

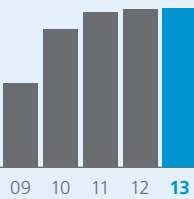


**An innovative
world leader in
high performance
polymer solutions**

Highlights

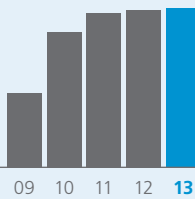
Group sales volume tonnes

2,920
+0.6%



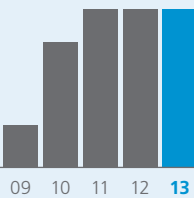
Group revenue £m

221.9
+1.0%



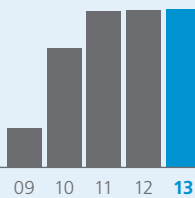
Group profit before tax £m

94.6
+0.1%



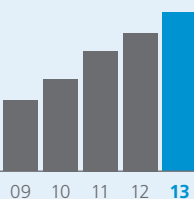
Earnings per share pence

86.5
+0.9%



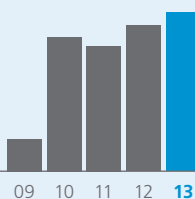
Dividend per share pence

43.0
+15.0%



Cash £m

91.6
+9.2%



- Robust performance and an improved second half
- Good underlying trading in VPS; Invibio stabilised
- Gross margins remain strong
- Continued investment in key growth programmes
- Full year dividend increased by 15%

In this report



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Our strategic markets



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Chief Executive David Hummel explains Victrex's business model and strategy for growth



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Find out how we are delivering our sustainability agenda

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Chairman's statement

On behalf of your Board, I am pleased to report that we delivered a resilient performance at Victrex this year, with good underlying trading, and improvement in the second half year.

Anita Frew
Chairman



This has been a year of investment in our business to accelerate and underpin future growth; investing in new capacity, in innovation and in new talent, to build, enhance and differentiate our capabilities now and into the future. With growing and long-term demand from our customers across our strategic markets of automotive, aerospace, electronics, energy and medical, Victrex remains well placed to retain the position of market leader – innovating to deliver technical solutions for our customers and driving our own future growth.

Results

Amidst an uncertain economic background, we delivered record Group sales volume of 2,920 tonnes (2012: 2,904 tonnes) and Group revenue of £221.9m (2012: £219.8m). With continued innovation, new business commercialisation and steady growth in industrial markets, we saw an upturn in volume as we moved through the year and remain well placed to capture future growth once the wider macro-economy strengthens.

Our market leadership continues to be reflected in our margins, with full year gross margin remaining strong and in line with expectations at 66.6% (2012: 66.3%). The strong investment in our products and

in our R&D capabilities to deliver technical solutions to our customers remains a key differentiator for Victrex. By working with our customers and end users, we are working across the value chain – producing PEEK, developing PEEK and leading PEEK into new applications – to drive future growth and profitability. Continued investment in R&D expenditure of £14.6m was ahead of the prior year (2012: £13.1m), representing approximately 7% of revenues (2012: 6%).

We delivered Group profit before tax of £94.6m and basic earnings per share was up 1% to 86.5p, even after the additional investment in our business and headwinds from foreign currency. We continue to maintain a strong financial position, with a robust balance sheet and good cash generation. Cash generated from operations was at record levels, £100.9m (2012: £89.9m), with Group cash balances at 30 September 2013 reaching £91.6m (2012: £83.9m) and no debt.

Dividends

Our continued confidence in the underlying strength and growth prospects for our business is reflected by our intent to provide a progressive and sustainable dividend policy. With record cash generated, the

Board is therefore recommending a final dividend of 32.65p (2012: 28.4p) per ordinary share. This results in a total dividend for the year of 43.0p (2012: 37.4p), an increase of 15% over the prior year.

Our strong financial position and robust balance sheet underpins our ability to invest in our business including through potential acquisitions, as well as maintaining our progressive dividend policy. It also provides reassurance to customers, suppliers and investors, helping to ensure we can maintain security of supply into the future. We will continue to review our dividend policy in the light of our medium-term strategic investment plans and will review any potential additional return to shareholders as appropriate.

Board composition and diversity

Victrex has a strong and balanced Board, with a range of complementary skills to support the strategic and operational direction of the Group. The strengthening of our Board last year, with further executive representation, has helped to provide further capability as we drive forward delivery of our strategy.

We recognise the importance of diversity at Board level and our Board members comprise a number of different nationalities with a wide range of skills and experiences from a variety of business backgrounds, including international and industrial expertise. Our current female representation on the Board is 25%, already consistent with the recommended minimum representation level to be achieved by 2015.

Within the Executive Management team, we also strengthened our capability during the year, with the appointment of Dr Martin Court as Managing Director of Invibio and Carolyn Macnab as our Group HR Director. I am delighted to welcome Martin and Carolyn to Victrex and these appointments further demonstrate our investment in new talent to support our future growth.

