15 May 2017

Victrex plc – Interim Results 2017

'Strong core business growth; strong cash generation'

Victrex plc, an innovative world leader in high performance polymer solutions, today announces its interim results for the six months ended 31 March 2017.

	H1 2017	H1 2016	% change
Group sales volumes	**1,859 tonnes**	1,770 tonnes	+5%
Group revenue	**£130.9m**	£117.0m	+12%
Gross profit	**£82.4m**	£73.6m	+12%
Gross margin	**62.9%**	62.9%	0 bps
Profit before tax (PBT)	**£50.1m**	£47.5m	+5%
EPS	**46.4p**	45.5p	+2%
Dividend per share	**12.20p**	11.73p	+4%

Highlights:

- **Strong core business* growth in H1**
  - *Total sales volumes up 5%*
  - *Core volumes* up 19%, offsetting lower year on year Consumer Electronics*
  - *Group revenue up 12%, constant currency revenue** up 4%*
  - *Record core volumes* in Q2 of >1000 tonnes, driven by Automotive, Electronics (ex-Consumer), Value Added Resellers*
  - *Medical remains muted, reflecting mature US Spine market*

- **Further pipeline progress**
  - *New Gears mega-programme secures initial OEM production opportunity for 2018*
  - *PEEK-OPTIMA™ HA-Enhanced on track for FY17 meaningful revenue*

- **Investment to accelerate Polymer & Parts strategy**
  - *£10m acquisition of Zyex PEEK fibres business to expand semi-finished products offering*
  - *TxV Aero Composites joint-venture to support differentiated Aerospace products*
  - *Polymer Innovation Centre on track for completion in H2; support prototyping & new grades*

- **Strong cash generation continues**
  - *Cash up 90% to £86m and operating cash conversion# 137%*
  - *Interim dividend up 4% to 12.20p (H1 16: 11.73p)*

David Hummel, Chief Executive of Victrex, said: "Victrex delivered a positive performance across most of our markets in the first half, with the strength of our core business offsetting much lower year on year volumes in Consumer Electronics. Automotive, Electronics (ex-Consumer) and Value Added Resellers performed particularly well whilst as anticipated, Medical remains muted, reflecting the maturity of the US Spine market.

"We made continued progress in our new products pipeline, including an initial production opportunity for Gears. Our investments to support our Polymer & Parts strategy include a joint venture for new and differentiated Aerospace products and our Zyex PEEK fibres acquisition, which will enhance our semi-finished and differentiated products offering. Our aspirations are for new differentiated products to be 10-20% of sales in the medium term.

"Whilst we delivered a strong first half performance and the Group continues to be highly cash generative, we note that there is potential for variability in the scale of Consumer Electronics volumes during the second half, with visibility remaining low. Consequently, although our positive growth momentum has continued into the second half and helps to underpin 2017, our overall expectations are unchanged. We are focused on driving growth, on cost efficiency and making progress in delivering our Polymer & Parts strategy."

Definitions:

*References to core volumes, core revenue or core business excludes Consumer Electronics

**constant currency values have been reached by applying current year (H1 2017) effective currency rates to prior year (H1 2016) transactions

operating cash conversion is cash generated from operations / operating profit

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 use products and applications, which contain our materials – from smart phones, aeroplanes and cars to oil and gas operations and medical devices. With over 35 years' experience, we develop world leading solutions in PEEK and PAEK based polymers, semi-finished and finished parts which shape future performance for our customers and our markets, and 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 JP Morgan, 1 John Carpenter Street, London EC4Y 0JP. A conference call facility will be available for analysts and investors who are unable to attend the presentation. To register, dial +44 (0) 203 139 4830 and participant pin 47481496#. 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 Blue Rubicon:

Charles Armitstead	+44 (0) 207 260 2700

Interim results statement for the six months ended 31 March 2017

'Strong core business growth; strong cash generation'

Group financial results

Strong core business* (ex-Consumer Electronics) up 19%
Victrex delivered a good first half year, with strong core business* growth offsetting the expected year on year impact of significantly lower Consumer Electronics volumes during the first half of 2017. Total H1 Group sales volume of 1,859 tonnes was 5% ahead of the prior year (H1 2016: 1,770 tonnes). Excluding volumes from the large Consumer Electronics order, core business growth was approximately 19% ahead.

