001. Consultation began on 1 December with an expected completion date of 31 January 2016. Subject to consultation, the scheme will close on 31 March 2016, at which point employees in the defined benefit scheme will be eligible to join the defined contribution scheme.

Although Return on capital employed* (ROCE) reduced slightly in recent years following a period of high capital investment in manufacturing assets, it remained ahead of many peers and well in excess of our cost of capital. ROCE this year slightly improved to 23.3% (2014: 22.7%).

***ROCE is profit after tax / net assets**

Strong cash flow with capex stepping down
Cash generated from operations was £111.9m (2014: £118.3m) representing an operating cash conversion** of 105% (2014: 116%). Net cash at the year end was £53.8m (2014: £89.6m) following payment of a special dividend in February 2015.

Despite 2015 being another year of high capital expenditure (2015: £41.2m; 2014: £65.6m) to support investment, Victrex continued to see healthy cash generation. Capex investment was principally to conclude the construction of our new PEEK plant, alongside our second Aptiv® film facility. Going forward, we anticipate a more moderate level of capital expenditure – approximately £25-£35m per annum in the near term – with the focus now being on additional downstream investment which will support our growth programmes.

Taxation
Taxation paid during the period was £24.6m (2014: £21.1m), primarily due to the scheduling of taxation payments. The effective tax rate was 21.5% (2014: 21.9%).

Capital allocation framework: opportunity for enhanced returns
We are introducing a formal capital allocation framework that prioritises investment for growth, both organic and through acquisition, to support and drive forward our pipeline programmes, whilst offering the opportunity for enhanced shareholder returns.

Growth investment remains our top priority. The policy for our regular dividend remains unchanged, with dividend growth expected to be in line with earnings growth and cover maintained at around 2x. After this, Victrex will return around 50% of the net cash balance to shareholders, via a special dividend, subject to a 50p/share de minimis level.

Victrex will seek to retain a net cash position over the medium term, which is highly valued by our customers and provides us with investment flexibility and an agile balance sheet. We continue to target Mergers & Acquisitions (M&A) opportunities and, if presented with a compelling investment opportunity, would be prepared to enter a net debt position, whilst seeking to return to net cash over the medium term.

For the current year, the Group is proposing to pay a final regular dividend of 35.09p per share. Dividend cover is at 2.1x (2014: 2.1x). The full regular dividend for the year, incorporating interim and final dividend, is 46.82p per share, an increase of 4% (2014: 45.15p).

DIVISIONAL REVIEW

Victrex Polymer Solutions

	12 months Ended 30 Sept 2015 £m	12 months ended 30 Sept 2014 £m	Change
Revenue	213.0	199.2	7%
Gross profit	123.9	116.1	7%

VPS saw another year of good growth, with our ability to offset headwinds in the Oil & Gas market underlining the importance of our balanced portfolio. The division generated revenue of £213.0m (2014: £199.2m), 7% ahead of the prior year, reflecting growth in Automotive, Aerospace, General Industrial and Electronics, offset by a weaker performance in Energy/Industrial, where volumes were down 10% over the year, with a good performance in General Industrial offsetting weakness in Oil & Gas. Oil & Gas volumes were down 22% for the full year. The second half year in VPS saw a steadier overall performance compared to the prior year period, which reflected tougher comparatives and the lag from the lower oil price translating to weaker sales in Oil & Gas coming through in the second half year. On a long term basis, megatrends across all of our end markets remain strong. We also continue to further enhance our differentiated products, through focusing on new grades or IP-protectable technology that is aligned with our transition from materials manufacturer to solutions provider.

VPS gross profit was 7% ahead of the prior year, with gross margin remaining strong at 58.2% (2014: 58.3%), highlighting our continued manufacturing efficiency, despite a slightly softer sales mix.

VPS market overview
Whilst we remain a market-led business, geographic trends remain important. Europe performed steadily this year, with Asia-Pacific strong and the US down. Sales volume in Europe of 1,852 tonnes was 4% ahead of the prior year (2014: 1,778 tonnes) driven predominantly by growth in Automotive, Aerospace and General Industrial. In the US, sales volume of 739 tonnes was 16% lower than the prior year (2014: 878 tonnes) reflecting weaker Energy sales. In Asia, sales volume of 1,626 tonnes was 82% ahead of the prior year (895 tonnes) with good growth in Electronics, Industrial and Transport applications.