In November, we announced the appointment of Louisa Burdett as Group Finance Director. Louisa is an accomplished senior finance executive, who joins us in January 2014, replacing Steve Barrow who has decided to step down from the Board.



Victrex remains well placed to retain the position of market leader – innovating to deliver technical solutions for our customers and driving our own future growth

I would like to thank Steve for his significant contribution to Victrex and welcome Louisa to the business.

Board effectiveness

As Chairman I am responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The Board is responsible for the Group's strategic development, monitoring achievement of its business objectives, oversight of risk and maintaining a system of effective corporate governance, which includes the responsibilities for health, safety, environmental, social and ethical matters. Further description of the governance processes that are embedded at Board level and throughout the business are given in the corporate governance section of this report starting on page 41.

Governance

The Board leads a strong governance framework throughout the business, supported by the Audit, Currency, Nominations, Remuneration, Risk and Disclosure Committees. The Board takes its responsibility to maintain sound governance very seriously and regards the continuing setting, maintenance and review of the highest standards of corporate governance as a key objective.

We complied with all aspects of the UK Corporate Governance Code throughout the year ended 30 September 2013, except in one limited respect.

Further detail can be found in the corporate governance section of this report.

Sustainability

We enhanced our approach to sustainability this year and we are embedding our sustainability strategy across Victrex, as an enabler to support our future growth. Whilst our products and applications already support sustainability for many of our customers – for example in reducing energy consumption and weight reduction – we are taking a fresh view on how Victrex can continually improve its sustainability agenda, with a cross-group team reporting through to the Board on key activities. We also hosted several visits from a range of sustainability experts and stakeholders during the year, helping us to further develop our own

Governance:

A strong governance framework is in place throughout the business. Further detail can be found on page 41

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activities and refine our measures. Further detail can be found in the Sustainability Report on page 23.

People

Victrex was named amongst the top 20 Most Admired Companies in the UK by Management Today this year and we celebrated 20 successful years in 2013. As we move further downstream to drive growth and profitability using a market-led approach, we have continued to invest in new talent.

Victrex relies heavily on the skills, experience and competence of our people to drive business development in our existing and new markets, as well as operating our assets safely and with a strong regard to the environment.

On behalf of the Board, I would like to pay tribute to all our employees and thank them for their contribution this year, amidst an uncertain economic environment. This passion, innovation and performance of our employees remains a key asset for Victrex and its success in the future.

Outlook

Whilst it remains early in our new financial year, our momentum from the second half of 2013 has continued, with good underlying growth in VPS and recovery in Invibio. Although we remain mindful of the wider macro-economic environment, we are encouraged by the potential across our business.

Anita Frew Chairman

9 December 2013

Delivering sustainable growth

We will seek to accelerate growth and capture value by a focused, market-led and innovation-driven approach.

From the Chief Executive

David Hummel
Chief Executive



We evolved our strategy during the year, to build on our existing product leadership position, as well as leveraging our strengths in new areas of the value chain. Whilst our strategy keeps us well positioned to maintain global leadership, we will seek to accelerate growth and capture value by a focused, market-led and innovation-driven approach, moving further downstream towards our end customers with new technologies, products or applications – whether that be organically or through acquisitions – and broadening the applications for our products, an area we continue to invest in.

Our customers specify VICTREX PEEK and our polymers to capture a unique combination of performance properties, which lead to application benefits such as improved reliability, reduced energy consumption and environmental tolerance, as well as reduced complications and faster patient recovery in medical applications.

To build on these strengths, maximising our growth requires us not only to continue working closely with our customers, but to enhance our global knowhow to become truly market-led – identifying the market need and capturing value as product leaders. We focus our growth programmes around three horizons, horizon 1, 2 and 3 – short term, medium term and long term. We will also continue to excel in providing market, product, technical and regulatory leadership to the markets we serve, helping our customers to gain competitive advantage, as well as providing a clear point of difference for Victrex.

Strategic Report signed on behalf of the Board

David Hummel
Chief Executive
9 December 2013

Our business model

Victrex differentiates itself through **innovation** and **product leadership**.

Our strategic intent remains to achieve sustainable earnings growth for our shareholders. This will be achieved through three key pillars:

1

Creating value through high performance polymer solutions

Creating solutions not just producing high performance polymers. High end materials, with clearly defined and proven benefits in many different forms, to suit our customer needs.

