

16 May 2016



Victrex plc – Interim Results 2016

'Robust core business with H2 expectations supporting full year outlook'

Victrex plc, an innovative world leader in high performance polymer solutions, today announces its interim results for the six months ended 31 March 2016.

	H1 2016	H1 2015	% change
Revenue	£117.0m	£130.3m	-10%
Gross profit	£73.6m	£84.5m	-13%
Gross margin	62.9%	64.9%	-200bps
Profit before tax (PBT)	£47.5m	£53.9m	-12%
EPS	45.5p	49.8p	-9%
Dividend per share	11.73p	11.73p	-

Highlights:

- **Robust core business offset by Consumer Electronics and Oil & Gas**
 - Q2 core volumes (ex-Consumer Electronics) >900 tonnes, in line with record Q2 2015
 - Automotive & Aerospace in growth, Medical solid
 - H1 performance offset by Electronics (down 42%) and Oil & Gas softness (down 28%)
 - Gross margin reflects annualised new plant costs
- **Strong progress developing the pipeline; early stage commercialisation**
 - Kleiss acquisition brings Gears closer to commercialisation; major OEM prototype orders
 - Magma Oil & Gas mega-programme on track for meaningful revenue in FY16
 - Aerospace composites progressing towards qualification
 - New polymer grades being developed for multiple markets
 - Further progress in PEEK-Optima[®] HA-Enhanced; regulatory submissions doubled
- **Downstream manufacturing investments in progress**
 - PEEK/composite tape line underpins Aerospace, Medical and Magma mega-programmes
 - New Trauma facility currently being commissioned
 - Construction commenced for Polymer Innovation Centre; supports new Victrex-led 3D printing consortium
- **Cash generation remains strong**
 - Net cash up 7% to £45.3m
 - Interim dividend of 11.73p (H1 15: 11.73p)

David Hummel, Chief Executive of Victrex, said: "As expected, the first half of 2016 was challenging for Victrex, with the impact of lower Consumer Electronics volumes and softer Oil & Gas. Encouragingly, our core business remained robust, with Automotive & Aerospace in growth and Medical staying solid.

"For the second half, Consumer Electronics volumes are anticipated to be more than double those in the first half year. In line with recent supply chain news and ahead of the build-up to new product launches, we expect that these will be more back-end loaded this year. Overall, our view of a second half improvement reflects our expectation for Consumer Electronics, our robust core business and a continued focus on resources; and we remain comfortable with current expectations for the full year.

"For the medium to longer term, Victrex remains in a good position and we are excited by our opportunities. Our pipeline is strong, with several potentially game-changing projects, although we are mindful that driving adoption and moving beyond early commercialisation can take time against incumbent technologies. Developing new downstream applications, as well as new composite grades, will enable us to further expand the PEEK market, driving long term value and further differentiating our business."

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 Kate Heighes at Teneo Strategy on +44 (0) 203 757 9244. 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

Teneo Strategy:

Charles Armitstead	+44 (0) 203 603 5220
--------------------	----------------------

Interim results statement for the half year ended 31 March 2016

‘Robust core business with H2 expectations supporting full year outlook’

Group financial results

A challenging H1; the right long-term strategy

Despite a challenging six months encompassing the impact from lower Consumer Electronics volumes and the weaker Oil & Gas market, our expectations of an overall second half improvement are unchanged. Outside of Consumer Electronics, our core business remains solid and we delivered a record equalling volume performance in Q2 for the core business (ex-Consumer Electronics) of over 900 tonnes. This is despite a weaker market for Oil & Gas compared to 2015.

Through our focused downstream strategy, we are transitioning from our historic position as a materials manufacturer to a solutions provider, capable of delivering semi-finished components beyond the polymer. Whilst our downstream strategy relies on gradual adoption of often disruptive technology in our markets – which can take time to fully commercialise – our proven ability to extend the market for PEEK and PAEK polymers over the last 20 years and build market leading positions with differentiated products, gives us confidence for the longer term.

Revenue and volumes

Group revenue for the period on a reported basis was £117.0m, 10% below the prior year (H1 2015: £130.3m), with Group volumes down 13% to 1,770 tonnes (H1 2015: 2,028 tonnes).

Profit before tax and EPS

Group profit before tax of £47.5m was 12% lower than the prior year (H1 2015: £53.9m). Basic earnings per share of 45.5p per share was 9% down (H1 2015: 49.8p per share) but was partially offset by the lower UK corporation tax rate as it continues its downward trajectory. Our effective tax rate was 19% (H1 2015: 21%).