First half growth reflects positive momentum across many of our end markets, particularly Automotive, Industrial, Electronics (excluding Consumer Electronics) and Value Added Resellers. Energy saw some year on year improvement although the Oil & Gas market remains challenging. Our Industrial division (VPS) reported revenues of £105.7m, 15% ahead of the prior year (H1 2016: £91.8m).

Performance in Medical was flat, reflecting the mature US Spine market, although progress outside of the US in Europe and in the development stage of our new products continues to be positive. Medical (Invibio) revenues were £25.2m, in line with the prior year (H1 2016: £25.2m), but were moderately lower in constant currency.

Revenue 12% ahead; 4% ahead in constant currency
Group revenue for H1 2017 was £130.9m, 12% ahead of the prior year (H1 2016: £117.0m). Group revenue in constant currency was 4% ahead of the prior year (H1 2016: £126.1m in constant currency).

Pricing ahead, reflecting lower Consumer Electronics and currency
Our Average Selling Price (ASP) of £70.4/kg was ahead of the prior year (H1 2016: £66.1/kg), which reflects much lower Consumer Electronics volumes and currency benefits, offset by a softer core Industrial mix and lower Medical revenues in constant currency.

Whilst we are mindful of new competitor capacity coming into the industry, pricing in the core business remains broadly stable, with product mix being an important driver. Excluding Consumer Electronics volumes and the impact of foreign currency, our average selling price was £65/kg (FY 2016: £68/kg), which reflects performance in Medical, and a softer core Industrial mix during the first half.

With more beneficial currency rates hedged for the second half, our expectations are for full year ASP to be slightly ahead of the first half year.

Stable gross margin
Group gross margin of 62.9% (H1 2016: 62.9%) was in line with the prior year, supported by favourable currency movements but offset by a slightly higher cost of manufacture – as we develop differentiated polymers and new grades and products to support our mega-programmes and semi-finished products – and an Industrial mix which reflects a higher contribution from Value Added Resellers.

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

Profit before tax up 5% and EPS 2% ahead
Group profit before tax (PBT) of £50.1m was 5% up on the prior year (H1 2016: £47.5m). Basic earnings per share of 46.4p was 2% ahead (H1 2016: 45.5p per share). This reflects a higher effective tax rate of 20.8% (H1 2016: 18.5%) which is back to a normalised level following the benefit of Research & Development tax credits in prior years.

Currency remains favourable for FY 2017; further potential benefit for FY 2018
With a significant global revenue exposure, Victrex hedges currency up to 12 months in advance. For 2017, given the considerable weakening of Sterling following the Brexit vote in June 2016, Victrex's guidance on the potential currency benefit is unchanged and we anticipate the potential benefit to our profits to be approximately £18m-£19m, although a small proportion of this will be re-invested to support our growth programmes. For 2018, we are currently less than 40% hedged and whilst rates remain volatile, based on hedging in place and current spot rates, there is the potential for a further double-digit benefit to profits.

Continued focus on costs to support "front end" investment
Keeping cost competitive in our manufacturing, whilst retaining the differentiators in our polymer chemistry and security of supply, is key in a competitive market. As communicated at our recent Capital Markets Day, we are evaluating potential cost opportunities in our supply chain, as well as ensuring our supply chain supports the requirements for new differentiated polymers, new grades and downstream products over the coming years.

Front-end investment to drive the "burden of proof" is principally focused on our marketing, technical and commercial functions. Investment in these areas increased during the first half and will help to drive adoption of our pipeline programmes, several of which are "disruptive" to incumbent technologies.

Overheads were up 24% to £32.3m (H1 2016: £26.1m) which reflects higher front-end investment, as well as provision for the Group's profit growth linked bonus scheme (which was not accrued in H1 2016). The Group also incurred £2.0m of restructuring costs from business reorganisation during the first half year, as shown in Note 6 of the financial statements. Research & Development investment is expected to grow in absolute terms on a full year basis, but remain at approximately 5-6% of Group revenue.

Investment to accelerate long term opportunities; delivering the "burden of proof"

We continue to progress our Polymer & Parts strategy, with a focus on selected semi-finished and finished products, and components, building on our core polymer offering. Developing the PEEK and PAEK market means creating new solutions for customers, building new supply chains where none currently exist and delivering the "burden of proof" to customers through prototyping or clinical evidence.