2

Focused and market-led innovation

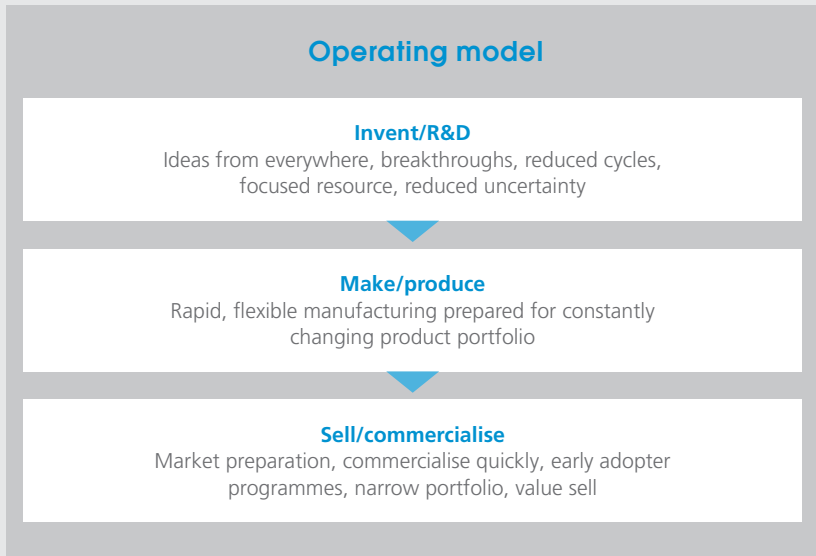
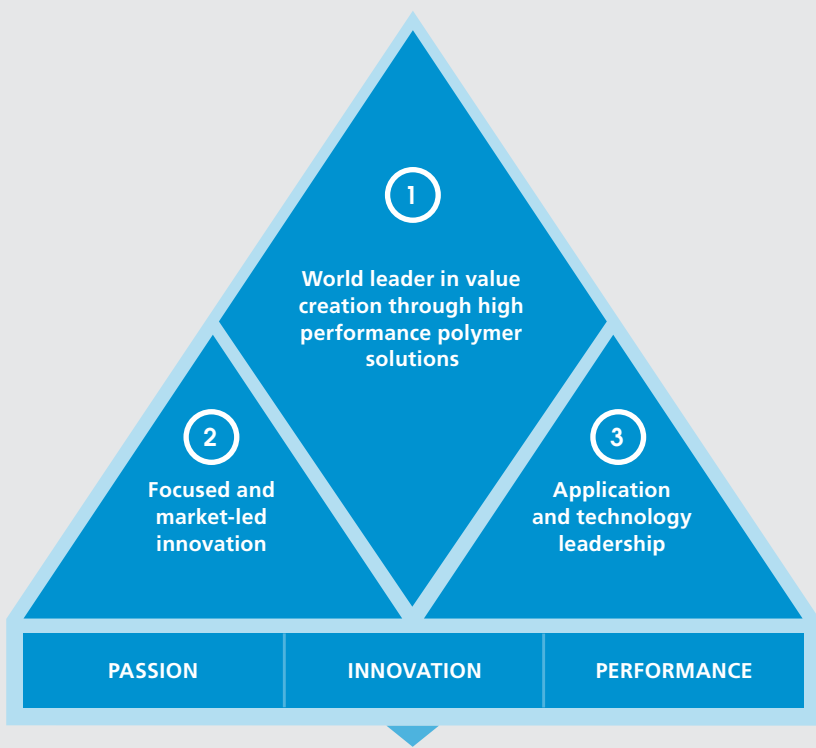
Continuing to work with customers and capturing value across markets. Investing in strategic marketing; selecting the right projects to work on and to ensure an appropriate balance of short and long-term projects.

3

Application and technology leadership

Developing new applications, products and technologies. Understanding applications and technology in depth that can deliver for our customers.

A STRATEGY FOR GROWTH



Turning strategy into action

Victrex's strategic intent is to achieve sustainable earnings growth for our shareholders. As a solutions provider, our focused, market-led and innovation-driven approach will be delivered by:



Strategic Intent – Industrial

Focus on polyaryletherketones ('PAEK') in automotive, aerospace, electronics and energy, exploiting new technologies, downstream integration opportunities and extending into other proven markets.



Strategic Intent – Medical

Focus on spine, arthroscopy, trauma, dental and orthopaedics, delivering value-creating solutions, based on PEEK and other enabling polymers.