Pricing slightly ahead reflecting lower Consumer Electronics

Our Average Selling Price (ASP) of £66.1/kg was slightly ahead of the prior year (H1 2015: £64.2/kg), principally reflecting a better mix, with lower Consumer Electronics volumes during the first half. Pricing in the core business remains broadly stable. Excluding Consumer Electronics volumes and the impact of foreign currency, our average selling price was £71/kg.

With the expected volume improvement in the second half year and a higher proportion of Consumer Electronics volumes (versus the first half), we anticipate that our ASP on a full year basis will be broadly similar to FY15.

Margins reflect new plant costs

Group gross margins of 62.9% (H1 2015: 64.9%) reflected annualised new plant costs coming through in the first half year. Reduced volumes through the plants also resulted in a slightly higher cost of manufacture per tonne.

We believe that absolute gross profit is a useful indicator of our future performance, rather than solely the gross margin percentage. Success with our downstream strategy will transition the Group's gross margin profile, as semi-finished products and components – and participating in more of the supply chain – will reflect the cost of manufacture being slightly different from polymer production. Average selling prices will also be different, reflecting the attractive nature of these opportunities.

Currency remains adverse for FY16; beneficial for FY17

As a UK based global exporter with over 97% of sales outside of the UK, Victrex hedges currency up to 12 months in advance. Currency will remain approximately £1m adverse to our profits in FY16. For FY17, given the further weakening of the Pound in the first half, and based on current spot exchange rates, Victrex could see a potential benefit of approximately £10m to our profits. However, with hedging only partially in place for 2017 and the potential implications for Sterling from the UK's referendum on continued membership of the European Union in June 2016, some of this potential benefit may unwind.

Operating performance

Robust performance in core Industrial markets

Our Industrial business (Victrex Polymer Solutions or VPS) remained robust in its core markets and Q2, excluding Consumer Electronics, was in line with the record Q2 2015, despite weaker Oil & Gas. Industrial (VPS) revenue in total was £91.8m (H1 2015: £104.4m), 12% down on the prior year.

Automotive and Aerospace saw growth, with Transport volumes 7% ahead. With tougher comparatives in Oil & Gas and a worsening market since the end of our 2015 financial year, Energy & Industrial volumes in the first half were down 14%, with Oil & Gas down 28%. However, performance in our Magma Oil & Gas flexible subsea pipes programmes continued on plan and we anticipate meaningful revenue of £1m-£2m will be secured this year.

Consumer Electronics volumes were down compared to the prior year, with volumes in the overall Electronics segment 42% lower, despite a steady performance in Semiconductor. The Consumer Electronics part of this segment, which includes Aptiv film, also saw some effect from softer growth in the smartphone and mobile device market.

Volumes from this large order were down by around 50% in the first half as the opportunity was re-phased. For the second half, Consumer Electronics volumes are anticipated to be more than double those in the first half year. In line with recent supply chain news and ahead of the build-up to new product launches, we expect that these will be more back-end loaded this year. Looking forward, our development programmes include building on market-wide commercial discussions, which also have application potential for multiple markets.

Medical solid; milestone progress for mega-programmes

In our Medical business (Invibio), revenue was broadly flat at £25.2m (H1 2015: £25.9m). Emerging market growth remains positive, with sales in Asia up 13% and regulatory submissions pending for our innovative PEEK-Optima[®] HA-Enhanced product in emerging markets, including pending submissions in Brazil and Colombia.

We continue to make progress in early stage commercialisation or pre-development milestones in our pipeline, although we are mindful of the execution time for adoption of often 'disruptive' technology in our markets. However, with a proven track record of developing £50m annual revenue in our Medical business – which took around six years to achieve double-digit million annual revenues – our continued investment in marketing, sales and front-end technical capability offers us a great opportunity to drive adoption of these programmes, now regulatory approval is secured for three of our four mega-programmes in Medical.

Progress during the first half includes continued growth in Dental sales, following a doubling of sales in that market last year and over 30 distribution deals signed to provide enhanced market access; our Trauma collaboration agreements are progressing and pre-clinical preparations are complete to commence the clinical trial for Knee with our partner Maxx Orthopedics later this year.

Capex investment in downstream manufacturing; 3D printing funding

With the completion of our third PEEK manufacturing facility last year and a step-down in our capital expenditure programme, the focus now turns to downstream manufacturing. Although much smaller in scale than our PPP3 plant, retaining growth capital to help underpin our mega-programmes remains important for Victrex. We reiterate our expectations of medium term capital expenditure being in the £25m-£35m range per annum.

