

Victrex plc – Preliminary Results 2016

‘A good finish to 2016 – accelerating our growth opportunities’

Victrex plc, an innovative world leader in high performance polymer solutions, today announces its preliminary results for the financial year ended 30 September 2016.

	FY 2016	FY 2015	% change
Group revenue	£252.3m	£263.5m	-4%
Gross profit	£158.7m	£168.2m	-6%
Gross margin	62.9%	63.8%	-90bps
Profit before tax (PBT)	£100.3m	£106.4m	-6%
EPS	96.8p	98.1p	-1%
Dividend per share	46.82p	46.82p	0%

Highlights:

- **Good finish to 2016**
 - Core business in growth; improved second half with core volumes up 9% on H2 2015
 - Continued growth in Auto & Aero, Oil & Gas stable, Medical in-line
 - Consumer Electronics volumes >400 tonnes in H2 2016; remain cautious on 2017
 - Full year performance impacted by weaker H1 & lower overall Consumer Electronics
- **Good progress accelerating growth pipeline**
 - Meaningful revenue of £1m+ for Magma Oil & Gas mega-programme
 - Gears accelerated; initial revenue from Auto development programmes
 - Trauma development agreement with major US medical device manufacturer
 - Over 1,000 patient implants for PEEK-OPTIMA™ HA Enhanced
- **Continued growth investment to further develop downstream strategy**
 - Strategic investment of minority interest in Magma Global for £10m
 - Composite manufacturing investments underpin Aerospace, Medical and Magma
 - New Trauma and Composite facilities operational
 - Continued ‘front-end’ commercial investment; supported through focus on cost efficiency
- **Cash generation remains strong**
 - Net cash up 19% to £64.0m
 - Final dividend of 35.09p (2015: 35.09p)

David Hummel, Chief Executive of Victrex, said: “Victrex delivered a good finish to 2016, with our overall performance offset by a weaker first half and Consumer Electronics volumes being down over 30% for the full year. Our core business is in growth, with a notable improvement in the second half year.

“Our new product pipeline made good progress, with Magma securing meaningful revenue, a major development agreement established for Trauma and further prototype revenue with major Automotive manufacturers for our Gears programme. We are also announcing investments to help progress our mega-programmes and our downstream polymer to parts strategy. Our £10m investment in Magma Global will provide us with greater influence over the strategic direction of this business, underpinning the development of our mega-programme and additional manufacturing capability.

“Although we recognise the time required to drive market adoption, we remain excited by the potential of our strategy. Moving downstream from polymer to parts, into selected semi-finished applications and components, will see Victrex extending the PEEK market, further differentiating us from competitors. Our focus remains on accelerating these opportunities, whether organically or through investment.

“For 2017, our core business is in growth, we remain focused on cost efficiency and we are operating in a more favourable currency environment. Our assumptions for a continuation of Consumer Electronics volumes, but at a significantly lower level, are unchanged, with an expected second half weighting. At this early stage of the year, we are comfortable with current expectations.”

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 (GMT) this morning at the Andaz Hotel, Liverpool Street, London, EC2M 7QN. A conference call facility will be available for analysts and investors who are unable to attend the presentation, of which details are available from Kate Heighes at Teneo Blue Rubicon on +44 (0) 203 757 9244. The presentation can be viewed on Victrex's website at www.victrexplc.com.

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Preliminary results statement for the full year ended 30 September 2016

'A good finish to 2016 – accelerating our growth opportunities'

Group financial results

A good finish; H2 core volumes up 9%

In line with expectations, Victrex delivered an improved performance in the second half and a good finish to 2016. Our core business volumes – which exclude Consumer Electronics – were up 9% in the second half year, with growth in Transport markets and a more stable performance in Energy.

Our overall performance was offset by a weaker first half and much lower year on year Consumer Electronics. Volumes from the large Consumer Electronics opportunity, on a full year basis, were down over 30%.

Full year revenue and volumes

Group revenue for 2016 was £252.3m, 4% below the prior year (2015: £263.5m), with Group volumes down 6% to 3,952 tonnes (2015: 4,217 tonnes).

Profit before tax and EPS

Group profit before tax of £100.3m was 6% lower than the prior year (2015: £106.4m). Basic earnings per share of 96.8p per share was 1% down (2015: 98.1p per share), helped by an effective tax rate of 17.7% (2015: 21.5%).