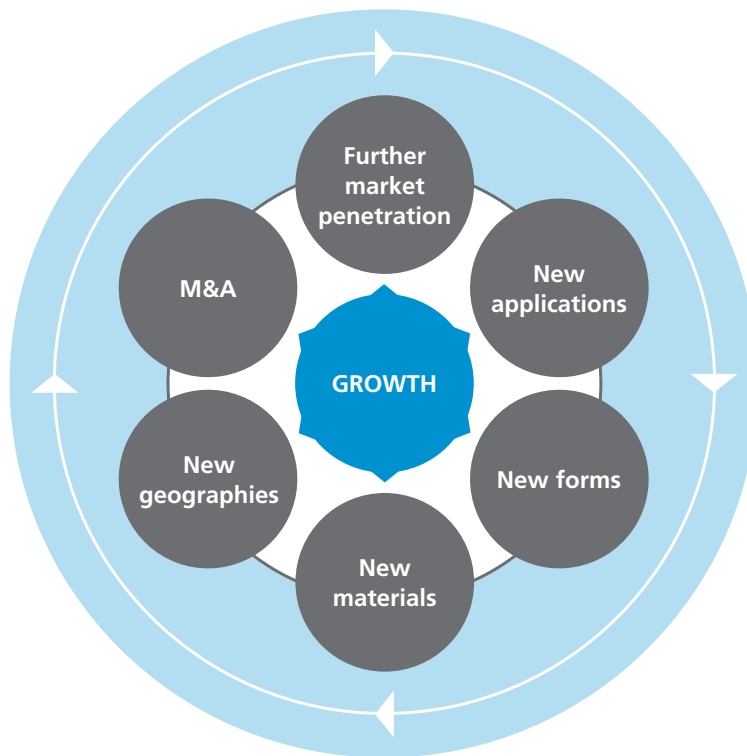


Reputation and employee care

Providing a safe and rewarding environment for our employees and operating our assets to appropriate environmental standards.

- Enhancing external recognition with customers, investors and other stakeholders
- Sustainability agenda
- Strong governance and internal controls
- Talent management

At Victrex, we have multiple and diverse growth opportunities:



Strategic KPIs

To track performance against our growth strategy, we will focus on the following key performance indicators ('KPIs'):

DRIVE core business	DIFFERENTIATE through innovation	CREATE future value	UNDERPIN through safety, sustainability and capability
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What we are doing

<ul style="list-style-type: none"> ♦ Strategic marketing: focus on highest growth opportunities ♦ Execute on key growth programmes in five strategic markets ♦ Drive growth in emerging geographies 	<ul style="list-style-type: none"> ♦ Market-led innovation ♦ Invest in emerging businesses ♦ Move further downstream: new applications, new forms, new materials, new product launches 	<ul style="list-style-type: none"> ♦ Strong pipeline ♦ Portfolio management ♦ M&A 	<ul style="list-style-type: none"> ♦ Safe and sustainable business ♦ Future capacity/solutions ♦ Talent strategy
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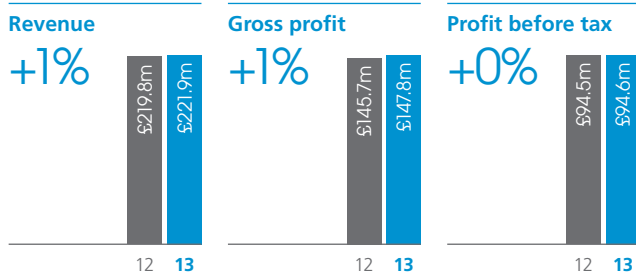
How we measure

<ul style="list-style-type: none"> ♦ Revenue growth ♦ New business 	<ul style="list-style-type: none"> ♦ Revenue mix ♦ New products 	<ul style="list-style-type: none"> ♦ Business development ♦ Value creation 	<ul style="list-style-type: none"> ♦ Safety, energy* ♦ Talent management
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* Shown in Sustainability Report

Robust trading and a good second half

Victrex delivered a robust performance this year, with sales volumes ahead, margins remaining strong and progress across our markets.



Steve Barrow
Finance Director

	2013 £m	2012 £m	Change %
Revenue	221.9	219.8	1%
Gross profit	147.8	145.7	1%
Profit before tax	94.6	94.5	0%

'A world leader in high performance polymer solutions'

Victrex delivered a robust performance this year, despite challenging market conditions. We have continued to invest in our business to accelerate and underpin our future growth and have maintained our financial performance with strong profitability and margins and record cash generation.

Group financial results

Group revenue for the year was 1% ahead of the prior year reflecting a robust Group performance and stronger underlying average selling price, resulting from favourable sales mix, offset by an adverse foreign currency impact.

Full year sales volume was slightly ahead of last year at 2,920 tonnes (FY 2012: 2,904 tonnes) following a robust second half performance, with sales volume approximately 10% ahead of the first half year. Group sales volume of 1,528 tonnes for the second half was in line with the strong prior year performance (H2 2012: 1,527 tonnes), with good progress across our industrial and transport markets, offset by lower sales in the electronics market following the non-recurrence of last year's strong product launch related sales into consumer electronics. The favourable

sales mix has been driven by strong sales growth in VPS from our speciality products, dominated by our Aptiv Film business.

In our Invibio business, full year revenue was marginally ahead of the prior year at £50.8m (2012: £50.5m). This predominantly reflects steady improvement in sales to the spine market during the second half, with revenue 10% ahead of the first half, as inventory levels in the industry appear to have stabilised. Second half revenue in Invibio was also ahead of the prior year at £26.6m (H2 2012: £25.0m).

Full year Group gross margin remained strong at 66.6% (2012: 66.3%) with the favourable sales mix in VPS offset by the impact of adverse currency and, as indicated in previous communications, some increased costs within cost of manufacture impacting the second half. The resulting second half gross margin was 66.0%.