During the first half we commenced 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 nearing completion or in the commissioning phase and will become fully available during the second half. The significant know-how tied up in these assets will help us to further differentiate our business.

We also broke ground to start construction of our Polymer Innovation Centre, which will further enhance our prototyping and application development capabilities and the development of new polymer grades.

Victrex recently secured funding from Innovate UK, to lead a consortium focused on Additive Layer Manufacturing (3D printing) for PEEK and PAEK polymers, including the development of new grades. The consortium includes Airbus UK, several small UK businesses – including a 3D printing machine manufacturer – as well as academia such as Exeter University, with 3D printing in Aerospace one of the focus areas alongside Medical.

Manufacturing assets performing on plan

Investment in capacity ahead of demand has always been our approach, which is important for our market leading position and our ability to underpin application development with global OEMs (original equipment manufacturers) and customers for the longer term.

Whilst current utilisation is below recent levels, the investment in our third polymer plant will support current business and provides a “calling card” to support our commercial discussions with customers for future long term business. 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.

Resource focus; front end investment continues

We have further increased our focus on resources within the business. This is principally focused on support functions, as part of a new ERP system, which will be fully implemented over the next 12 months.

Investment in sales, technical, marketing and quality remains our focus, supporting us as we seek to drive adoption of our mega-programmes, and often disruptive technology, over the medium to longer term.

We are in the process of a reorganisation at our Rotherham monomer production facility, which will result in a one-off cost of £1.0m.

Overheads were down 15% during the first half, principally reflecting that our bonus is linked to profit growth.

Research & Development (R&D) expenditure this year overall is expected to be similar to the prior year, at around 5% of sales.

Strong development pipeline; investing to drive adoption

For our six mega-programmes of PEEK-OPTIMA[®] HA-Enhanced (Spine), Juvora (Dental), Victrex Pipe/Magma, Trauma, Knee and Aerospace Loaded Brackets we will continue to provide indicators for each of our programmes, highlighting the commercial path and necessary steps leading up to meaningful revenues (£1m-£2m annual sales) and beyond.

In Horizon 1, Magma remains on track for meaningful revenue this year, reflecting trial orders and revenue from Magma Global’s Joint Development Agreement with BP and Subsea 7. Magma also recently completed the longest composite pipe for ‘intervention’ purposes to date, a 10,000 foot section of spoolable pipe to be deployed in the Gulf of Mexico. Our HA-Enhanced medical mega-programme in the Spine market also remains within the Horizon 1 timeframe, whilst our Gears “major” programme has been accelerated into Horizon 1, thanks to the capabilities we acquired through Kleiss.

Our mega-programmes broadly fall into two categories. Firstly, projects like Magma and Aerospace Brackets, which offer the potential of high volumes and have a proven value proposition, although they remain at an early stage of gaining adoption within their industries, having secured revenue from test orders. Secondly, programmes like Dental, Trauma and Knee, which are “disruptive” to incumbent materials or metal-based supply chains, and therefore require significant focus on adoption and advocacy by key opinion leaders, surgeons and the wider industry. Accelerating adoption, whether organically, or through M&A and partnerships to acquire assets, capability or know-how, will be a key part of driving our mega-programmes forward over the longer term, despite short term challenges.

We continue to evaluate a number of M&A and partnership opportunities, which remains important to our move downstream, including opportunities which may support acceleration of and align with our development of new polymer and composite grades.

Strong balance sheet

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

Net assets at 31 March 2016 totalled £365.9m (H1 2015: £325.9m). Stock levels at the end of March 2016 reflect the introduction of our ERP system over the next 12 months, and ensuring we have sufficient stock levels to meet demand, in addition to the expected upturn in Consumer Electronics volumes in the second half, compared to the first half year.

In December we communicated a proposal to consult on the closure of Victrex's UK defined benefit scheme to future accrual. The scheme closed 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 £2.5m 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 had been closed to new members in 2001.

This gain has been 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 £1.0m from closing the scheme has been offset in the income statement, with one off restructuring costs of £1.0m.

Strong cash generation

Cash generated from operations was £38.1m (H1 2015: £60.9m) representing an operating cash conversion* of 80% (H1 2015: 113%). Net cash with no debt at 31 March was £45.3m (H1 2015: £42.2m), following payment of our regular dividend in February.

Total dividends of £29.9m (H1 2015: £71.2m), reflect the increase in the 2015 financial year final dividend but against a comparative where a special dividend of £43m was paid.

Taxation

Taxation paid during the period was £5.7m (H1 2015: £13.1m). The effective tax rate was 19% (H1 2015: 21%).