Pricing marginally ahead, reflecting lower Consumer Electronics

Our Average Selling Price (ASP) of £63.80/kg was marginally ahead of the prior year (2015: £62.50/kg), principally reflecting a similar mix in our core business, but with a lower contribution from Consumer Electronics. Whilst we are mindful of new competitor capacity coming into the industry, pricing in the core business remains broadly stable. Excluding Consumer Electronics volumes and the impact of foreign currency, our average selling price was £70/kg.

Looking towards 2017, with Consumer Electronics volumes expected to be lower, we anticipate that ASP on a full year basis will be slightly ahead of 2016 in constant currency. The effect of more favourable currency movements (as a result of pricing in local currency), will also be supportive for our reported ASP.

Margin reflects annualised new plant costs

Group gross margin of 62.9% (2015: 63.8%) was slightly down, with the costs from our third polymer plant annualising this year and reduced volumes through the plants resulting in a higher cost of manufacture per tonne. For 2017, we have previously communicated that operating leverage is expected to be weaker, with a higher cost of manufacture. This reflects the anticipated impact from lower Consumer Electronics volumes, but with higher fixed costs from our new assets now being incurred. However, investing in capacity ahead of demand remains central to our strategy.

Our downstream strategy involves a move towards the production of selected semi-finished products and components and our cost of manufacture will start to increase to reflect this. However, our strategy also offers the opportunity to capture a higher value share of each application (rather than just the material cost). Remaining focused on growing absolute profits, rather than solely focusing on the gross margin percentage, remains a priority for Victrex.

Currency more favourable for FY 2017; further benefit for FY 2018

As a UK based global exporter, with over 97% of sales outside of the UK, Victrex hedges currency up to 12 months in advance. For 2017, given the considerable weakening of Sterling following the Brexit vote in June 2016, Victrex now expects currency will be more favourable, with the potential benefit to our profits expected to be slightly ahead of our prior £14m-£15m guidance. However, we anticipate that a proportion of any incremental benefit would be used to support 'front-end' growth investment, helping to drive adoption of our mega-programmes. We also note the further implied benefit from currency in 2018 – based on current spot rates – although our hedging programme for 2018 remains at an early stage.

Accelerating long term opportunities; M&A and partnerships

We continue transitioning on our journey from polymer to parts, capable of delivering selected semi-finished and finished products, and components, beyond simply manufacturing polymers. Developing the PEEK and PAEK market means creating new solutions for customers, building new supply chains where none currently exist and, in turn, offering growth and differentiation opportunities for Victrex.

Although we recognise the time required to drive market adoption, our focus is on acceleration opportunities, whether organically or through acquisition and partnership. Today we announced an investment of £10m in Magma Global, our existing development partner for the Magma Oil & Gas mega-programme. Similar to our Kleiss acquisition last year, investments of this nature offer the potential to underpin and further advance our growth programmes.

Our Magma investment reflects our long term view of this market, despite short term challenges within Oil & Gas. The investment will underpin additional manufacturing capacity at the Magma facility, provide us with a more influential role in the opportunity and enable Victrex to bring its experience of adopting innovative and disruptive technology into the Magma programme.

We expect to communicate more detail about our growth pipeline at a Capital Markets Day in 2017.

Operating performance¹

Robust performance in core Industrial markets; offset by Consumer Electronics

Our Industrial business (Victrex Polymer Solutions or VPS) remained robust in its core markets, but reflected the decline in Consumer Electronics over the course of the year. Industrial (VPS) revenue in total was £201.5m (2015: £213.0m), 5% down on the prior year.

Automotive and Aerospace saw good growth, with Transport volumes 9% ahead as build rates and increasing translations, as well as continued innovation, supported growth. Energy & Other Industrial volumes were down 7% reflecting the tough industry environment, but with Oil & Gas becoming more stable in the second half year. Oil & Gas volumes comprise less than 10% of our total Group volume. We successfully delivered meaningful revenue of over £1m from pipe and composite sales to the Magma Oil & Gas flexible subsea pipes opportunity this year, and have also seen several orders for 'intervention' pipes. From 2017 onwards, we will also focus some of our resources on a new sub-segment of Manufacturing & Engineering. This includes industries such as fluid handling, process control and power systems. Manufacturing & Engineering will report within the Energy & Other Industrial segment.