Energy/Industrial
Energy/Industrial sales volume at 1,081 tonnes was 10% down on last year (1,196 tonnes), with Oil & Gas sales down 22%. The lower oil price has, in line with most suppliers to the Oil & Gas industry, impacted performance this year. Victrex's exposure to Oil & Gas is mixed, because we typically supply more stable chemical processing industries and production led business, as well as the exploration linked applications which have been more affected by the lower oil price. Megatrends in Oil & Gas continue to be strong however, with harder to extract reserves, higher pressure and more extreme temperatures demanding better performance from materials, which plays well with VICTREX® PEEK and its unique combination of properties. The Oil & Gas industry has responded to the current oil price by focusing on cost efficiency. With a number of orders secured in 2015 and a joint development agreement signed by our partner Magma Global, BP and Subsea 7, we anticipate this mega-programme will move close to meaningful revenue by the end of 2016.

Our General Industrial business performed well this year, with sales into heavy machinery and capital equipment helping to offset some of the decline from Oil & Gas.

Transport
Transport sales volume increased 15% to 1,104 tonnes (2014: 962 tonnes) with a good performance in Automotive and Aerospace. In Automotive, we set out our strategy to double the amount of PEEK volume in cars over the medium term, from the current 6 grams average. We will do this through further penetration of our current applications where PEEK has a significant play – ABS braking systems, transmission applications, clutch systems – alongside development of newer applications such as PEEK gears and other critical components which align with the trend towards highly durable and weight saving materials.

Victrex made its first downstream acquisition during the year, by purchasing Kleiss Gears, a US based polymer and industrial gears business, for approximately $6m. Kleiss already has small scale commercialisation of PEEK based gears, with Victrex able to translate this opportunity globally. Non-metal gears reflect the demand for lower noise vibration and harshness (NVH), where PEEK can offer a 50% performance benefit compared to metal gears, as well as the trend for fuel efficiency and light-weighting.

In Aerospace, build rates are forecast to steadily increase, with the main airframe manufacturers seeking to reduce the backlog of orders, with PEEK's processability and ability to lower manufacturing time and enhance efficiency being a key selling point, beyond light-weighting and up to 60% weight savings. We continue to work on a number of opportunities to translate the existing level of our materials across the aircraft – including in new and differentiated grades within the PAEK family of polymers – as well as some emerging retrofitting opportunities for existing aircraft. Victrex also launched PEEK composites during 2015, blending PEEK with carbon-fibre unidirectional (UD) tape, which offers faster manufacturing. Brackets and fasteners remain the key product areas in focus, as well as film. The next generation of loaded brackets also offer us significant potential, with Airbus Helicopters utilising a VICTREX® PEEK and carbon-fibre reinforced bracket for commercial use. The successful substitution of metal has resulted in a 40% reduction in application weight and costs, thanks to PEEK's processability and ability to support efficient manufacturing.

Electronics
Electronics sales increased markedly to 1,680 tonnes (2014: 1,031 tonnes), with a good performance in Semi-conductor, including further penetration of global players, and sales being supplemented by a full year of growth in Consumer Electronics. We continue to explore medium term opportunities in Consumer Electronics across OEMs, including new and unique product development opportunities, and value-add opportunities, in addition to the current large order.

As mobile devices continue to get thinner, smaller and smarter, the design pathway is increasingly leading to the use of high performance polymers like PEEK. Securing specification from customers for next generation products remains key and Victrex's innovation and intensive testing capability makes us well placed for the longer term in this market.

Whilst Victrex has benefited from strong volumes this year, we are mindful of the historic volatility in order patterns within this market, although we anticipate a continuation of volumes through 2016. This remains a good-sized opportunity and at this early stage, although we anticipate slightly lower volumes in 2016, compared to 2015, we will continue to update the market once visibility improves as we move through the year. Beyond 2016 and for the medium term, we continue to work hard to deliver differentiated opportunities in this attractive and growing market.