Dividends

In line with the Capital Allocation framework set out in December, 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. For the half year, despite a tougher first half, the Group is holding the interim dividend flat at 11.73p per share.

Outlook

For the second half, Consumer Electronics volumes are anticipated to be more than double those in the first half year. In line with recent supply chain news and ahead of the build-up to new product launches, we expect that these will be more back-end loaded this year. Overall, our view of a second half improvement reflects our expectation for Consumer Electronics, our robust core business and a continued focus on resources; and we remain comfortable with current expectations for the full year.

David Hummel

Chief Executive

16 May 2016

DIVISIONAL REVIEW

Industrial (Victrex Polymer Solutions)

	Six months ended 31 Mar 2016 £m	Six months ended 31 Mar 2015 £m	Change
Revenue	91.8	104.4	-12%
Gross profit	51.4	61.6	-17%

Our Industrial business remained robust in its core markets. The division generated revenue of £91.8m (H1 2015: £104.4m), 12% down on the prior year, reflecting the impact of lower Consumer Electronics volumes and the weaker Oil & Gas market since the end of our 2015 financial year.

Gross profit was down 17% on the prior year, with gross margin down to 56.0% (H1 2015: 59.0%) despite the improved sales mix, reflecting the slightly higher cost of manufacture due to lower volumes through the plants compared to the prior year.

Industrial market overview

As signalled at our 2015 preliminary results, for 2016, we are revising the way we show our market segments. 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. We will no longer be allocating some indirect business into our five major markets. The revision of our market segments will also be supported by our forthcoming IT and management information system. A copy of the pie charts with our revised market segments is included in our interim results presentation.

In our regions, US and Asia saw the greatest impact, reflecting Oil & Gas business which is typically specified through the US, and lower Consumer Electronics. Europe was ahead, with 902 tonnes (H1 2015: 886 tonnes) up approximately 2%, with Asia-Pacific down 29% to 531 tonnes (H1 2015: 747 tonnes), largely due to lower overall Electronics volumes. US volumes were approximately 15% down to 337 tonnes (H1 2015: 395 tonnes), principally from Oil & Gas and Consumer Electronics.

Energy & Industrial

Energy & Industrial sales volume at 233 tonnes was 14% down on last year (H1 2015: 272 tonnes), with Oil & Gas down 28%. The lower oil price that saw a weaker market through the winter of 2015 has, in line with most suppliers to the Oil & Gas industry, impacted performance during our first half year, although we note the more favourable comparatives for the second half and the recent increase in oil prices from record lows. 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, which plays well with VICTREX[®] PEEK and its unique combination of properties. Our PEEK/composite tape has been progressing adoption within the Oil & Gas market, with some positive initial feedback. For our Magma programme, our partner, Magma Global, has a range of majors engaged, capitalising on the industry's cost focus and ability to reduce operating expenditure, alongside the joint development agreement with BP and Subsea 7.

Transport

Transport sales volume increased 7% to 423 tonnes (H1 2015: 396 tonnes) with a good performance in Aerospace and Automotive.

In Aerospace, with the main airframe manufacturers focusing on reducing the backlog of orders, PEEK's processability and ability to speed up manufacturing time remains a key selling point. This is in addition to its light-weighting attractions, with up to 60% weight savings. Our Composites proposition offers the ability to accelerate commercialisation of PEEK within the industry, as part of our unique Loaded Bracket programme, which blends different grades of PEEK with carbon fibre into a unique and IP protectable application. We also continue to work on new and differentiated grades within the PEEK family of polymers and are pursuing retrofit opportunities for existing aircraft.

In Automotive, our core applications of ABS braking systems, transmission applications and clutch systems remain attractive. Our Gears programme has accelerated, supported by our Kleiss Gears acquisition from last year. 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. During the first half year we also engaged in new discussions with a major European Automotive OEM relating to supply of prototype gears.

Electronics

Electronics sales overall were down 42% to 365 tonnes (H1 2015: 626 tonnes), with a steady performance in Semiconductor, offset by the slower Consumer Electronics market. This impacted both our large order and other areas of the Consumer Electronics portfolio, including Aptiv film.

The long term trend of mobile devices getting thinner, smaller and smarter remains strong. Securing specification from customers for next generation products remains key and whilst we still view Consumer Electronics as a platform to value-added and market-wide business, we are mindful of the historic volatility in order patterns.