Electronics volumes in total declined by 29% in 2016, driven mainly by the large Consumer Electronics order. Outside of Consumer Electronics, the remainder of the Electronics segment saw a steady performance in Semiconductor. Aptiv film reflected a slower smartphone and mobile device market in the first half, however, we did see an improving trend towards the end of 2016. The trend of thinner devices continues to be supportive for film over the medium term, as well as its application in other markets, principally Aerospace and emerging opportunities in Automotive.

For 2017, our assumptions for Consumer Electronics volumes are unchanged – a significantly lower level of volumes and an expected second half weighting. This reflects supply chain dynamics and market demand, although we continue to directly engage with OEMs in this market on both the existing opportunity and other differentiated application opportunities for the medium to longer term.

Medical stable; progress with mega-programmes

In our Medical business (Invibio), revenue was up 1% at £50.8m (2015: £50.5m), which reflects our biggest market – spinal fusion in the US – remaining stable, but with limited growth in the number of spinal surgery procedures. We saw continued progress in emerging market growth. Medical sales in Asia were up 2%, with first regulatory approvals for our innovative PEEK-OPTIMA™ HA Enhanced product secured in China. Submissions are also pending in South America.

¹ As communicated at Victrex's interim results in May 2016, industry split information has been changed from the prior year. All comparatives have been restated on a consistent basis.

Our position regarding the Consent Decree we entered into with the US Federal Trade Commission, as set out in our announcement of 28 April 2016, is unchanged. As we previously communicated, Victrex has not admitted any violations of any law, there are no penalties or fines and the consent decree will resolve all outstanding matters before the FTC. The Board does not expect the FTC consent decree to have a material impact on the business, or the future mega-programmes. The Consent Decree became final on 14 July 2016, without any modifications.

In our pipeline of medical mega-programmes, we secured a development agreement with a major US medical device manufacturer for our Trauma programme, allied to our new Trauma plates manufacturing facility being completed this year. We anticipate meaningful revenue within a 2-5 year timeframe from this programme, although it has the potential to accelerate more quickly. Further potential investment will be kept under review with this programme, in the event of a quicker ramp-up. In Dental, we continue to work on enhancing our route to market within the industry. We are now working with the Malo Clinic in Portugal, which reported successful performance data for JUVORA in June, with a multi-year clinical study in place. This builds on the good progress in doubling sales last year. Over 6,000 patients now have our Juvora dental frames and developing partnerships to enhance market access remains key.

Our Knee programme will shortly commence its clinical trial. We continue to progress this opportunity with our partner Maxx Orthopedics and note the current high dissatisfaction rates with metal-based Knee implants, as well as the significant market opportunity.

Investment in downstream manufacturing

Retaining growth capital to help underpin our move downstream into selected semi-finished and finished products and components remains the priority for Victrex. Our expectations of medium term capital expenditure in the £25m-£35m per annum range are unchanged.

Investments this year were focused around composites, a market which is expected to grow over 10% per annum over the next five years (source: Lucintel 'Growth Opportunities in Continuous Fiber Thermoplastics Market 2015-2020'). These investments include construction of our Trauma plates manufacturing facility in Medical and our Composite Tape manufacturing line, which will support Aerospace, Magma and Medical mega-programmes. Both projects are now fully operational, with significant know-how tied up in these assets, helping us to further differentiate our business.

Strong development pipeline; investing to drive adoption

Our development pipeline is focused on six mega-programmes of PEEK-OPTIMA™ HA-Enhanced (Spine), Dental, Victrex Pipe/Magma, Trauma, Knee and Aerospace Loaded Brackets, as well as some smaller opportunities.

In Horizon 1 (0-2 years from meaningful revenue of £1m-£2m), Magma delivered meaningful revenue this year, reflecting trial orders, as well as some 'intervention' pipe sales. We will now focus on further development of the Magma opportunity, whilst noting the macro-environment is still challenging. Our other Horizon 1 programmes include HA-Enhanced for the Spine market and our Gears programme. The latter programme has been accelerated, thanks to the capabilities we acquired through the Kleiss acquisition and prototype development, and has the opportunity to deliver first meaningful revenue by the end of 2017. Horizon 2 (2-5 years from meaningful revenue) programmes include Dental; Trauma, where we have a development agreement in place with a major US medical device manufacturer, and Aerospace Loaded Brackets. Our Knee programme is in Horizon 3 (5+ years from meaningful revenue)

Further differentiating our chemistry

We are progressing with construction of our Polymer Innovation Centre, which will further enhance our prototyping and application development capabilities and the development of new differentiated polymer grades, beyond our existing chemistry. The facility, which is expected to be operational during the second half of 2017, will also provide support for our Innovate UK consortium, led by Victrex, focusing on Additive Layer Manufacturing ('ALM' or 3D printing). Research & Development investment was £14.1m (2015: £13.7m), representing approximately 6% of Group revenue.