Invibio Biomaterial Solutions

	12 months ended 30 Sept 2015 £m	12 months ended 30 Sept 2014 £m	Change
Revenue	50.5	53.4	-5%
Gross profit	44.3	47.1	-6%

Invibio was impacted by the consolidation in the US spine market over the last year. Revenue of £50.5m was 5% down on the prior year (2014: £53.4m) principally in the US, with sales in Europe remaining broadly steady and further growth in Asia. Although medium term growth opportunities remain attractive, we remain cautious of further potential industry consolidation within Spine in the near term. Gross profit was £44.3m (2014: £47.1m) and margins remained strong at 87.7% (2014: 88.2%). With continued future high value programmes and the opportunity of a larger overall share of each downstream application – for example in medical devices and components rather than simply materials – we remain focused on enhancing our overall profitability in the years ahead as our mega-programmes progress towards meaningful revenue.

Invibio market overview
Invibio is the proven market leader in providing versatile and high performance PEEK based polymer solutions to the implantable medical device market, with over 5 million patients implanted. Spine remains our core market but with typically two-thirds of Invibio sales in the mature US market and around three-quarters of our medical business in Spine, our challenge is to drive medium term growth from incremental innovation, emerging markets and our new product platforms.

For the medium to longer term, we believe Invibio is well placed in the US and in other geographic markets, with the trend towards an enhanced need for proven clinical benefit, where the payer (driven by the reimbursement regime in the US) has increasingly more power and influence, compared to the medical device companies. All of our mega-programmes are focused on delivering clinical benefit and enhanced patient experience, which positions us well over the medium term. Our in-house regulatory expertise and proven experience with regulators globally will enable us to drive our existing programmes and new business.

Spine
Invibio's PEEK-OPTIMA® HA-Enhanced was approved by the US FDA in November 2014 and implanted in the first human patient in March 2015. In FY15 we had 12 regulatory submissions (18 in total, including those submissions made in FY14) and this programme offers device companies the simplest and most cost effective method of delivering bone-on growth to their surgeons, without sacrificing any of PEEK's benefits.

We are encouraged that the rate of approval for PEEK-OPTIMA® HA-Enhanced, based on US FDA 510k approvals during 2015, is twice as fast as Titanium coated offerings at the same stage of the product lifecycle. Targeting key opinion leaders and surgeons in addition to spine companies will help to drive adoption. This mega-programme remains on plan and is anticipated to deliver meaningful revenue within two years.

Opportunities also exist in Spinal rods where PEEK is being used to replace Titanium. Seven new PEEK rod systems were introduced in Europe this year and we are also engaged with the US FDA.

New product platforms

Early stage Dental sales doubled this year although they remain below a meaningful level, with more than 2,000 patients having JUVORA based implant frames. Patient comfort, fit, as well as low thermal shock compared to metal are key selling points for our solutions. CAD/CAM techniques and digital scanning of patients have also helped in this area, with PEEK's processability compared to metal benefiting us. We have now secured over 20 distribution agreements and are focused on extending reach outside of Europe.

In Trauma, we will start investing in specific downstream manufacturing facilities during 2016 and we are particularly encouraged by the opportunity in this market. Downstream manufacturing capability will enhance our offering within the Trauma plate and nail market, enabling us to have the ability to meet initial demand. Committed collaborations with several partners have now been agreed and continue to progress in multiple application areas. We continue to focus on key opinion leaders to drive adoption. Our Trauma plate programme offers 50x better fatigue resistance compared to metal, x ray translucency to facilitate improved bone alignment and mechanical properties that allow micro-motion – vital to aid the healing process and address the sizeable cases of poor healing that occur in metal based solutions.

Knee, as our longer term opportunity, remains an attractive £50m+ annual peak revenue opportunity. Following a partner agreement signed last year, we anticipate that this programme will start a clinical trial during 2016. Meaningful revenue for this opportunity is more than five years away. Beyond our new product platforms, we are also at an early stage of assessing the potential for PEEK in other areas of Orthopaedics.

Sustainability

Our clear and measurable targets focus around our three areas of Sustainable Solutions, Resource Efficiency and Social Responsibility. Our bold vision in this area includes saving more CO2 than we produce over the next 10 years, as well as reducing our manufacturing waste, and reaching out to our local communities to help the next generation of employees. Further progress was made during 2015, with the detail set out in our forthcoming Annual Report.