We remain cognisant of the challenging economic environment we are currently operating in, but have continued to selectively invest in resources to drive our key growth programmes, including the technical and regulatory functions, with total indirect overheads increasing by 4%. Our investments in technical facilities in the UK and Japan last year have been well

Return on capital employed:
Profit after tax/net assets

Operating cash conversion:
Cash generated from operations/
operating profit



Our new PEEK manufacturing plant is taking shape and is a key enabler to support our future growth

received by customers, end users and employees. As well as purchasing our products, our customers and end users want proactive technical solutions and support, including working with us on joint development programmes, reflecting the long-term development and investment periods associated with many of our opportunities for growth. Our commitment to work with our customers on innovative solutions for the challenges they face in their respective industries is reflected in the increased investment in research and development expenditure, of which approximately 85% relates to market and customer related product and application development, which increased to £14.6m this year (2012: £13.1m), representing 7% of revenue (2012: 6%).

Resulting Group profit before tax of £94.6m (2012: £94.5m) reflects the robust performance of the business this year and basic earnings per share of 86.5p per share (2012: 85.7p per share) also reflects the expected improvement in the effective tax rate to 22.9% (2012: 23.9%) largely reflecting the lower UK corporation tax rate.

Balance sheet

Victrex continues to maintain a strong balance sheet, supporting our ability to invest to drive future growth. Net assets at 30 September 2013 totalled £313.7m (2012: £271.1m).

Our working capital management reflects how Victrex continues to differentiate through product leadership and security of supply for both existing and future potential customers and end users. Our inventory levels, whilst reduced from the half-year position, have increased slightly year on year

Investment: Our new PEEK manufacturing plant is taking shape



to £51.1m (2012: £48.6m). This reflects a number of special grade products produced during the year which we manufacture on a periodic basis together with the slight increase in cost of manufacture noted previously. Trade receivables are in line with the prior year, with receivables which are either current or less than 30 days overdue at 97% (2012: 93%). Trade payables reflect consistent creditor days with the prior year, with our commitment to our suppliers that we pay within agreed terms to maintain a strong working and strategic relationship.

Return on capital employed has fallen from 26.5% in 2012 to 23.2% in 2013 following a strategic decision to maintain a strong balance during a period of high capital expenditure.

Cash flow

Victrex continues to see strong cash generation and delivered a record performance this year. Cash generated from operations was £100.9m (2012: £89.9m) representing an operating cash conversion of 107% (2012: 96%).

Capital expenditure payments significantly increased on the prior year, as we have previously communicated, to £40.7m (2012: £27.0m), mainly as a result of investment in BDF production capacity (the main raw material for PEEK) which is nearing completion and the construction of our third PEEK plant which will underpin our future growth, enabling us and our customers to have confidence that capacity will be in place to support long-term applications.

The PEEK plant project remains on plan, for completion during 2015, and budget

of £90m, increasing our production capacity from 4,250 tonnes to in excess of 7,000 tonnes.

Taxation paid during the year was £21.7m (2012: £24.4m), reflecting the reduction in the UK corporation tax rate, in addition to amounts received relating to the closure of prior year computations by HMRC.

Total dividends paid during the year increased to £32.7m (2012: £28.0m), reflecting the increased final dividend for last year and the 15% increase in the interim dividend this year.

As a result, the closing Group cash balance as at 30 September 2013 was £91.6m with no debt (2012: £83.9m and no debt).

Proposed dividend

Victrex remains committed to a progressive and sustainable dividend policy which takes account of cash generation and use of capital, including for potential acquisitions as well as reflecting our underlying confidence in the growth programmes and prospects for our business, despite the wider economic challenges. Following an increase in the interim dividend by 15% to 10.35p (2012: 9.0p), the Group is proposing an increase of 15% in the final dividend to 32.65p (2012: 28.4p), resulting in a full year dividend increase of 15% to 43.0p (2012: 37.4p) per ordinary share. Dividend cover is 2.0 times (2012: 2.3 times).

Steve Barrow
Finance Director
9 December 2013



Victrex Polymer Solutions

Victrex Polymer Solutions ('VPS') is focused on developing our major industrial markets. We work with customers and end users to provide innovative and technical solutions that help them meet their most difficult design challenges. This enables them to benefit from the unique combination of properties and forms that our range of products provide.



Tim Cooper
Managing Director
 Victrex Polymer Solutions

	2013 £m	2012 £m	Change %
Revenue	171.1	169.3	1%
Gross profit	103.1	101.1	2%
Operating profit	68.6	68.5	0%

VPS generated revenue slightly ahead of the prior year of £171.1m (2012: £169.3m), reflecting a higher average selling price driven by product mix and continued success in our Speciality Products business. Gross margin improved to 60.3% (2012: 59.7%).

Sales, marketing and administrative expenses increased by £1.9m to £34.5m (2012: £32.6m) with continued investment to develop our organisational infrastructure and capabilities to drive our future growth initiatives.

The resulting operating profit of £68.6m remained in line with the previous year (2012: £68.5m).