Continued focus on costs

Continuing to focus on cost efficiency and supply chain opportunities across our business remains important. Keeping cost competitive in our manufacturing, whilst retaining the differentiators in our polymer chemistry and security of supply, is key in a competitive market. Beyond capturing further cost benefits, a focus on our supply chain will also support the requirements for new polymer grades over the coming years, as we differentiate and move beyond our existing chemistry.

With the introduction of our ERP (Enterprise Resource Planning) system this year, we are becoming more efficient in our allocation of resources and our support functions. Remaining cost focused in a competitive market is important and will also support how we allocate resources towards our 'front end' commercial, technical and marketing functions, helping to drive adoption of our mega-programmes.

Overheads were down 6% during the year. Alongside being cost efficient, this also reflects that our employee bonus scheme, which is linked to profit growth, was not triggered.

Strong balance sheet

Our strong balance sheet supports growth investment and provides security of supply to our customers.

Net assets at 30 September 2016 totalled £389.1m (2015: £358.6m). At the end of the first half, stock levels were at £69.1m, where we had built stock ahead of the ERP roll-out, and ensuring we had sufficient stock to manage the expected upturn in Consumer Electronics volumes during the second half. Pleasingly, stock levels of £61.8m at the end of September 2016 decreased earlier than anticipated, reflecting the implementation of our ERP system. Victrex's UK defined benefit scheme closed to future accrual on 31 March 2016, with employees in the defined benefit scheme eligible to join the defined contribution scheme. As part of the closure, Victrex made a cash contribution of £3.6m into the defined benefit scheme. A non-cash curtailment gain of £2.6m was recognised in the income statement, representing the one off reduction in accounting liabilities as benefits are no longer linked to future salary increases. The scheme was closed to new members in 2001.

This gain was reduced by a charge of £1.5m, for transitional benefits provided to active pension scheme members and the costs of closing the scheme. The net one off benefit of £1.1m from closing the scheme has been offset in the income statement, with restructuring costs of £1.6m, resulting in a net charge to the income statement of £0.5m.

Strong cash generation

Cash generated from operations was £96.0m (2015: £111.9m) representing an operating cash conversion (cash generated from operations / operating profit) of 96% (2015: 105%). Net cash (with no debt) at 30 September was up 19% to £64.0m (2015: £53.8m), which partly reflects the back-end loading of Consumer Electronics volumes, and payments coming in after the year end.

Regular dividends of £39.9m (2015: £38.7m) reflect the final dividend from 2015 of 35.09p and the interim dividend of 11.73p. Those paid in the prior year (excluding a 50 pence per share special dividend totalling £42.5m, which was announced in December 2014) were a final dividend of 33.76p and the interim dividend of 11.73p.

Taxation

The effective tax rate was 17.7% (2015: 21.5%). The lower rate in 2016 is mainly due to the reduction in the main rate of UK corporation tax, in addition to the impact of restating the opening deferred tax balance and prior period adjustments, primarily relating to a higher than normal level of R&D qualifying expenditure during 2015. Taxation paid during the year was £12.7m (2015: £24.6m). The Group anticipates the effective tax rate for 2017 will be higher than 2016 levels.

Dividends

Our Capital Allocation framework states that growth investment is our top priority. The policy for our regular dividend is to grow in line with earnings, with cover maintained at around 2x. After this, and subject to no additional growth investment, Victrex will return around 50% of the net cash balance to shareholders, via a special dividend, subject to a 50p/share minimum level. For the full year, with profit before tax falling by 6%, the Group is holding the final dividend at 35.09p per share. Total dividends for the year are 46.82p (2015: 46.82p).

