Victrex plc

Half-yearly Financial Report

2013

Victrex is the world’s leading manufacturer of high performance thermoplastic polymer solutions.

Victrex plc comprises two business units:

VICTREX POLYMER SOLUTIONS

Our Victrex Polymer Solutions business unit focuses on our transport, industrial and electronics markets

INVIBIO BIOMATERIAL SOLUTIONS

Our Invibio® Biomaterial Solutions business unit focuses on providing specialist solutions for medical device manufacturers

Highlights

- Revenue and earnings per share ahead of last year
- Group gross margins maintained
- Continued investment in key growth programmes
- VICTREX PEEK capacity expansion on track
- Cash generation remains strong
- Interim dividend increased by 15%

Interim management report

We are pleased to report that Group revenue and earnings per share for the first half of our financial year are ahead of the same period for last year, despite the continued economic challenges faced by some of our end markets. The Group's strong gross margin has been maintained and we have continued to invest in resources to drive key growth programmes. Cash generation remains strong, funding the PEEK capacity expansion project, which is on track, and underpinning our progressive dividend policy, which is reflected in a 15% increase in the interim dividend.

Group results

We have seen an improved performance from our Victrex Polymer Solutions business ('VPS') during the period despite the continued global economic challenges. As expected, Group sales volume was stronger in the second quarter at 752 tonnes (Q1 2013: 640 tonnes) and resulted in volume growth of 1% compared to the same period last year to 1,392 tonnes (H1 2012: 1,377 tonnes). VPS revenue increased by 3% and gross margin remained strong, reflecting significant growth in speciality products predominantly driven by our Aptiv® films business.

In our Invibio® Biomaterial Solutions business ('Invibio') we have seen continued growth in our developing markets and in Asia. However, the de-stocking we reported at selected spine customers in the second half of last year has continued, resulting in revenue for the first half of £24.2m (2012: £25.5m). Gross margin has remained strong and we continue to invest in growth programmes demonstrated by the launch of two new products during the period, PEEK-OPTIMA® HA Enhanced in the spine market and the JUVORA™ product line in the dental market. Initial market reaction has been encouraging. Our global expansion strategy in spine has progressed with a number of additional regulatory approvals in Asia.

Group revenue of £106.4m was ahead of the same period last year (H1 2012: £105.6m) with gross margin maintained at 67.2% (H1 2012: 66.8%). We continue to invest in resources targeted to drive new application development, our key growth programmes and the quality of our products and services. This has resulted in an increase in sales, marketing and administrative expenses to £26.1m (H1 2012: £24.7m).

Group profit before tax decreased marginally to £45.7m (H1 2012: £46.2m), however, the expected reduction in the effective tax rate to 23.2% from 24.5% has resulted in basic earnings per share increasing to 41.7p (H1 2012: 41.6p).

Balance Sheet

Our customers, suppliers and shareholders continue to recognise the importance of a strong Balance Sheet, particularly in the current period of economic uncertainty.

Net assets at 31 March 2013 totalled £274.0m, an increase from £271.1m reported at 30 September 2012. The Group cash balance as at 31 March 2013 was £74.3m with no debt (H1 2012: £58.0m with no debt). The Group has a committed bank facility of £40.0m, which remained undrawn as at 31 March 2013.

Working capital has increased from September by £10.9m, which is largely attributable to phasing of sales, capital expenditure and production volume, including a planned PEEK-OPTIMA production campaign.

Retirement benefit obligations increased to £9.7m (September 2012: £4.0m). This increase is primarily a result of changes in market expectations of long-term inflation, which increased from 3.0% to 3.7% over the period. The Company has a deficit reduction programme in place with the second of four payments of £0.9m made in December 2012. The next triennial valuation is effective from 31 March 2013.

Cash flow

Cash flow from operations increased to £41.1m (H1 2012: £31.5m), reflecting a smaller increase in working capital compared to the same period last year. This was complemented by a reduction in tax paid from £13.7m to £11.9m due to the lower main rate of UK corporation tax.

Capital expenditure was £16.0m (H1 2012: £12.1m). This predominantly reflects the £90.0m PEEK capacity expansion project, scheduled for completion in early 2015, for which the ground works have now been completed. In addition, our investment in BDF capacity nears completion.