Medical (Invivio Biomaterial Solutions)

	Six months ended 31 Mar 2016 £m	Six months ended 31 Mar 2015 £m	Change
Revenue	25.2	25.9	-3%
Gross profit	22.2	22.9	-3%

Our Medical business saw a steady performance during the first half with revenue broadly flat at £25.2m (H1 2015: £25.9m). Gross profit was £22.2m (H1 2015: £22.9m) and margins remained strong at 88.1% (H1 2015: 88.4%).

Medical market overview

The focus for our Medical business over the medium to longer term is to drive adoption of new innovation in Spine, reflecting the mature market in the US and our high exposure there. Additionally, we seek to further drive revenue from new geographies, which have been performing well in recent years, and finally to drive adoption and early stage commercialisation of our mega-programmes in Dental, Trauma and Knee.

For the medium to longer term, we believe Invivio is well placed in the US and in other geographic markets. Beyond being simply a materials supplier, our in-house regulatory expertise and proven experience with regulators globally will help us to drive our existing programmes and new business. Already we have qualifications in China and India, and have pending submissions in Brazil and Colombia.

Spine

Invivio'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 over 30 regulatory submissions, more than double the level of 2015 submissions. Submissions include those in the US, Europe, China and Australia. Over 500 patients, to date, have now successfully received implants of spinal cages based on PEEK-Optima[®] HA-Enhanced.

Targeting key opinion leaders and surgeons in addition to spine companies will help to drive adoption. This mega-programme is anticipated to deliver meaningful revenue within two years, although we note the previous history of PEEK-OPTIMA® which took around six years to deliver double-digit million revenues; a reflection of the time taken to drive adoption and convert to full commercialisation.

Mega-programmes

We continue to see early stage sales progress in Dental sales, following a doubling of revenues last year. Continuing to build distribution agreements remains a big focus, with over 30 agreements now in place, enabling us to better target this fragmented global market.

For Trauma, we commenced downstream manufacturing investment during the first half. Downstream manufacturing capability will enhance our offering within the Trauma plate market, enabling us to have the ability to meet initial demand. A committed development agreement with one major partner, as well as several other development opportunities, offers us the potential to make progress in multiple application areas.

For our Knee programme, which is the only mega-programme still working towards initial regulatory approval, we unveiled our partner, Maxx Orthopedics, earlier this year and are working towards starting our clinical trial by the end of 2016. 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.

Resolution of US FTC inquiry

On 28th April, Victrex announced that it had entered into a consent decree with the U.S. Federal Trade Commission (FTC) concerning an FTC inquiry into the sale and marketing of implantable grade PEEK polymer in the United States by Victrex's subsidiaries, Invibio Inc and Invibio Limited.

As part of the consent decree, Victrex did not admit any violations of any law, there are no penalties or fines and the consent decree will resolve all outstanding matters pending before the FTC.

A decision to enter into the consent decree and end the investigation quickly, and without admitting to any violations of any law, was taken to ensure that management time, resources and focus remains on product and market innovation, maximising customer relationships and minimising business disruption.

We do not expect the FTC consent decree to have a material impact on our business, or on our future mega-programmes.

Condensed Consolidated Income Statement

		Six months ended 31 March 2016	Six months ended 31 March 2015	Year ended 30 September 2015
	Note	£m	£m	£m
Revenue	5	117.0	130.3	263.5
Cost of sales		(43.4)	(45.8)	(95.3)
Gross profit		73.6	84.5	168.2
Sales, marketing and administrative expenses	6	(26.1)	(30.8)	(61.9)
Operating profit	5	47.5	53.7	106.3
Financial income		0.1	0.3	0.3
Financial expenses		(0.1)	(0.1)	(0.2)
Profit before tax		47.5	53.9	106.4
Income tax expense	7	(8.8)	(11.5)	(22.9)
Profit for the period attributable to owners of the parent		38.7	42.4	83.5
Earnings per share				
Basic	8	45.5p	49.8p	98.1p
Diluted	8	45.4p	49.6p	97.9p
Dividends				
Year ended 30 September 2014:				
Final dividend paid February 2015 at 33.76p per share			28.7	28.7
Special dividend paid February 2015 at 50.00p per share			42.5	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	-	-
		29.9	71.2	81.2

An interim dividend of 11.73p per share will be paid on 1 July 2016 to shareholders on the register at the close of business on 10 June 2016. This dividend will be recognised in the period in which it is approved.