Outlook

For 2017, our core business is in growth, we remain focused on cost efficiency and we are operating in a more favourable currency environment. Our assumptions for a continuation of Consumer Electronics volumes, but at a significantly lower level, are unchanged, with an expected second half weighting. At this early stage of the year, we are comfortable with current expectations.

David Hummel

Chief Executive

6 December 2016

DIVISIONAL REVIEW

Industrial (Victrex Polymer Solutions)

	12 months ended 30 Sept 2016 £m	12 months ended 30 Sept 2015 £m	Change
Revenue	201.5	213.0	-5%
Gross profit	114.2	123.9	-8%

The Industrial business unit generated revenue of £201.5m (2015: £213.0m), 5% down on the prior year, reflecting lower Consumer Electronics volumes.

Gross profit was down 8% on the prior year, with gross margin down to 56.7% (2015: 58.2%). This was principally driven by the higher cost of manufacture due to lower volumes through the plants.

Whilst the Group manages and reports its performance through the Industrial (VPS) and Medical (Invibio) divisions, we continue to provide a market based summary of our performance and growth opportunities within our two reporting segments.

Energy & Other Industrial

Energy & Other Industrial sales volume at 485 tonnes was 7% down on last year (2015: 522 tonnes), with Oil & Gas down 16% overall. The second half year saw Oil & Gas more stable. 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. Long-term megatrends in Oil & Gas continue to be strong, with harder to extract reserves, higher pressure and more extreme temperatures demanding better performance from materials. Our PEEK/composite tape is also supporting opportunities in this market.

Value Added Resellers

Value Added Resellers sales volume at 1,398 tonnes was 5% ahead of last year (2015: 1,334 tonnes), as processors and industrial customers continued to benefit from the growth opportunities within the high performance polymer market. Because of the fragmented nature of the industrial supply chain, once PEEK and our polymers have been specified, full clarity on the exact route to market for all of our polymer business is not always possible and we have historically made as accurate an assessment as possible about where these volumes land in our end markets. Value Added Resellers reflects that we will no longer be allocating some indirect business into our five major markets. This segment continues to offer growth opportunities for material and resin based business.

Transport

Transport sales volume increased 9% to 869 tonnes (2015: 800 tonnes) with a good performance across Aerospace and Automotive.

In Aerospace, the main airframe manufacturers are increasingly moving beyond light-weighting trends to focus on reducing the backlog of orders and driving down the total cost of components. PEEK's processability and ability to reduce manufacturing cycle time by up to 40% is a key selling point. During the year we secured pre-qualification for our PEEK/composites Loaded Bracket programme, which blends different grades of PEEK with carbon fibre into a unique and IP protectable application. This complements and builds on existing applications in Aerospace, such as Unloaded Brackets and our PEEK film in Thermal Acoustic Blankets. Other developments include material for brackets programmes with COMAC in China, supporting their ARJ21 regional jet.

In Automotive, we continue to see further penetration of our core applications in ABS braking systems, transmission applications and other areas. Our Gears programme reflects 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. We now have multiple prototyping orders and are also engaged in discussions around other applications, including those "under the hood", whilst we continue to explore the opportunity in 'e-motors'.

Electronics

Electronics sales overall were down 29% to 977 tonnes (2015: 1,380 tonnes), reflecting a decline of over 30% in our large Consumer Electronics order, partially offset by a steady Semiconductor performance.

The long term trend of mobile devices getting thinner, smaller and smarter remains supportive. Victrex continues to work on a number of market-wide development programmes, in addition to existing business. The inherent volatility in this market, linked to end-user demand, remains a challenge, however, as we have proven with our Aptiv film, which is repeatable across many manufacturers and models, the growth opportunities in this market continue to be attractive.

Regional trends

In our regions, US and Asia saw the greatest declines, reflecting Oil & Gas business which is typically specified through the US, and lower Consumer Electronics. Europe was up 7%, with 1,987 tonnes (2015: 1,852 tonnes), Asia-Pacific down 20% to 1,303 tonnes (2015: 1,626 tonnes), largely due to lower overall Electronics volumes. US volumes were 10% down to 662 tonnes (2015: 739 tonnes), principally from Oil & Gas weakness in the first half.