An increase in the dividend payment to £23.9m (H1 2012: £20.5m) reflects the 16% increase in the final dividend for 2012 which was paid in February 2013.

Dividend

We are pleased to report that the interim dividend for 2013 will be 10.35p per ordinary share, representing a 15% increase over 2012 (H1 2012: 9.0p per ordinary share). This reflects the Board's confidence in the future growth prospects for the business, despite the current challenges faced in our end markets, and our intention to maintain a progressive dividend. The interim dividend will be paid on Tuesday 2 July 2013 to all shareholders on the register at the close of business on Friday 14 June 2013.

Victrex Polymer Solutions

	Six months ended 31 March 2013 £m	Six months ended 31 March 2012 £m	Change
Revenue	82.2	80.1	+3%
Gross profit	50.0	47.9	+4%
Operating profit	33.2	32.6	+2%

VPS revenue increased by 3% to £82.2m (H1 2012: £80.1m) reflecting the 1% increase in Group sales volume, predominantly in Europe, combined with a higher average selling price driven by product mix and continued success in our Aptiv film business. Gross margin improved to 60.8% (H1 2012: 59.8%).

Sales, marketing and administrative expenses increased by £1.5m to £16.8m (H1 2012: £15.3m) with continued investment to develop our organisational infrastructure and capabilities to drive our key growth initiatives. The resulting operating profit of £33.2m increased by 2% compared to the first half of last year (H1 2012: £32.6m).

Markets

Volume in Europe of 767 tonnes was 8% ahead of the prior year (H1 2012: 710 tonnes) driven by growth in the non-implantable medical and transport markets. In the US, sales volume of 388 tonnes was 4% below the prior year (H1 2012: 404 tonnes) with weaker sales for the period in the oil and gas sector partially offset by increased sales into consumer electronics. In Asia, sales volume of 237 tonnes was 10% down on the prior year (H1 2012: 263 tonnes) mainly due to a slowdown in sales into the semiconductor sector and the challenges faced by the Japanese market. Outside of Japan, sales volume was broadly in line with the prior year.

Industrial sales volume of 524 tonnes was 5% down on last year (H1 2012: 552 tonnes) with lower sales into the oil and gas sector, largely in the US, due to reduced drilling activity towards the end of 2012. Demand from industrial machinery and equipment was broadly stable.

Transport sales volume increased 5% to 380 tonnes (H1 2012: 362 tonnes) with strong sales into commercial aerospace and automotive. We saw continued success from new applications in aerospace, whilst automotive sales remained solid.

Electronics sales volume of 312 tonnes was broadly in line with last year (H1 2012: 310 tonnes). Consumer electronic sales increased, driven by continued success in mobile device applications. This was offset by reduced sales into the semiconductor manufacturing sector, predominately reflecting lower capital investment in Asia.

Interim management report
continued

Victrex Polymer Solutions continued

Product and market development

We continue to develop downstream processing capability and launch new product solutions where an opportunity exists to accelerate growth, access new markets, improve margins or enhance sustainability. We have seen strong growth in the first half from these investments, which we term speciality products, driven predominantly by our Aptiv film business. Our other existing platforms are coatings, pipes and composites. We are exploring opportunities for future investment to broaden our portfolio in this area.

We have seen further success in closing new applications across all our end use markets as the megatrends of lightweighting for fuel efficiency, miniaturisation and complexity of natural resource exploration, play to the strengths of our products.

In the first half of the year we commercialised 125 new applications with an estimated mature annualised volume ('MAV') of 119 tonnes compared with 221 commercialised applications with a record estimated MAV of 439 tonnes in the second half of 2012. The level of new business closes is, in part, driven by the timing and nature of customer programmes with the 2012 record year benefiting from the commercialisation of a number of significant applications relating to consumer electronics and aerospace, as previously reported.

The development pipeline remains strong and well diversified with new opportunities being identified and driven across all our markets. At 31 March 2013 it contained 1,802 potential developments (30 September 2012: 1,908) with an estimated MAV of 2,242 tonnes (30 September 2012: 2,212 tonnes) if all of the developments were successfully commercialised.