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 31 March 2016 £m	Six months ended 31 March 2015 £m	Year ended 30 September 2015 £m
Profit for the period	38.7	42.4	83.5
Items that will not be reclassified to profit or loss			
Defined benefit pension schemes' actuarial gains/(losses)	2.1	(0.4)	1.4
Income tax on items that will not be reclassified to profit or loss	(0.4)	0.1	(0.3)
	1.7	(0.3)	1.1
Items that may be subsequently reclassified to profit or loss			
Currency translation differences for foreign operations	1.1	1.2	0.9
Effective portion of changes in fair value of cash flow hedges	(6.4)	(2.4)	(2.3)
Net change in fair value of cash flow hedges transferred to profit or loss	(0.8)	0.1	(0.9)
Income tax on items that may be reclassified to profit or loss	1.3	(0.2)	(0.1)
	(4.8)	(1.3)	(2.4)
Total other comprehensive expense for the period	(3.1)	(1.6)	(1.3)
Total comprehensive income for the period attributable to owners of the parent	35.6	40.8	82.2

Condensed Consolidated Balance Sheet

	31 March 2016	31 March 2015	30 September 2015
	£m	£m	£m
Assets			
Non-current assets			
Property, plant and equipment	252.3	250.2	251.3
Intangible assets	22.4	10.1	20.4
Deferred tax assets	6.3	7.4	6.7
Retirement benefit asset	3.2	-	-
	284.2	267.7	278.4
Current assets			
Inventories	69.1	49.5	57.4
Current income tax assets	5.0	2.9	1.4
Trade and other receivables	34.8	31.2	33.5
Derivative financial instruments	1.4	6.2	2.0
Cash and cash equivalents	45.3	42.2	53.8
	155.6	132.0	148.1
Total assets	439.8	399.7	426.5
Liabilities			
Non-current liabilities			
Deferred tax liabilities	(19.4)	(18.3)	(19.2)
Retirement benefit obligations	-	(7.4)	(5.8)
	(19.4)	(25.7)	(25.0)
Current liabilities			
Derivative financial instruments	(11.6)	(8.3)	(4.4)
Current income tax liabilities	(9.1)	(8.0)	(4.9)
Trade and other payables	(33.8)	(31.8)	(33.6)
	(54.5)	(48.1)	(42.9)
Total liabilities	(73.9)	(73.8)	(67.9)
Net assets	365.9	325.9	358.6
Equity			
Share capital	0.9	0.9	0.9
Share premium	37.5	36.5	36.8
Translation reserve	2.8	2.0	1.7
Hedging reserve	(7.3)	(0.9)	(1.6)
Retained earnings	332.0	287.4	320.8
Total equity attributable to owners of the parent	365.9	325.9	358.6

Condensed Consolidated Cash Flow Statement

	Note	Six months ended 31 March 2016 £m	Six months ended 31 March 2015 £m	Year ended 30 September 2015 £m
Cash flows from operating activities				
Cash generated from operations	10	38.1	60.9	111.9
Interest and similar charges paid		-	(0.1)	-
Interest received		0.1	0.3	0.3
Tax paid		(5.7)	(13.1)	(24.6)
Net cash flow from operating activities		32.5	48.0	87.6
Cash flows from investing activities				
Acquisition of property, plant and equipment		(12.5)	(26.8)	(41.2)
Cash consideration of acquisitions		-	-	(4.1)
Cash acquired with acquisitions		-	-	0.1
Net cash flow from investing activities		(12.5)	(26.8)	(45.2)
Cash flows from financing activities				
Premium on issue of ordinary shares exercised under option		0.7	2.1	2.4
Dividends paid		(29.9)	(71.2)	(81.2)
Net cash flow from financing activities		(29.2)	(69.1)	(78.8)
Net decrease in cash and cash equivalents		(9.2)	(47.9)	(36.4)
Effect of exchange rate fluctuations on cash held		0.7	0.5	0.6
Cash and cash equivalents at beginning of period		53.8	89.6	89.6
Cash and cash equivalents at end of period		45.3	42.2	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 period						
Profit	-	-	-	-	38.7	38.7
Other comprehensive income/(expense)						
Currency translation differences for foreign operations	-	-	1.1	-	-	1.1
Effective portion of changes in fair value of cash flow Hedges	-	-	-	(6.4)	-	(6.4)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	(0.8)	-	(0.8)
Defined benefit pension schemes' actuarial gains	-	-	-	-	2.1	2.1
Tax on other comprehensive income	-	-	-	1.5	(0.6)	0.9
Total other comprehensive income/(expense) for the Period	-	-	1.1	(5.7)	1.5	(3.1)
Total comprehensive income/(expense) for the Period	-	-	1.1	(5.7)	40.2	35.6
Contributions by and distributions to owners of the Company						
Share options exercised	-	0.7	-	-	-	0.7
Equity-settled share-based payment transactions	-	-	-	-	0.9	0.9
Dividends to shareholders	-	-	-	-	(29.9)	(29.9)
Equity at 31 March 2016	0.9	37.5	2.8	(7.3)	332.0	365.9
	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 period						
Profit	-	-	-	-	42.4	42.4
Other comprehensive income/(expense)						
Currency translation differences for foreign operations	-	-	1.2	-	-	1.2
Effective portion of changes in fair value of cash flow hedges	-	-	-	(2.4)	-	(2.4)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	0.1	-	0.1
Defined benefit pension schemes' actuarial losses	-	-	-	-	(0.4)	(0.4)
Tax on other comprehensive income	-	-	-	0.5	(0.6)	(0.1)
Total other comprehensive income/(expense) for the period	-	-	1.2	(1.8)	(1.0)	(1.6)
Total comprehensive income/(expense) for the period	-	-	1.2	(1.8)	41.4	40.8
Contributions by and distributions to owners of the Company						
Share options exercised	-	2.1	-	-	-	2.1
Equity-settled share-based payment transactions	-	-	-	-	0.8	0.8
Dividends to shareholders	-	-	-	-	(71.2)	(71.2)
Equity at 31 March 2015	0.9	36.5	2.0	(0.9)	287.4	325.9