During the first half year we announced an investment in a new joint venture, TxV Aero Composites, where Victrex and Tri-Mack Plastics will team up to manufacture, at scale, differentiated Loaded Brackets for the Aerospace market. We anticipate the capital investment, for a new US manufacturing facility, will be in the region of £10m, spread over the next three years, alongside some incremental overhead investment.

Victrex also announced the acquisition of Zyex, a UK based PEEK fibres business, for approximately £10m after the first half year end. Zyex is recognised as a global leader in the manufacture of PEEK fibres for the Aerospace, Industrial and Automotive markets. Examples of product applications include fuel filters for Automotive and food processing belts for Industrial. Zyex offers us the opportunity to further develop these application opportunities and translate them globally.

Both of these investments are in line with our focus on new differentiated polymers, product forms or semi-finished products, and build on our other recent investments in Magma (our Oil & Gas mega-programme), and Kleiss Gears, with Kleiss helping accelerate our Gears opportunity. We will continue to review other potential investments, whether they are joint-ventures, acquisitions or organic investments. For organic investment, our expectations of medium term capital expenditure in the £25m-£35m per annum range are unchanged.

Strong development pipeline; commercialisation opportunity in Gears
Our development pipeline is focused on six mega-programmes of Dental, Victrex Pipe/Magma, Trauma, Knee, Gears and Aerospace Loaded Brackets, as well as some smaller opportunities, including differentiated polymers and new polymer grades.

Thanks to the capabilities we acquired through the Kleiss Gears acquisition and prototype development, we have secured over 20 engagement programmes with Auto OEMs for our Gears programme, with a first commercialisation and production opportunity starting in 2018. Whilst our PEEK-OPTIMA™ HA-Enhanced programme in Spine is now a major programme – reflecting the long term cannibalisation of existing PEEK-OPTIMA™ products – progress has been positive, with over 20 global approvals and anticipated first meaningful revenues by the end of 2017.

Our aspiration for sales from new products, one of our strategic KPIs, is to grow sales to 10-20% of Group revenues over the medium term, from approximately 3% in 2016.

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

Net assets at 31 March 2017 totalled £419.0m (H1 2016: £365.9m). At the end of the first half, stock levels were at £66.3m (H1 2016: £69.1m), reflecting progress from implementation of our new ERP system to most of our sales areas during 2016, offset by some stock build and campaigns to support the launch of new differentiated polymers, new grades, or downstream products and mega-programmes.

For the medium term, we continue to see some opportunities to improve on our inventory levels, but remain mindful of the requirements, in the near term, to support the early development of more differentiated products. Many of these differentiated polymers and downstream products require minimum volume production campaigns.

Continued strong cash generation
Cash generated from operations was £68.4m (H1 2016: £38.1m) representing an operating cash conversion (cash generated from operations / operating profit) of 137% (H1 2016: 80%). Net cash (with no debt) at 31 March was up 90% to £86.0m (H1 2016: £45.3m), which was reduced in early April by the acquisition of Zyex (which concluded after the half year end) for approximately £10m.

In February 2017 we paid the 2016 final dividend of 35.09p per share, representing £30.0m (H1 2016 dividends paid: £29.9m).

Taxation
The effective tax rate for the first half was 20.8% (H1 2016: 18.5%). The lower rate in 2016 was mainly due to the impact of restating the opening deferred tax balance – reflecting the reduction in the main rate of UK corporation tax – in addition to prior period adjustments, primarily relating to a higher than normal level of R&D qualifying expenditure during 2015. The Group expects the effective tax rate for the full year will be higher than 2016 levels and similar to the first half.

Dividends
Our Capital Allocation framework states that growth investment is our top priority. The policy for our regular dividend is to grow in line with earnings per share, with cover maintained at around 2x. After this, and subject to no additional growth investment, Victrex will return around 50% of the net cash balance to shareholders, via a special dividend, subject to a 50p/share minimum level. The threshold for payment of a special dividend is approximately £85m of net cash. With capital expenditure reducing from historic levels, our medium term use of cash offers opportunities for incremental returns.

For the first half, with Group profit before tax increasing by 5% and earnings per share increasing by 2%, the interim dividend will increase by 4% to 12.20p (H1 2016: 11.73p).

Audit tender process
As previously communicated, the process to appoint a new external auditor continues with invitations to tender due to be sent out shortly after the interim results. The Audit Committee has approved the process and selection criteria to be used by the Sub-Committee, which is chaired by the Audit Committee Chairman, in proposing their shortlist to the full Committee.