Safety

With new assets, new people and new capability, Victrex continues to set the highest standards of safety for the operation of its assets and with the highest regard for the environment. Away from our manufacturing operations, we have an unwavering safety focus across our global teams, who continue to drive the market opportunities for our polymers, whether at commercial, marketing, technical or support services level.

People

On behalf of the Board, I would like to thank each and every one of Victrex's employees for their contribution this year. Whilst 2015 was not without its challenges, the ability of Victrex employees to shape our future performance remains a key asset for Victrex and its success in the future.

Outlook

Looking forward, Victrex continues to differentiate itself, through technical excellence, application development know-how and our significant upstream and downstream manufacturing capacity. At this early stage, we are mindful that industry challenges in Oil & Gas and Invibio may continue during the first half. For 2016 as a whole however, we remain well positioned for year on year progress.

David Hummel
Chief Executive
8 December 2015

CONSOLIDATED INCOME STATEMENT
for the year ended 30 September

	Note	2015 £m	2014 £m
Revenue	2	**263.5**	252.6
Cost of sales		**(95.3)**	(89.4)
Gross profit		**168.2**	163.2
Sales, marketing and administrative expenses		**(61.9)**	(61.0)
Operating profit	2	**106.3**	102.2
Financial income		**0.3**	0.6
Financial expenses		**(0.2)**	(0.1)
Profit before tax		**106.4**	102.7
Income tax expense		**(22.9)**	(22.5)
Profit for the year attributable to owners of the parent		**83.5**	80.2
Earnings per share			
Basic	3	**98.1p**	94.6p
Diluted	3	**97.9p**	94.3p
Dividend per ordinary share			
Interim		**11.73p**	11.39p
Final		**35.09p**	33.76p
Special		**—**	50.00p
		46.82p	95.15p

A final dividend in respect of 2015 of 35.09p per ordinary share has been recommended by the Directors for approval at the Annual General Meeting in February 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September

	2015 £m	2014 £m
Profit for the year	**83.5**	80.2
Items that will not be reclassified to profit or loss		
Defined benefit pension schemes' actuarial gains/(losses)	**1.4**	(5.2)
Income tax on items that will not be reclassified to profit or loss	**(0.3)**	1.0
	1.1	(4.2)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences for foreign operations	**0.9**	(0.7)
Effective portion of changes in fair value of cash flow hedges	**(2.3)**	5.1
Net change in fair value of cash flow hedges transferred to profit or loss	**(0.9)**	(8.2)
Income tax on items that may be reclassified to profit or loss	**(0.1)**	0.5
	(2.4)	(3.3)
Total other comprehensive expense for the year	**(1.3)**	(7.5)
Total comprehensive income for the year attributable to owners of the parent	**82.2**	72.7

CONSOLIDATED BALANCE SHEET

as at 30 September	2015 £m	2014 £m
Assets		
Non-current assets		
Property, plant and equipment	**251.3**	227.6
Intangible assets	**20.4**	10.1
Deferred tax assets	**6.7**	7.1
	278.4	244.8
Current assets		
Inventories	**57.4**	44.2
Current income tax assets	**1.4**	0.7
Trade and other receivables	**33.5**	33.0
Derivative financial instruments	**2.0**	4.0
Cash and cash equivalents	**53.8**	89.6
	148.1	171.5
Total assets	**426.5**	416.3
Liabilities		
Non-current liabilities		
Deferred tax liabilities	**(19.2)**	(17.8)
Retirement benefit obligations	**(5.8)**	(7.8)
	(25.0)	(25.6)
Current liabilities		
Derivative financial instruments	**(4.4)**	(2.3)
Current income tax liabilities	**(4.9)**	(7.9)
Trade and other payables	**(33.6)**	(27.1)
	(42.9)	(37.3)
Total liabilities	**(67.9)**	(62.9)
Net assets	**358.6**	353.4
Equity		
Share capital	**0.9**	0.9
Share premium	**36.8**	34.4
Translation reserve	**1.7**	0.8
Hedging reserve	**(1.6)**	0.9
Retained earnings	**320.8**	316.4
Total equity attributable to owners of the parent	**358.6**	353.4