	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 losses	-	-	-	-	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 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 2016 comprise those of the Company and its subsidiaries (together referred to as the 'Group').

The comparative figures for the financial year ended 30 September 2015 are extracted from the Company's statutory financial statements for that year. Those financial statements 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.victrex.com. The auditor's report on those financial statements 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 on page 22.

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 2015.

This Half-yearly Financial Report was approved by the Board of Directors on 16 May 2016.

Risks and uncertainties

The principal risks and uncertainties which could impact the Group's long-term performance remain those detailed on pages 22, 23, 95 and 96 of the Group's 2015 Annual Report and Financial Statements, 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 2015 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 2016. None of these have had a material impact and accordingly the 31 March 2015 and 30 September 2015 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 are endorsed but not yet effective, and accordingly the Group has not yet adopted them.

Going concern

The Directors have performed a robust assessment, including review of the forecast for the year ending September 2016 and longer term strategic forecasts and plans, including consideration of the principal risks faced by the company, as detailed in the Group's Annual Report 2015. Following this review the Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet its liabilities as they fall due for the foreseeable future, a period considered to be at least 12 months from the date of

signing these financial statements. For this reason they continue to adopt the going concern basis for preparing the interim financial statements.

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 2015.

5. 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.

	Six months ended 31 March 2016			Six months ended 31 March 2015			Year ended 30 September 2015		
	Industrial £m	Medical £m	Group £m	Industrial £m	Medical £m	Group £m	Industrial £m	Medical £m	Group £m
Revenue from external sales	91.8	25.2	117.0	104.4	25.9	130.3	213.0	50.5	263.5
Segment gross profit	51.4	22.2	73.6	61.6	22.9	84.5	123.9	44.3	168.2
Sales, marketing and administrative expenses			(26.1)			(30.8)			(61.9)
Operating profit			47.5			53.7			106.3
Net financing income			-			0.2			0.1
Profit before tax			47.5			53.9			106.4
Income tax expense			(8.8)			(11.5)			(22.9)
Profit for the period attributable to owners of the parent			38.7			42.4			83.5

6. Exceptional items

	Six months ended 31 March 2016 £m	Six months ended 31 March 2015 £m	Year ended 30 September 2015 £m
Included within Sales, marketing and administrative expenses			
Pension curtailment gain	2.5	-	-
Costs of pension change	(1.5)	-	-
Restructuring costs	(1.0)	-	-
Exceptional items before tax	-	-	-
Tax on exceptional items	-	-	-
Exceptional items	-	-	-

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 £2.5m. 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 one the group's manufacturing sites.

7. Income tax expense

Taxation of profit before tax in respect of the six months ended 31 March 2016 has been provided at the estimated effective rates chargeable for the full year in the respective jurisdiction.

	Six months ended 31 March 2016 £m	Six months ended 31 March 2015 £m	Year ended 30 September 2015 £m
UK corporation tax	7.6	11.0	20.8
Overseas tax	1.1	1.0	1.4
Deferred tax	0.1	(0.5)	0.7
	8.8	11.5	22.9

In the 2015 Budget, the Chancellor announced that the main rate of corporation tax for UK companies would reduce from 20% to 19% with effect from 1 April 2017, with a further reduction from 19% to 18% with effect from 1 April 2020. This was substantively enacted in law in October 2015.