Chief Executive transition
On 19 April 2017 Victrex announced that Chief Executive David Hummel had notified the Board of his intention to retire as Chief Executive at the end of the 2017 financial year, after 24 years. David will work

through a transition with Jakob Sigurdsson, who will join Victrex as Chief Executive-designate on 1st September 2017. Jakob will become Chief Executive and join the Board on 1st October 2017 and work through a six-month transition with David, prior to David's retirement from the Board at Victrex's 2018 AGM.

Outlook

Whilst we delivered a strong first half performance and the Group continues to be highly cash generative, we note that there is potential for variability in the scale of Consumer Electronics volumes during the second half, with visibility remaining low. Consequently, although our positive growth momentum has continued into the second half and helps to underpin 2017, our overall expectations are unchanged. We are focused on driving growth, on cost efficiency and making progress in delivering our Polymer & Parts strategy.

David Hummel
Chief Executive
15 May 2017

DIVISIONAL REVIEW

Industrial

	6 months ended 31 Mar 2017 £m	6 months ended 31 Mar 2016 £m	Change
Revenue	105.7	91.8	15%
Gross profit	59.9	51.4	17%

The Industrial business (VPS) generated revenue of £105.7m (H1 2016: £91.8m), 15% ahead of the prior year. Gross profit was up 17% on the prior year, with gross margin at 56.7% (H1 2016: 56.0%). Outside of the large Consumer Electronics order, we saw more Value Added Reseller business which is reflected in the softer first half sales mix.

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

Energy & Other Industrial
Energy & Other Industrial (which includes Manufacturing & Engineering) reported sales volume of 267 tonnes, which was 15% ahead of the prior year (H1 2016: 233 tonnes), with Oil & Gas up 13% overall. Whilst we saw year on year improvement, the Oil & Gas market continues to be challenging. In our Magma Oil & Gas mega-programme, our £10m equity investment has helped establish a pipe rental model, whereby operators can choose to lease a flexible pipe based unit for 'intervention' or 'jumper pipe' activities. Magma continues to explore further engagement programmes with operators, although with capital expenditure into the industry remaining low, acceleration of this opportunity may take time. As communicated in December, we are focusing some resources on the Manufacturing & Engineering area, including in fluid handling and process systems.

Value Added Resellers
Value Added Resellers continue to perform well. Sales volume at 802 tonnes was 23% ahead of last year (H1 2016: 653 tonnes), as processors and industrial customers continued to benefit from the growth opportunities within the high performance polymer market. Because of the fragmented nature of the industrial supply chain, once PEEK and our polymers have been specified, full clarity on the exact route to market for all of our polymer business is not always possible. This segment continues to offer growth opportunities for material and resin based business.

Transport
Transport sales volume increased 9% to 463 tonnes (H1 2016: 423 tonnes), primarily driven by the strong performance in Automotive.

In Aerospace, translations of our existing products for brackets, fasteners and other applications supported growth of 2%. Light-weighting and the ability to reduce manufacturing cycle time by up to 40% is a key selling point for our PEEK and PAEK polymers. Whilst we are mindful of industry forecasts around the potential slowdown in certain models, we remain positive for long term growth prospects. During the first half we announced our TxV Aero Composites joint venture, with Tri-Mack Plastics, to build a new manufacturing facility in the US, supporting a differentiated and protectable Loaded Brackets product, following pre-qualification for our PEEK/composites last year. The investment will see capital expenditure of approximately £10m spread over the next three years, with around half of that in 2017, as well as some incremental operating expenditure to support adoption of this product. As part of our Aerospace Loaded Brackets offering, we will also progress development of our new differentiated polymers and composite grades.

In Automotive, growth was particularly strong, up 11%. Translation of our core applications in ABS braking systems, transmission applications and other areas is driving growth. We remain on track to deliver our medium term goal of an average 12 grams of PEEK per vehicle, compared to approximately 8 grams today. We are at an early stage of exploring the potential from Electrification and e-motors, with slot-liners and other applications offering growth opportunities due to heat insulation requirements and light-weighting needs. We are developing several differentiated products in this area. Our Gears programme reflects the demand for lower noise, vibration and harshness (NVH), where PEEK can offer a 50% performance benefit compared to metal gears, as well as the trend for fuel efficiency and light-weighting. Engagement programmes continue apace and we have also secured an initial commercialisation and production opportunity with a major European OEM, starting in 2018. Driving adoption of this application and delivering the "burden of proof" remains key for market-wide growth.