Medical (Invibio Biomaterial Solutions)

	12 months ended 30 Sept 2016 £m	12 months ended 30 Sept 2015 £m	Change
Revenue	50.8	50.5	1%
Gross profit	44.5	44.3	0%

Our Medical business performed solidly this year, with the geographic weighting in the US and in Spine offsetting progress in emerging geographies and the initial build of revenue in Dental and Trauma. Invibio revenue was up 1% at £50.8m (2015: £50.5m). Gross profit was £44.5m (2015: £44.3m) and gross margins remained solid at 87.6% (2015: 87.7%).

Medical market overview

Over 70% of Invibio revenue is from the Spine market, and mostly in the US. With a lack of material growth in the number of US spinal procedures, market growth in recent years has remained muted. Consolidation amongst manufacturers and 'fee for value' pricing trends have also been a headwind for the medical device

industry. We are addressing the challenge in the US through driving adoption of new innovation in Spine, seeking to further develop revenue from new geographies – which have continued to perform well, with Asia-Pacific revenues up 2% this year – and finally to secure adoption and early stage commercialisation of our mega-programmes in PEEK-OPTIMA™ HA Enhanced, Dental and Trauma. Knee remains within our Horizon 3 opportunities (5+ years from meaningful revenue).

For the medium to longer term, we believe Invibio is well placed in both the US and other geographic markets. Beyond being simply a materials supplier, our in-house regulatory expertise will help us to drive our existing programmes and new business. Already we have qualifications in Australia, China, India and South America.

With early stage sales in some of our new medical programmes, our emphasis continues on market adoption, whether through support data to vindicate these programmes or engagement with key opinion leaders and market influencers.

Mega-programmes

Invibio's PEEK-OPTIMA™ HA Enhanced product, which promotes bone-on growth, commenced its adoption phase in 2015 following regulatory approval the previous year. Victrex now has 18 regulatory approvals and 29 submissions, a three-fold increase since the prior year. Over 1,000 patients, to date, have successfully received implants of spinal cages based on PEEK-OPTIMA™ HA Enhanced.

We will continue to target key opinion leaders and surgeons in addition to spine companies, helping to drive adoption. Whilst PEEK-OPTIMA™ HA Enhanced will cannibalise some of our existing Spine business, it remains on track to deliver meaningful revenue of £1m-£2m over the next 1-2 years.

Dental sales remain below the £1m meaningful revenue threshold, but have made further progress this year, following a doubling of revenues last year. Over 6,000 patients now have our Juvora dental frames. Partnerships to secure better distribution in this fragmented global market are in focus for Invibio. We are working with the Malo Clinic in Portugal, which reported successful performance data for JUVORA earlier this year.

Our Trauma manufacturing facility is now operational, enhancing our offering within the Trauma plate market, enabling us to have the ability to meet initial demand. Our manufacturing process has significant know-how behind it, blending PEEK and composites into semi-finished plates. These products offer the potential for 50 times better fatigue resistance compared to a metal plate in the body. Our development agreement with a major US player is expected to help progress the opportunity over the coming years.

In our Knee programme, we have the opportunity to introduce a light-weight and durable product against incumbent materials. With all pre-clinical work completed, our clinical trial will start early in 2017. Knee is the furthest out of our opportunities (5+ years from meaningful revenue) but is potentially sizeable, currently scaled as a £50m+ annual peak revenue opportunity. Patient demand and the current high dissatisfaction rates for metal based solutions offer significant potential in this market.

Condensed Consolidated Income Statement

		Year ended 30 September 2016	Year ended 30 September 2015
	Note	£m	£m
Revenue	2	252.3	263.5
Cost of sales		(93.6)	(95.3)
Gross profit		158.7	168.2
Sales, marketing and administrative expenses		(58.4)	(61.9)
Operating profit	2	100.3	106.3
Financial income		0.3	0.3
Financial expenses		(0.3)	(0.2)
Profit before tax		100.3	106.4
Income tax expense		(17.8)	(22.9)
Profit for the year attributable to owners of the parent		82.5	83.5
Earnings per share			
Basic	4	96.8p	98.1p
Diluted	4	96.7p	97.9p
Dividends			
Year ended 30 September 2014:			
Final dividend paid February 2015 at 33.76p per share		-	28.7
Special dividend paid February 2015 at 50.00p per share		-	42.5
Year ended 30 September 2015:			
Interim dividend paid July 2015 at 11.73p per share		-	10.0
Final dividend paid February 2016 at 35.09p per share		29.9	-
Year ended 30 September 2016:			
Interim dividend paid July 2016 at 11.73p per share		10.0	
		39.9	81.2

A final dividend in respect of 2016 of 35.09p per ordinary share has been recommended by the Directors for approval at the Annual General Meeting in February 2017.