Core market overview

Sales volume in Europe of 1,637 tonnes was 12% ahead of the prior year (2012: 1,457 tonnes) driven by significant growth in all key markets. The second half was particularly strong with record sales volume of 870 tonnes being 13% ahead of the first half (767 tonnes). In the US, sales volumes of 770 tonnes was 17% below the prior year (2012: 926 tonnes) with the trend towards shorter product lifecycles in mobile

devices and electronics leading to increased volatility in demand for applications and slightly softer sales in the oil and gas sector. Second half sales volume of 382 tonnes was broadly in line with the first half (388 tonnes). In Asia, sales volume of 513 tonnes was broadly in line with the prior year (521 tonnes) with strong growth in industrial and transport applications offset by slower sales into semiconductor applications. Year on year sales volume outside of Japan grew by 12% and represents more than half of our sales in the region. Second half sales volume of 276 tonnes was 16% ahead of the first half (237 tonnes) with an encouraging recovery in Japan.

Industrial sales volume at 1,125 tonnes was broadly in line with 2012, with increased demand for industrial machinery and equipment offset by lower sales into the oil and gas sector, largely in the US, due to slightly reduced drilling activity. Second half sales volume of 601 tonnes was 15% ahead of the first half (524 tonnes) principally driven by industrial machinery and equipment.



Transport sales volume increased 7% to 799 tonnes (2012: 744 tonnes) with strong sales into automotive and aerospace. The increase in automotive sales reflects the trend towards highly durable and weight saving materials. We also saw continued success from new applications in aerospace. Second half sales volume of 419 tonnes was 10% ahead of the first half (380 tonnes).

Electronics sales decreased 12% to 628 tonnes (2012: 714 tonnes) due to a slower year in semiconductor sales and increased volatility in consumer electronics applications. Second half sales volume of 316 tonnes remained broadly in line with the first half (312 tonnes).

Product and market development

We continue to move downstream, launching new product solutions where an opportunity exists to accelerate growth, access new markets or improve margins. Our speciality products business, driven predominantly by our Aptiv Film business used in many acoustic applications, delivered another good performance this year. Our other existing speciality product platforms are coating, pipes and composites. We continue to explore organic and non-organic platforms for future investment, which will broaden our portfolio and capture the high value in this area.

2013 saw further success in closing new applications across all our markets as the megatrends of lightweighting for fuel efficiency, miniaturisation and complexity

of natural resource exploration play to the strengths of our products.

The development pipeline remains strong and diverse, with new opportunities being identified and driven across all our markets. With our portfolio management approach, we are driving a more value focused view on our development pipeline, rather than just the volume of opportunities. At the 30 September 2013 it contained 1,600 potential developments (30 September 2012: 1,908) with an estimated mature annualised volume ('MAV') of 2,064 tonnes (30 September 2012: 2,212 tonnes) if all of the developments were successfully commercialised.

Growth drivers

Our industries continue to be challenged to achieve higher performance with less: less material, less energy, less waste, less noise, less time, less cost. This drives the need for innovative designs using our materials and expertise to bring them to market. The unique combination of properties and physical forms of Victrex materials help customers deliver against these challenges.

We continue to see good growth potential for our business, reflected by our strong development pipeline, as well as opportunities to target further market penetration or geographies through strategic marketing. Alongside this, continued investment in talent, technology and new capacity means that we are well placed to take advantage of growth opportunities – whether organic or through

non-organic means – in delivering solutions to our customers and markets. New materials, new applications, new forms and new geographies will all play a part in our future growth.

Aerospace

Victrex materials can deliver weight reductions of up to 70% in aerospace applications. Fuel has risen to be the single largest cost component in the operation of an airliner and this has driven airlines to substitute new for old aircraft in pursuit of fuel savings. Many manufacturers have upgraded their 20 year growth forecasts for aircraft production, which offers growth potential for Victrex in the years ahead. This year saw Boeing 787 production ramp up and the maiden flight of the Airbus A350, which is expected to see production ramp up from 2014, as well as qualification of a new grade of VICTREX PEEK with Airbus. Whether it be brackets or increasingly in other parts of the aeroplane, we have a number of short and long-term opportunities under development, expanding the use of PEEK based materials. With Boeing projecting a demand for more than 35,000 new aeroplanes over the next 20 years (valued at nearly \$5 trillion) and forecasting the world fleet to double over the next two decades, we believe the growth potential in aerospace remains strong.



Focus on oil and gas – Delivering durable materials for extreme environments

NORSOK – Norsk Søkkel Konkurranseposisjon – standards are now recognised as the industry standard in oil and gas. The Norwegian petroleum industry has developed many amendments that have become vital to oil service companies' materials specification decisions. They raise the bar on the assessment of materials durability in the extreme environments that exist in oil and gas exploration and production. This is a vital step to ensure safe and reliable operation, without incident.