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 September	**2015** **£m**	2014 £m
Profit after tax for the year	**83.5**	80.2
Income tax expense	**22.9**	22.5
Net financing income	**(0.1)**	(0.5)
Operating profit	**106.3**	102.2
Adjustments for:		
Depreciation	**12.5**	10.0
Amortisation	**0.4**	-
Loss on disposal of non-current assets	**0.3**	1.3
(Increase)/decrease in inventories	**(11.3)**	6.7
Increase in trade and other receivables	**(1.4)**	(6.5)
Increase in trade and other payables	**2.9**	4.5
Equity-settled share-based payment transactions	**1.8**	1.1
Changes in fair value of derivative financial instruments	**1.0**	(0.1)
Retirement benefit obligations charge less contributions	**(0.6)**	(0.9)
Cash generated from operations	**111.9**	118.3
Net financing income received	**0.3**	0.6
Tax paid	**(24.6)**	(21.1)
Net cash flow from operating activities	**87.6**	97.8
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(41.2)**	(65.6)
Cash consideration of acquisitions	**(4.1)**	-
Cash acquired with acquisitions	**0.1**	-
Net cash flow from investing activities	**(45.2)**	(65.6)
Cash flows from financing activities		
Proceeds from issue of ordinary shares exercised under option	**2.4**	3.2
Dividends paid	**(81.2)**	(37.3)
Net cash flow from financing activities	**(78.8)**	(34.1)
Net decrease in cash and cash equivalents	**(36.4)**	(1.9)
Effect of exchange rate fluctuations on cash held	**0.6**	(0.1)
Cash and cash equivalents at beginning of year	**89.6**	91.6
Cash and cash equivalents at end of year	**53.8**	89.6

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 year						
Profit	-	-	-	-	80.2	80.2
Other comprehensive income						
Currency translation differences for foreign operations	-	-	(0.7)	-	-	(0.7)
Effective portion of changes in fair value of cash flow hedges	-	-	-	5.1	-	5.1
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	(8.2)	-	(8.2)
Defined benefit pension schemes actuarial losses	-	-	-	-	(5.2)	(5.2)
Tax on other comprehensive income	-	-	-	0.7	0.8	1.5
Total other comprehensive expense for the year	-	-	(0.7)	(2.4)	(4.4)	(7.5)
Total comprehensive (expense)/income for the year	-	-	(0.7)	(2.4)	75.8	72.7
Contributions by and distributions to owners of the Company						
Share options exercised	0.1	3.1	-	-	-	3.2
Equity-settled share-based payment transactions	-	-	-	-	1.1	1.1
Dividends to shareholders	-	-	-	-	(37.3)	(37.3)
Equity at 30 September 2014	0.9	34.4	0.8	0.9	316.4	353.4
Total comprehensive income for the year						
Profit	**—**	**—**	**—**	**—**	**83.5**	**83.5**
Other comprehensive income						
Currency translation differences for foreign operations	**—**	**—**	**0.9**	**—**	**—**	**0.9**
Effective portion of changes in fair value of cash flow hedges	**—**	**—**	**—**	**(2.3)**	**—**	**(2.3)**
Net change in fair value of cash flow hedges transferred to profit or loss	**—**	**—**	**—**	**(0.9)**	**—**	**(0.9)**
Defined benefit pension schemes actuarial gains	**—**	**—**	**—**	**—**	**1.4**	**1.4**
Tax on other comprehensive income	**—**	**—**	**—**	**0.7**	**(1.1)**	**(0.4)**
Total other comprehensive income/(expense) for the year	**—**	**—**	**0.9**	**(2.5)**	**0.3**	**(1.3)**
Total comprehensive income/(expense) for the year	**—**	**—**	**0.9**	**(2.5)**	**83.8**	**82.2**
Contributions by and distributions to owners of the Company						
Share options exercised	**—**	**2.4**	**—**	**—**	**—**	**2.4**
Equity-settled share-based payment transactions	**—**	**—**	**—**	**—**	**1.8**	**1.8**
Dividends to shareholders	**—**	**—**	**—**	**—**	**(81.2)**	**(81.2)**
Equity at 30 September 2015	**0.9**	**36.8**	**1.7**	**(1.6)**	**320.8**	**358.6**

NOTES TO THE FINANCIAL STATEMENTS

1. Financial statements and basis of preparation

The financial statements have been prepared on the basis of the accounting policies set out in the Group's last Annual Report and Accounts except for the application of relevant new standards. A number of new standards and amendments to existing standards were effective for the financial year ended 30 September 2015. None of these have had a material impact.