Condensed Consolidated Statement of Comprehensive Income

	Year ended 30 September 2016 £m	Year ended 30 September 2015 £m
Profit for the year	82.5	83.5
Items that will not be reclassified to profit or loss		
Defined benefit pension schemes' actuarial (losses)/gains	(11.6)	1.4
Income tax on items that will not be reclassified to profit or loss	2.0	(0.3)
	(9.6)	1.1
Items that may be subsequently reclassified to profit or loss		
Currency translation differences for foreign operations	2.5	0.9
Effective portion of changes in fair value of cash flow hedges	(23.8)	(2.3)
Net change in fair value of cash flow hedges transferred to profit or loss	14.3	(0.9)
Income tax on items that may be reclassified to profit or loss	1.7	(0.1)
	(5.3)	(2.4)
Total other comprehensive expense for the year	(14.9)	(1.3)
Total comprehensive income for the year attributable to owners of the parent	67.6	82.2

Condensed Consolidated Balance Sheet

	30 September 2016	30 September 2015
	£m	£m
Assets		
Non-current assets		
Property, plant and equipment	255.5	251.3
Intangible assets	23.5	20.4
Investments	10.0	-
Deferred tax assets	8.9	6.7
	297.9	278.4
Current assets		
Inventories	61.8	57.4
Current income tax assets	-	1.4
Trade and other receivables	46.9	33.5
Derivative financial instruments	2.1	2.0
Cash and cash equivalents	64.0	53.8
	174.8	148.1
Total assets	472.7	426.5
Liabilities		
Non-current liabilities		
Deferred tax liabilities	(19.2)	(19.2)
Retirement benefit obligations	(10.6)	(5.8)
	(29.8)	(25.0)
Current liabilities		
Derivative financial instruments	(19.5)	(4.4)
Current income tax liabilities	(5.4)	(4.9)
Trade and other payables	(28.9)	(33.6)
	(53.8)	(42.9)
Total liabilities	(83.6)	(67.9)
Net assets	389.1	358.6
Equity		
Share capital	0.9	0.9
Share premium	37.8	36.8
Translation reserve	4.2	1.7
Hedging reserve	(9.2)	(1.6)
Retained earnings	355.4	320.8
Total equity attributable to owners of the parent	389.1	358.6

Condensed Consolidated Cash Flow Statement

	Year ended 30 September 2016	Year ended 30 September 2015
Note	£m	£m
Cash flows from operating activities		
Cash generated from operations	96.0	111.9
Net financing interest received	0.1	0.3
Tax paid	(12.7)	(24.6)
Net cash flow from operating activities	83.4	87.6
Cash flows from investing activities		
Acquisition of investments	(10.0)	-
Acquisition of property, plant and equipment and intangible assets	(25.9)	(41.2)
Cash consideration of acquisitions	-	(4.1)
Cash acquired with acquisitions	-	0.1
Net cash flow from investing activities	(35.9)	(45.2)
Cash flows from financing activities		
Premium on issue of ordinary shares exercised under option	1.0	2.4
Dividends paid	(39.9)	(81.2)
Net cash flow from financing activities	(38.9)	(78.8)
Net increase/(decrease) in cash and cash equivalents	8.6	(36.4)
Effect of exchange rate fluctuations on cash held	1.6	0.6
Cash and cash equivalents at beginning of year	53.8	89.6
Cash and cash equivalents at end of year	64.0	53.8

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 2015	0.9	36.8	1.7	(1.6)	320.8	358.6
Total comprehensive income for the year						
Profit	-	-	-	-	82.5	82.5
Other comprehensive income/(expense)						
Currency translation differences for foreign operations	-	-	2.5	-	-	2.5
Effective portion of changes in fair value of cash flow hedges	-	-	-	(23.8)	-	(23.8)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	14.3	-	14.3
Defined benefit pension schemes' actuarial losses	-	-	-	-	(11.6)	(11.6)
Tax on other comprehensive income	-	-	-	1.9	1.8	3.7
Total other comprehensive income/(expense) for the year	-	-	2.5	(7.6)	(9.8)	(14.9)
Total comprehensive income/(expense) for the year	-	-	2.5	(7.6)	72.7	67.6
Contributions by and distributions to owners of the Company						
Share options exercised	-	1.0	-	-	-	1.0
Equity-settled share-based payment transactions	-	-	-	-	1.8	1.8
Dividends to shareholders	-	-	-	-	(39.9)	(39.9)
Equity at 30 September 2016	0.9	37.8	4.2	(9.2)	355.4	389.1