Victrex's commitment to the oil and gas industry can be seen in the investment in NORSOK compliance testing of VICTREX PEEK 450G. VICTREX PEEK 450G is the reference high performance polymer in the oil and gas industry, and has now been extensively tested to ensure compliance with NORSOK standards and in particular, ageing in a multiphase sour fluid. Our material suffered so little impact in the industry standard test that we repeated the test under far more extreme conditions at ten times the acid gas concentration. Despite this, our material passed with flying colours, demonstrating the outstanding durability of VICTREX PEEK in sour oil and gas environments.

Automotive

Durability, cost, fuel and weight reduction remain key trends in the global car industry. Major improvement in vehicle energy efficiency is only going to be possible through the development of powertrain and transmission technologies. VICTREX PEEK enables reliable solutions to these challenges. Our materials enable reduction of the wear associated losses and create design freedom to reduce overall vehicle weight. The production of passenger cars increased globally by 6.4% in 2012, to over 70 million cars. Europe, the US and Asia remain important geographic centres for car production and Victrex remains at the forefront of working with major manufacturers and their suppliers. As an example of our innovation, during the year we secured a number of awards including the Ringier Innovation Award 2013 for VICTREX Premium Wear Grade WG™ Polymers.

Electronics

Devices such as smartphones and tablets continue to reach an ever increasing percentage of the population. The challenge of higher functionality in an ever thinner, lighter, more durable device is supported by the adoption of high performance materials such as VICTREX PEEK. Examples of the applications using our materials include small space acoustics, ensuring high quality sound and durability from our Aptiv

acoustic film, despite the smaller size of many consumer electronic devices. Providing our customers with innovative solutions which also deliver competitive advantage remains key. Despite a slower market in semiconductors this year, the market continues to show long-term growth, with growth concentrated in logic chips, driven by the boom in mobile connectivity. Market statistics suggest that smartphone growth was up nearly 50% during the first half of 2013, with more traditional PC and standard mobile devices losing ground.

Energy

Global oil and gas capital expenditure was up over 18% globally, but as an indicator of current drilling activity, US rig count was down and the short-term outlook remains softer. However, sustained high energy prices and a strong demand outlook combined with technology trends such as higher pressure, higher temperature and deeper water, mean that long-term opportunities remain attractive. Key drivers for the industry remain durability and increased yield – the ability to recover more energy – particularly given oil and gas reserves in the future will be recovered from more extreme environments. As explorers and producers operate in these areas, the demand and expectation on equipment

lifetime has also increased. For example 'sea flooring' has meant equipment is now expected to last 25 years rather than five years, meaning less downtime and less costly intervention. Alongside our pioneering work on VICTREX pipes – another example of how we are moving further downstream in our Speciality Products business – we also continued to progress our partnership with Magma in using our materials in oil and gas risers, an opportunity which offers significant potential for us.

Future capacity

Whilst technological excellence remains key, the construction of our third PEEK plant in the UK, which is on plan and is due for completion in 2015, is an important enabler to support and deliver our future growth programmes across our markets.



Invibio Biomaterial Solutions

Invibio provides versatile PEEK based polymers to address the unmet needs of the long-term implantable medical device market. Our materials are extensively used across a number of applications including spinal fusion and motion preservation, arthroscopy, joint replacement, trauma, cardio-neuro and cranio-maxillo facial implants.



Martin Court
Managing Director
 Invibio Biomaterial Solutions

	2013 £m	2012 £m	Change %
Revenue	50.8	50.5	1%
Gross profit	44.7	44.6	0%
Operating profit	29.3	29.2	0%

Invibio generated revenue of £50.8m, an increase of 1% over 2012 (£50.5m). This reflected a steady recovery in our spine business (3% up on 2012) during the second half year, following the effects of de-stocking and lower inventory levels amongst our customers during the first half year.

Gross margins remained strong at 88.0% (2012: 88.3%).

Sales, marketing and administrative expenses remained in line with prior year at £15.4m, resulting in an operating profit of £29.3m (2012: £29.2m).

Core market overview

The spine market generated sales of £39.3m, an increase of £1.1m (3%) on the prior year. This recovery was fuelled by sales improvement in the second half of the year due to a combination of continued global expansion and recovery following the de-stocking that impacted our business in the second half of 2012 and the first half of 2013.

Emerging markets continue to be attractive for us, particularly China in dental and other

emerging opportunities. Our growth strategy in Asia continues, with revenues up 14% to £4.1m (2012: £3.6m).

Our developing markets outside of spine reduced by 7% in 2013, principally as a result of the arthroscopy market where despite the demand for more radical solutions, several commercial opportunities have yet to be delivered.

Product and market development

Healthcare remains high up the news agenda and we expect it to remain so. One key area of focus in recent years has been the quality of materials and devices used to treat patients. Our priority at Invibio has always been and will continue to be about safe, consistent and high quality biomaterials for our customers and for patients.

We focus on growth opportunities around three horizons, 1, 2 and 3 – short term, medium term and long term.