We continue to see significant growth potential for our business reflected in the strong development pipeline, as well as opportunities to target further market penetration through strategic marketing, our focus on impactful targets and continued progress on our key growth programmes. We believe that this, coupled with our continued investment in talent, technology and capacity, means that we are well placed to take advantage of opportunities and play a leading role alongside our customers in growing the market.

Invibio Biomaterial Solutions

	Six months ended 31 March 2013 £m	Six months ended 31 March 2012 £m	Change
Revenue	24.2	25.5	-5%
Gross profit	21.5	22.6	-5%
Operating profit	14.0	15.0	-7%

Invibio achieved revenues of £24.2m during the first half of 2013 which were 5% lower than the prior period (£25.5m). We have seen revenue growth in Asia of 6% and in our developing markets of 5%. However, this was more than offset by the impact of continued de-stocking at selected spine customers. Gross margins have remained strong at 88.8% (H1 2012: 88.6%).

Sales, marketing and administrative expenses of £7.5m were broadly in line with H1 2012 (£7.6m), resulting in operating profit of £14.0m, 7% down on the prior period (£15.0m).

Markets

Spine revenues declined by 8% from the comparable period last year, reflecting challenging conditions in the US healthcare market. Revenues in Europe were in line with the prior period and, as reported above, we saw continued growth from Asia. Positive momentum continues outside of the established markets as demonstrated by the pace of approvals within key emerging markets of China, Japan and Brazil.

Within our developing markets, arthroscopy sales increased by 4% from the comparable period in the prior year, reflecting strong market share and surgeon acceptance in arthroscopic shoulder procedures. Sales to target markets increased by 7% from the comparable period in the prior year, reflecting successful adoption and uptake on specific programmes within the cardio and cranio-maxillo spaces.

With traditional markets presenting ongoing challenges, spinal device companies are looking to gain market share through product differentiation and are targeting expansion into emerging geographies.

Spinal fusion continues to be the most popular procedure for treating spinal pathologies. The recent trend for interbody fusion devices has been to look for ways to enhance bone-on growth on the surface of the device. During the period, Invibio introduced PEEK-OPTIMA HA Enhanced, a new and unique material which combines the accepted performance criteria of PEEK-OPTIMA with Hydroxyapatite ('HA') to enhance bone apposition. This new combination is a promising solution for medical applications where early bone-on growth is required.

As medical device companies look for growth in emerging geographies, knowledge and experience of the regulatory pathway is an advantage to accelerating access to market. The regulatory environment globally is more challenging than ever and support through the process, via data and knowledge, can help device companies overcome regulatory barriers. Invibio continues to invest in resources to support medical device companies' regulatory submissions across global markets. We have also seen a steady increase in the number of regulatory approvals being attained by our Chinese domestic customers.

Product and market development

Invibio is focused on maintaining and growing our success in spine and arthroscopy applications whilst accelerating the adoption of our biomaterials in developing areas such as dental, trauma and orthopaedics.

Our commitment to advancing medical device design innovation does not stop at our biomaterial capabilities. Our strong strategic alliances within the research and surgical community and across the global medical device industry, combined with our depth and breadth of biomaterials and manufacturing capabilities, enable Invibio to partner with our customers to access and accelerate their time to market in a challenging environment.

We continue to invest in the development of manufacturing, quality systems and regulatory capability for downstream component solutions. This is targeted at providing cost effective solutions and driving the adoption of potential applications across all of our key end markets where we work closely with our customers and key opinion leaders. We will explore opportunities to further invest in our capabilities to drive growth and accelerate time to market.

Our focus on the dental market has continued with pace. We launched our JUVORA product at the International Dental Show in Germany this year, generating strong customer interest and the achievement of our first material sales. JUVORA is gaining dental industry acceptance and is well placed to penetrate a number of growth applications in the removable dentures market where 20 million procedures occur each year.

We are working with a key industry partner to establish and demonstrate the clinical benefits of our PEEK-OPTIMA Ultra – Reinforced Polymer (previously known as ENDOLIGN®) in trauma applications. Good progress is being made and recent peer review publications have signalled the clinical effectiveness of our material.

Invibio is also identifying future orthopaedic devices, which we believe could use our materials to offer superior performance and better alignment with current and future healthcare economics.