In accordance with IAS 12 – Income Taxes, the deferred tax liabilities and assets have been calculated using a rate of 18%, being the expected applicable rate when these assets and liabilities are realised / settled.

In the 2016 Budget, the Chancellor announced that the main rate of corporation tax for UK companies would now reduce from 19% to 17% with effect from 1 April 2020. At the date of these accounts, this change has not been substantively enacted into law and therefore deferred tax continues to be recognised at 18%.

8. Earnings per share

	Six months ended 31 March 2016	Six months ended 31 March 2015	Year ended 30 September 2015
Earnings per share – basic	45.5p	49.8p	98.1p
– diluted	45.4p	49.6p	97.9p
Profit for the financial period (£m)	38.7	42.4	83.5
Weighted average number of shares used – basic	85,253,273	85,116,667	85,105,903
– diluted	85,368,640	85,345,828	85,288,956

9. Exchange rates

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

	Six months ended 31 March 2016		Six months ended 31 March 2015		Year ended 30 September 2015	
	Average	Closing	Average	Closing	Average	Closing
US Dollar	1.55	1.44	1.66	1.48	1.63	1.51
Euro	1.37	1.26	1.23	1.38	1.24	1.36
Yen	182	162	172	178	175	181

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

10. Reconciliation of profit to cash generated from operations

	Six months ended 31 March 2015 £m	Six months ended 31 March 2015 £m	Year ended 30 September 2015 £m
Profit after tax for the period	38.7	42.4	83.5
Income tax expense	8.8	11.5	22.9
Net financing income	-	(0.2)	(0.1)
Operating profit	47.5	53.7	106.3
Adjustments for:			
Depreciation	7.6	5.5	12.5
Amortisation	0.4	-	0.4
Loss on disposal of non-current assets	-	0.1	0.3
Increase in inventories	(9.8)	(3.1)	(11.3)
(Increase)/decrease in trade and other receivables	(3.0)	1.2	(1.4)
Increase in trade and other payables	0.8	2.0	2.9
Equity-settled share-based payment transactions	0.9	0.8	1.8
Changes in fair value of derivative financial instruments	0.7	1.5	1.0
Retirement benefit obligations charge less contributions	(7.0)	(0.8)	(0.6)
Cash generated from operations	38.1	60.9	111.9

11. Related party transactions

The Group's related parties are as disclosed in the Annual Report and Financial Statements 2015. There were no material differences in related parties or related party transactions in the six months ended 31 March 2016 except for transactions with key management personnel. The most significant of these was on 14 December 2015, under the 2009 Long Term Incentive Plan ('LTIP'), when 34,256, 17,685, 15,327 and 14,752 share option awards were granted to D R Hummel, L S Burdett, T J Cooper and M L Court respectively at an option price of nil p per share when the market price was 1,790p 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 36 and 37 of the Victrex plc Annual Report 2015.

By order of the Board

David Hummel
Chief Executive
16 May 2016

Louisa Burdett
Group Finance Director
16 May 2016

Forward-looking Statements

Sections of this Half-yearly Financial Report may contain forward-looking statements, including statements relating to: certain of the Group's plans and expectations relating to its future performance, results, strategic initiatives and objectives, future demand and markets for the Group's products and services; research and development relating to new products and services; and financial position, including its liquidity and capital resources. These forward-looking statements are not guarantees of future performance. By their nature, all forward looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future, and are or may be beyond the Group's control, 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; the impact of, and changes in, legislation or the regulatory environment (including tax); and the outcome of litigation. Accordingly, the Group's actual results and financial condition may differ materially from those expressed or implied in any forward looking statements. Forward-looking statements in this Half-yearly Financial Report are current only as of the date on which such statements are made. The Group undertakes no obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation. Nothing in this press release shall be construed as a profit forecast.

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 2016 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.

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 2016 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

1 St Peter's Square

Manchester

M2 3AE

16 May 2016

Shareholder Information

The Company's Annual Reports and Half-yearly Financial 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 for interim dividend	9 June 2016
Record date for interim dividend **	10 June 2016
Payment of interim dividend	1 July 2016
2016 year end	30 September 2016
Announcement of 2016 full year results	December 2016
Annual General Meeting	February 2017
Payment of final dividend	February 2017

Victrex plc

Registered in England
Number 2793780

Registered Office:

Victrex Technology Centre
Hillhouse International
Thornton Cleveleys
Lancashire FY5 4QD
United Kingdom

Tel: +44 (0) 1253 897700

Fax: +44 (0) 1253 897701

Web: www.victrexplc.com

* 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