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Equity at 1 October 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/(expense)						
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 Report

1. Reporting entity

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 2016. 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 2016 or 2015 but is derived from those accounts. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 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 7 of the announcement.

The accounts for the year ended 30 September 2016 will be posted to shareholders on 4 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's business is strategically organised as two business units: Industrial (Victrex Polymer Solutions), which focuses on our transport, industrial and electronics markets; and Medical (Invivio Biomaterial Solutions), which focuses on providing specialist solutions for medical device manufacturers. Based on the nature of its business, Kleiss Gears is included within Industrial.

	Year ended 30 September 2016			Year ended 30 September 2015		
	Industrial £m	Medical £m	Group £m	Industrial £m	Medical £m	Group £m
Revenue from external sales	201.5	50.8	252.3	213.0	50.5	263.5
Segment gross profit	114.2	44.5	158.7	123.9	44.3	168.2
Sales, marketing and administrative expenses			(58.4)			(61.9)
Operating profit			100.3			106.3
Net financing income			-			0.1
Profit before tax			100.3			106.4
Income tax expense			(17.8)			(22.9)
Profit for the year attributable to owners of the parent			82.5			83.5

3. Exceptional items

	Year ended 30 September 2016 £m	Year ended 30 September 2015 £m
Included within Sales, marketing and administrative expenses		
Pension curtailment gain	2.6	-
Costs of pension change	(1.5)	-
Restructuring costs	(1.6)	-
Exceptional items before tax	(0.5)	-
Tax on exceptional items	0.1	-
Exceptional items	(0.4)	-

Exceptional items are those which are, in aggregate, material in size and / or unusual or infrequent in nature.

Closure of Defined Benefit Section of the Pension Scheme

The closure of the Defined Benefit Section of the Pension Scheme to future benefit accrual on 31 March 2016, resulted in a curtailment gain of £2.6m. This non cash gain represented a one off reduction in accounting liabilities as benefits are no longer linked to future salary increases. The Scheme had been closed to new members in 2001. Offsetting this gain is a charge of £1.5m for transitional benefits provided to active Pension Scheme members and the costs of closing the scheme.

As part of the closure of the Defined Benefit Section of the Pension Scheme the company made a one off contribution of £3.6m in January 2016.

Restructuring costs

Restructuring costs have been incurred relating to a reorganisation at the group's manufacturing sites.

4. Earnings per share

	Year ended 30 September 2016	Year ended 30 September 2015
Earnings per share – basic	96.8p	98.1p
– diluted	96.7p	97.9p
Profit for the financial year (£m)	82.5	83.5
Weighted average number of shares used – basic	85,258,855	85,105,903
– diluted	85,343,190	85,288,956

5. Exchange rates

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

	Year ended 30 September 2016		Year ended 30 September 2015	
	Average	Closing	Average	Closing
US Dollar	1.54	1.31	1.63	1.51
Euro	1.35	1.18	1.24	1.36
Yen	179	135	175	181

The average rates reflect a blend of the spot rate and the contract rate in place at the time of the transactions.

6. Dividend and Annual General Meeting

The proposed final dividend will be paid on 17 February 2017 to all shareholders on the register on 3 February 2017. The Annual General Meeting of the Company will be held at 11.00am on 8 February 2017, at JP Morgan Cazenove, 60 Victoria Embankment, London, EC4Y 0JP (entrance via John Carpenter Street).

7. 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.

Shareholder Information

The Company's Annual Reports are available on request from the Company's Registered Office or to download from our corporate website, www.victrexplc.com.

Financial calendar

Ex-dividend date	2 February 2017
Record date **	3 February 2017
Annual General Meeting	8 February 2017
Payment of final dividend	17 February 2017
Announcement of 2017 half-yearly results	May 2017
Payment of interim dividend	July 2017

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