Invibio biomaterials are now present in over 1,000 customer devices, which have achieved regulatory approvals globally, in key healthcare markets of the US, Europe, China, Japan and Brazil. These approvals have translated into over 3 million devices implanted globally in patients.

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. The process Victrex has in place for identifying, assessing and managing risks through the Risk Management Committee is set out in the Corporate Governance Report on page 40 of the Annual Report and Accounts 2012.

Interim management report
continued

The specific principal risks, trends, factors and uncertainties (which could impact the Group's revenues, profits and reputation) and relevant mitigating factors, as currently identified by Victrex's risk management process, have not changed since the year end. Detailed explanations can be found in the Annual Report and Accounts 2012 on pages 15, 16 and 17. Broadly these risks include: the economic environment; technological change; operational disruption; insufficient capacity; product specifications; competitor activity; and currency exposure. Other risks may also adversely affect the Group.

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 legislative 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.

Management change

As a Board we continually review and look to develop the skills and experience of our management team in light of the evolving opportunities for our business.

During the period we appointed Dr Martin Court as Managing Director of our Invibio business. Prior to joining Victrex, Martin was Vice President of In Process Separation at Cytec Industries Inc. Martin brings a wealth of experience to the management team, having held senior strategic, international, general management and technical roles within Cytec, UCB and ICI.

Safety, health and environment

At Victrex we believe that all employees should be able to work safely in a healthy workplace and that the Group's activities should not harm the public or the environment. Everyone in the Group is expected to place the highest priority on achieving these aims. It is therefore a fitting tribute to the dedication and sustained efforts of all our employees that the Group has recently been awarded the Royal Society for the Prevention of Accidents ('RoSPA') Order of Distinction for the second year running in recognition of sustained occupational health and safety achievement.

People

Our employees' passion, dedication and talent are critical to our success. We continue our investment in the development of our existing employees in addition to our search for new talent with the skill set to complement and enhance our existing team

I would like to thank all our employees for their continued support and hard work.

Outlook

Whilst it is too early to predict the outcome for the year as a whole, in the second half to date, the improved sales volume from the second quarter has been sustained, speciality products continue to perform well and Invibio revenue has been in line with last year.

The fundamental growth drivers in our key end markets are strong; our development pipeline of future opportunities is healthy and we continue to drive commercialisation of our key growth programmes. In addition, we are focusing on further opportunities to invest in new product offerings and downstream process capability to accelerate market penetration and meet the needs of our customers. We therefore remain confident in the growth potential for our business.

The Company's second Interim Management Statement, covering the period from 1 April 2013, will be issued on 25 July 2013.

Anita Frew
Chairman
24 May 2013

Condensed consolidated income statement

	Note	Unaudited six months ended 31 March 2013 £m	Unaudited six months ended 31 March 2012 £m	Audited year ended 30 September 2012 £m
Revenue	5	106.4	105.6	219.8
Cost of sales		(34.9)	(35.0)	(74.1)
Gross profit		71.5	70.6	145.7
Sales, marketing and administrative expenses		(26.1)	(24.7)	(51.7)
Operating profit	5	45.4	45.9	94.0
Financial income		0.4	0.3	0.6
Financial expenses		(0.1)	—	(0.1)
Profit before tax		45.7	46.2	94.5
Income tax expense	6	(10.6)	(11.3)	(22.6)
Profit for the period attributable to owners of the parent		35.1	34.9	71.9
Earnings per share				
Basic	7	41.7p	41.6p	85.7p
Diluted	7	41.5p	41.4p	85.1p
Dividends				
Year ended 30 September 2011:				
Final dividend paid February 2012 at 24.5p per share		—	20.5	20.5
Year ended 30 September 2012:				
Interim dividend paid July 2012 at 9.0p per share		—	—	7.5
Final dividend paid February 2013 at 28.4p per share		23.9	—	—
		23.9	20.5	28.0

An interim dividend of 10.35p per share will be paid on 2 July 2013 to shareholders on the register at the close of business on 14 June 2013. This dividend will be recognised in the period in which it is approved.