A number of standards, amendments and interpretations have been issued and endorsed by the EU, but which are not yet effective and accordingly the Group has not yet adopted. The cumulative impact of the adoption of these standards is not expected to be significant.

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 September 2015 or 2014 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the registrar of companies, and those for 2015 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Sections of this results statement 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 which are summarised in note 6.

The accounts for the year ended 30 September 2015 will be posted to shareholders on 5 January 2016 and will be available from the Company's Registered Office at Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire, FY5 4QD, United Kingdom.

2. Segment reporting

The Group complies with IFRS 8 – Operating Segments which requires operating segments to be identified and reported upon that are consistent with the level at which results are regularly reviewed by the entity's chief operating decision maker. The chief operating decision maker for the Group is the Victrex plc Board. Information on the business units is the primary basis of information reported to the Victrex plc Board. The performance of the business units is assessed based on segmental gross profit. Management of sales, marketing and administration functions servicing both business units is consolidated and reported at a Group level.

The Group's business is strategically organised as two business units: Victrex Polymer Solutions, which focuses on our automotive, aerospace, electronics and energy markets and Invibio Biomaterial Solutions, which focuses on providing specialist solutions for medical device manufacturers. Based on the nature of its business, Kleiss Gears is included within Victrex Polymer Solutions.

	Victrex Polymer Solutions 2015 £m	**Invibio Biomaterial Solutions 2015 £m**	**Group 2015 £m**	Victrex Polymer Solutions 2014 £m	Invibio Biomaterial Solutions 2014 £m	Group 2014 £m
Revenue from external sales	**213.0**	**50.5**	**263.5**	199.2	53.4	252.6
Segment gross profit	**123.9**	**44.3**	**168.2**	116.1	47.1	163.2
Sales, marketing and administration expenses			**(61.9)**			(61.0)
Operating profit			**106.3**			102.2
Net financing income			**0.1**			0.5
Profit before tax			**106.4**			102.7
Income tax expense			**(22.9)**			(22.5)
Profit for the year attributable to owners of the parent			**83.5**			80.2

3. Earnings per share
Earnings per share is based on the Group's profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year, excluding own shares held.

		2015	2014
Earnings per share	- basic	**98.1p**	94.6p
	- diluted	**97.9p**	94.3p
Profit for the financial year		**£83.5m**	£80.2m
Weighted average number of shares used:			
- Issued ordinary shares at beginning of year		**85,192,469**	84,780,543
- Effect of own shares held		**(233,424)**	(276,139)
- Effect of shares issued during the year		**146,858**	254,223
Basic weighted average number of shares		**85,105,903**	84,758,627
Effect of share options		**183,053**	304,220
Diluted weighted average number of shares		**85,288,956**	85,062,847

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

	2015		2014	
	Average	**Closing**	Average	Closing
US Dollar	**1.63**	**1.51**	1.60	1.62
Euro	**1.24**	**1.36**	1.19	1.28
Yen	**175**	**181**	155	178

5. Dividend and Annual General Meeting
The proposed final dividend will be paid on 19 February 2016 to all shareholders on the register on 5 February 2016. The Annual General Meeting of the Company will be held at 11am on 10 February 2016, at the Andaz Hotel, Liverpool Street, London, EC2M 7QN.

6. Risks, trends, factors and uncertainties
Victrex's business and share price may be affected by a number of risks, trends, factors and uncertainties, not all of which are in our control.

Accordingly, actual results may differ materially from anticipated results because of a variety of risk factors, including: changes in 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.

FINANCIAL CALENDAR (also available at www.victrexplc.com)

Ex dividend date	4 February 2016
Record date* **	5 February 2016
Annual General Meeting	10 February 2016
Payment of final dividend	19 February 2016
Announcement of 2016 half-yearly results	May 2016
Payment of interim dividend	July 2016

* Return on capital employed: Profit after tax/net assets

** Operating cash conversion: Cash generated from operations/operating profit

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