Performance review: Invibio Biomaterial Solutions continued



PEEK-OPTIMA® HA Enhanced

Spine companies are actively looking for ways to differentiate their interbody product offering. Despite the fact that new clinical results continue to support PEEK performance in traditional spinal fusion cages, surgeons are interested in methods to enhance direct bone apposition. These are challenging times, however, and the industry needs to consider its desire to differentiate. In September 2013 Invibio launched its PEEK-OPTIMA HA Enhanced product. Surgeon feedback had indicated that a version of PEEK that enhances

bone on-growth on all sides of the device could be more effective. Invibio has invested in this new grade that offers the same advantages of PEEK-OPTIMA and additionally a superior solution for bone apposition. With HA available across the whole device the opportunity for bone on-growth is virtually unmatched with alternative bone apposition technologies, such as coatings. In addition the PEEK-OPTIMA HA Enhanced product omits the extra processing time and expense of alternative bone on-growth technologies.

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

To succeed in the healthcare environment today, companies like Invibio need to provide much more than just biomaterials. At Invibio we are focused on working with surgeons to really understand their needs and the problems that they are trying to solve. By ensuring that we focus on the areas where our materials can provide real clinical benefits in terms of successful performance outcomes we can be sure that what we are providing will be attractive to medical device companies, surgeons and ultimately patients. With these areas identified, our expertise in manufacturing products and our talent in the regulatory arena help ensure that Invibio remains the partner of choice.

In Trauma, we are focused on addressing problems in relation to device fatigue life and the ability to accelerate healing. The use of composite materials to do this is an area of emerging growth. Composite device manufacturing represents new challenges and a new technology for the medical device industry, however, and this has prompted us to develop the ability to manufacture prototype parts to accelerate evaluation and adoption.

We have continued to strengthen our regulatory expertise globally, for example in Asia, where many of our customers are looking to penetrate and capture projected strong growth rates over the coming years, as many Western geographies are forecast to have steadier growth.

Spine

Long-term incremental growth in the spine market remains attractive, despite the relative maturity of 'core' spine and sales volumes being impacted through de-stocking of inventories by many medical device companies last year. Spinal implant procedures are forecast to grow in the years ahead, reflecting an ageing population and the need for innovative materials.

Geographical focus

In some geographies, spine remains a developing market and with our strong regulatory knowledge and expertise, there is an increased pace of regulatory approvals for 'newer' spinal applications. Given that the application of PEEK-OPTIMA® HA Enhanced is new to surgeons in these geographies, we have focused on education programmes in collaboration with our customers and with European spine surgeons, reaching more than 1,500 surgeons in China alone in the last year.

Emerging markets

In recent years, well publicised issues with metal on metal applications, for example

in large diameter hip implants, have made news around the world. Growing safety concerns and regulatory scrutiny present both challenges and opportunities for Invibio.

Our activities in emerging markets this year were driven by JUVORA, our dedicated dental brand, which offers a certified dental disc, providing our customers and their patients with an effective metal-free dentures solution, with improved comfort and fit. During the year, we started to gain traction for our JUVORA brand across geographies, with over 30 agreements in place with customers and 60 labs passing through our certified training programme. The trends for the denture market are extremely encouraging and we believe that the JUVORA product is well positioned to be the material of choice for a significant patient population that could reach as many as 1.5 million denture applications per year.

Beyond our existing application portfolio, we have a strong pipeline of opportunities which we continue to focus on, using our regulatory expertise, market insight and technology leadership, to ensure we can capture real value from these markets including trauma (Horizon 2) and knee (Horizon 3), where our materials can deliver superior performance and accelerate healing, as well as offering durability and less complexity than many incumbent solutions. We also believe that in certain markets – knee, for example – the demand for more radical solutions offers us real opportunities.

Focus on dental – JUVORA

During the year, Invibio continued to drive its offering to the removable denture market. A separate business, JUVORA, was created to target this £5 billion market. The first product, the JUVORA Dental Disc, was released at the world's largest dental show. It marked an important milestone for the business, since the disc is actually classified as a medical device and has required European regulatory clearance (CE Mark), which Invibio has strong expertise in.

Since its release, over 60 dental laboratory customers from across the world have committed to being 'JUVORA certified partners'. These customers are being trained to use, market and offer dentures made using the JUVORA Dental Disc.

With the edentulous population increasing, strong lifestyle demand and willingness to pay, the growth opportunities for JUVORA are significant. The dental disc device also aligns with digital equipment that is sweeping into the dental sector. This allows our lab customers to evolve from the traditional methods of making metal denture frameworks, to personalised, comfortable and easily machined dental discs. The market opportunities remain significant, not just in typical geographies such as the US or Europe, but in emerging market opportunities like China, where dental patients are increasingly willing to pay based on 'lifestyle demand' and for a durable product.

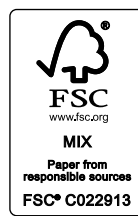
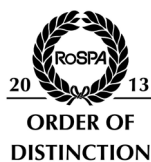
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