Condensed consolidated statement of comprehensive income

	Unaudited six months ended 31 March 2013 £m	Unaudited six months ended 31 March 2012 £m	Audited year ended 30 September 2012 £m
Profit for the period	35.1	34.9	71.9
Items that will not be reclassified to profit or loss			
Defined benefit pension schemes' actuarial (losses)/gains	(6.7)	(0.6)	1.3
Income tax on items that will not be reclassified to profit or loss	1.5	3.5	(0.3)
	(5.2)	2.9	1.0
Items that may be reclassified subsequently to profit or loss			
Currency translation differences for foreign operations	0.1	(0.7)	(1.0)
Effective portion of changes in fair value of cash flow hedges	(4.3)	4.6	7.0
Net change in fair value of cash flow hedges transferred to profit or loss	(1.4)	0.2	(2.1)
Income tax on items that may be reclassified to profit or loss	1.0	(5.3)	(2.2)
	(4.6)	(1.2)	1.7
Total other comprehensive (expense)/income for the period	(9.8)	1.7	2.7
Total comprehensive income for the period attributable to owners of the parent	25.3	36.6	74.6

Condensed consolidated balance sheet

	Unaudited 31 March 2013 £m	Unaudited 31 March 2012 £m	Audited 30 September 2012 £m
Assets			
Non-current assets			
Property, plant and equipment	156.6	132.5	143.6
Intangible assets	10.1	10.1	10.1
Deferred tax assets	9.2	7.6	7.1
	175.9	150.2	160.8
Current assets			
Inventories	53.7	50.7	48.6
Current income tax assets	1.3	1.5	1.6
Trade and other receivables	28.8	28.3	26.8
Derivative financial instruments	1.8	3.3	4.0
Cash and cash equivalents	74.3	58.0	83.9
	159.9	141.8	164.9
Total assets	335.8	292.0	325.7
Liabilities			
Non-current liabilities			
Deferred tax liabilities	(14.3)	(14.5)	(14.0)
Retirement benefit obligations	(9.7)	(5.8)	(4.0)
	(24.0)	(20.3)	(18.0)
Current liabilities			
Derivative financial instruments	(5.5)	(0.6)	(0.3)
Current income tax liabilities	(10.5)	(11.6)	(13.0)
Trade and other payables	(21.8)	(20.4)	(23.3)
	(37.8)	(32.6)	(36.6)
Total liabilities	(61.8)	(52.9)	(54.6)
Net assets	274.0	239.1	271.1
Equity			
Share capital	0.8	0.8	0.8
Share premium	30.7	28.3	29.1
Translation reserve	2.1	2.3	2.0
Hedging reserve	(2.3)	2.0	2.1
Retained earnings	242.7	205.7	237.1
Total equity attributable to owners of the parent	274.0	239.1	271.1

Condensed consolidated cash flow statement

	Note	Unaudited six months ended 31 March 2013 £m	Unaudited six months ended 31 March 2012 £m	Audited year ended 30 September 2012 £m
Cash flows from operating activities				
Cash generated from operations	9	41.1	31.5	89.9
Interest and similar charges paid		—	—	(0.1)
Interest received		0.3	0.2	0.6
Tax paid		(11.9)	(13.7)	(24.4)
Net cash flow from operating activities		29.5	18.0	66.0
Cash flows from investing activities				
Acquisition of property, plant and equipment		(16.0)	(12.1)	(27.0)
Net cash flow from investing activities		(16.0)	(12.1)	(27.0)
Cash flows from financing activities				
Premium on issue of ordinary shares exercised under option		1.6	1.2	2.0
Purchase of own shares held		(1.0)	(0.5)	(0.8)
Dividends paid		(23.9)	(20.5)	(28.0)
Net cash flow from financing activities		(23.3)	(19.8)	(26.8)
Net (decrease)/increase in cash and cash equivalents		(9.8)	(13.9)	12.2
Effect of exchange rate fluctuations on cash held		0.2	(0.4)	(0.6)
Cash and cash equivalents at beginning of period		83.9	72.3	72.3
Cash and cash equivalents at end of period		74.3	58.0	83.9

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

Condensed consolidated statement of changes in equity continued

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Equity at 1 October 2011	0.8	27.1	3.0	(1.6)	192.3	221.6
Total comprehensive income for the period						
Profit	—	—	—	—	34.9	34.9
Other comprehensive income						
Currency translation differences for foreign operations	—	—	(0.7)	—	—	(0.7)
Effective portion of changes in fair value of cash flow hedges	—	—	—	4.6	—	4.6
Net change in fair value of cash flow hedges transferred to profit or loss	—	—	—	0.2	—	0.2
Defined benefit pension schemes' actuarial losses	—	—	—	—	(0.6)	(0.6)
Tax on other comprehensive income	—	—	—	(1.2)	(0.6)	(1.8)
Total other comprehensive (expense)/income for the period	—	—	(0.7)	3.6	(1.2)	1.7
Total comprehensive (expense)/income for the period	—	—	(0.7)	3.6	33.7	36.6
Contributions by and distributions to owners of the Company						
Share options exercised	—	1.2	—	—	—	1.2
Equity-settled share-based payment transactions	—	—	—	—	0.7	0.7
Purchase of own shares held	—	—	—	—	(0.5)	(0.5)
Dividends to shareholders	—	—	—	—	(20.5)	(20.5)
Equity at 31 March 2012	0.8	28.3	2.3	2.0	205.7	239.1

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
Equity at 1 October 2011	0.8	27.1	3.0	(1.6)	192.3	221.6
Total comprehensive income for the year						
Profit	—	—	—	—	71.9	71.9
Other comprehensive income						
Currency translation differences for foreign operations	—	—	(1.0)	—	—	(1.0)
Effective portion of changes in fair value of cash flow hedges	—	—	—	7.0	—	7.0
Net change in fair value of cash flow hedges transferred to profit or loss	—	—	—	(2.1)	—	(2.1)
Defined benefit pension schemes' actuarial gains	—	—	—	—	1.3	1.3
Tax on other comprehensive income	—	—	—	(1.2)	(1.3)	(2.5)
Total other comprehensive (expense)/income for the year	—	—	(1.0)	3.7	—	2.7
Total comprehensive (expense)/income for the year	—	—	(1.0)	3.7	71.9	74.6
Contributions by and distributions to owners of the Company						
Share options exercised	—	2.0	—	—	—	2.0
Equity-settled share-based payment transactions	—	—	—	—	1.7	1.7
Purchase of own shares held	—	—	—	—	(0.8)	(0.8)
Dividends to shareholders	—	—	—	—	(28.0)	(28.0)
Equity at 30 September 2012	0.8	29.1	2.0	2.1	237.1	271.1

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 2013 comprise the Company and its subsidiaries (together referred to as the 'Group').

The comparative figures for the financial year ended 30 September 2012 are extracted from the Company's statutory accounts 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 Audit Plc and its report is set out on page 19.

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 2012.

This Half-yearly Financial Report was approved by the Board of Directors on 24 May 2013.

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 2012 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 2013. An amendment to IAS 1 – Financial Statement Presentation regarding other comprehensive income has resulted in a change to the presentation of 'Other comprehensive income' on the basis of whether it is potentially reclassifiable to profit or loss subsequently.

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

Going concern

The Directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing this Half-yearly Financial Report.

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 2012.

5. Segment reporting

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

	Unaudited six months ended 31 March 2013			Unaudited six months ended 31 March 2012			Audited year ended 30 September 2012		
	Victrex Polymer Solutions £m	Invibio Biomaterial Solutions £m	Group £m	Victrex Polymer Solutions £m	Invibio Biomaterial Solutions £m	Group £m	Victrex Polymer Solutions £m	Invibio Biomaterial Solutions £m	Group £m
Revenue from external sales	82.2	24.2	106.4	80.1	25.5	105.6	169.3	50.5	219.8
Segment operating profit	33.2	14.0	47.2	32.6	15.0	47.6	68.5	29.2	97.7
Unallocated central costs			(1.8)			(1.7)			(3.7)
Operating profit			45.4			45.9			94.0
Net financing income			0.3			0.3			0.5
Profit before tax			45.7			46.2			94.5
Income tax expense			(10.6)			(11.3)			(22.6)
Profit for the period attributable to owners of the parent			35.1			34.9			71.9

6. Income tax expense

Taxation of profit before tax in respect of the six months ended 31 March 2013 has been provided at the estimated effective rates chargeable for the full year in the respective jurisdiction.

	Unaudited six months ended 31 March 2013 £m	Unaudited six months ended 31 March 2012 £m	Audited year ended 30 September 2012 £m
UK corporation tax	10.6	10.0	20.7
Overseas tax	0.6	0.8	2.1
Deferred tax	(0.6)	0.5	(0.2)
	10.6	11.3	22.6

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the Group's future current tax charge accordingly. The deferred tax assets/liabilities at 31 March 2013 have been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax assets/liabilities accordingly.

7. Earnings per share

	Unaudited six months ended 31 March 2013	Unaudited six months ended 31 March 2012	Audited year ended 30 September 2012
Earnings per share – basic	41.7p	41.6p	85.7p
– diluted	41.5p	41.4p	85.1p
Profit for the financial period (£m)	35.1	34.9	71.9
Weighted average number of shares used – basic	84,189,272	83,824,130	83,858,783
– diluted	84,577,929	84,251,660	84,494,207

8. Exchange rates

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

	Unaudited six months ended 31 March 2013		Unaudited six months ended 31 March 2012		Audited year ended 30 September 2012	
	Average	Closing	Average	Closing	Average	Closing
US Dollar	1.57	1.52	1.59	1.60	1.59	1.61
Euro	1.19	1.18	1.18	1.20	1.17	1.26
Yen	127	143	130	131	126	126

9. Reconciliation of profit to cash generated from operations

	Unaudited six months ended 31 March 2013 £m	Unaudited six months ended 31 March 2012 £m	Audited year ended 30 September 2012 £m
Profit after tax for the period	35.1	34.9	71.9
Income tax expense	10.6	11.3	22.6
Net financing income	(0.3)	(0.3)	(0.5)
Operating profit	45.4	45.9	94.0
Adjustments for:			
Depreciation	5.3	4.7	9.6
Increase in inventories	(4.4)	(6.3)	(4.3)
Increase in trade and other receivables	(2.1)	(3.8)	(2.6)
Decrease in trade and other payables	(4.4)	(8.6)	(6.5)
Equity-settled share-based payment transactions	0.9	0.7	1.7
Changes in fair value of derivative financial instruments	1.5	(0.2)	(1.1)
Retirement benefit obligations charge less contributions	(1.1)	(0.9)	(0.9)
Cash generated from operations	41.1	31.5	89.9

10. Related party transactions

The Group's related parties are as disclosed in the Annual Report and Accounts 2012. There were no material differences in related parties or related party transactions in the six months ended 31 March 2013 except for transactions with key management personnel. The most significant of these was on 12 December 2012, under the 2009 Long Term Incentive Plan ('LTIP'), when 35,349, 15,840 and 16,742 share option awards were granted to D R Hummel, A S Barrow and T J Cooper respectively at an option price of nil p per share when the market price was 1,553p 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 32 and 33 of the Victrex plc Annual Report 2012. As announced in that Annual Report, Tim Cooper joined the Board as an Executive Director in October 2012.

By order of the Board

Steve Barrow
Finance Director
24 May 2013

Forward-looking statements

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

Independent review report

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 2013 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 2013 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 Audit Plc
Chartered Accountants
St James' Square
Manchester M2 6DS
24 May 2013

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 www.victrex.com.

Financial calendar

Ex-dividend date for interim dividend	12 June 2013
Record date for interim dividend*	14 June 2013
Payment of interim dividend	2 July 2013
2013 year end	30 September 2013
Announcement of 2013 full year results	December 2013
Annual General Meeting	February 2014
Payment of final dividend	February 2014

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

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

Visit www.victrex.com or
scan with your QR code
reader to visit our
investor relations site

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

Tel: +44 (0) 1253 897700
Fax: +44 (0) 1253 897701
Web: www.victrex.com

The cover of this report is printed on Revive 50 White Silk which contains 50% post-consumer waste. The text is printed Oxygen 100% Recycled which contains 100% post-consumer waste and both cover and text are FSC® Certified. This report was printed using vegetable oil based inks by Pureprint Group a CarbonNeutral® printer certified to ISO 14001 environmental management system and registered to EMAS the Eco Management Audit Scheme.