Electronics
Electronics sales volumes overall were down 36% to 233 tonnes (H1 2016: 365 tonnes), but excluding the lower year on year volumes from the large Consumer Electronics order, Electronics volumes were around 50% ahead. This principally reflects an improved performance in Semiconductor and Aptiv™ film.

We are also seeing some initial growth from the "internet of things" and related applications. This supports further opportunities within Semiconductor, reflecting the higher data and yield requirements for chips. Outside of these areas, home appliances and other equipment offer further growth potential.

In Consumer Electronics, the inherent volatility in this market, linked to end-user demand, remains a challenge, however, as we have proven with our Aptiv™ film, which is repeatable across many manufacturers and models, the growth opportunities in this market continue to be attractive.

For our large Consumer Electronics order, we note the potential for variability in the scale of volumes for the second half, and that visibility remains low. We continue to work hard to secure differentiated product opportunities across the major device manufacturers.

Regional trends
In our regions, Europe was up 14%, with 1,030 tonnes (H1 2016: 902 tonnes), reflecting the strength in Transport, Value Added Resellers and Industrial markets. Asia-Pacific was down 18% to 438 tonnes (H1 2016: 531 tonnes) principally from lower Consumer Electronics whilst US volumes were 16% ahead at 391 tonnes (H1 2016: 337 tonnes) principally reflecting the improvement in the Energy market over the past year.

Medical (Invibio)

	6 months ended 31 Mar 2017 £m	6 months ended 31 Mar 2016 £m	Change
Revenue	25.2	25.2	0%
Gross profit	22.5	22.2	1%

Our Medical business remained muted, principally reflecting the maturity of the US Spine market, with the US accounting for nearly two-thirds of our Medical revenues, and from an emergence of expandable cages, primarily based on Titanium. Europe performed well during the first half year, with revenues increasing by 26%. Overall, Invibio revenue was flat at £25.2m (H1 2016: 25.2m), although revenue declined moderately in constant currency. Gross profit was £22.5m (H1 2016: £22.2m) and gross margin improved slightly to 89.3% (H1 2016: 88.1%).

Medical market overview

Spine accounts for nearly three-quarters of our Medical revenues. With a lack of material growth in the number of US spinal procedures, market growth in recent years has remained muted. This is now a mature market where PEEK has a good position and remains the material of choice in spinal fusion surgery, but incremental innovation is required to drive growth, offsetting the mature phase of the product lifecycle and some competition from Titanium based expandable cages. Our PEEK-OPTIMA™ HA Enhanced programme made further progress during the first half and now has over 20 global approvals with device companies, in both the US and other geographies. This product, which offers improved bone-on growth and enhanced clinical benefit, is on track to reach meaningful revenue of approximately £1m by the end of 2017.

For the medium to longer term, we believe Medical is well placed in both the US and other geographic markets. Beyond being simply a materials supplier, our in-house regulatory expertise and positioning with supportive clinical evidence will help us to drive our existing programmes and new business.

With early stage sales in some of our new medical programmes, our emphasis continues on market adoption, whether through support data and clinical evidence to vindicate these programmes or engagement with key opinion leaders and market influencers. Our vision remains to treat a patient every 15-20 seconds with Invibio solutions in 8-10 years (compared to approximately every 35 seconds today).

Mega-programmes

Dental sales remain below the £1m meaningful revenue threshold, but have made further progress. Dental is more than simply launching a product and our solutions now have 5 year clinical data, and support from our collaboration with the Malo Clinic in Portugal, which reported successful performance data for JUVORA last year. Our focus in Dental is at the premium end, with both prosthethic implants and removable dentures, rather than other offerings in the market, which are primarily in removable dentures. With a 99% satisfaction rate for patients using our Juvora™ dental disc, our focus is on using strong clinical evidence and building enhanced market access.

With our Trauma manufacturing facility now operational, we have enhanced our offering within the Trauma plate market, enabling us to have the ability to meet initial demand. These products offer the potential for 50 times better fatigue resistance compared to a metal plate in the body. We continue to explore options to enhance market access through collaboration or development agreements, particularly with innovators or smaller players.

In Knee, our clinical trial is on plan to start during the second half of 2017. Knee is the furthest out of our opportunities (5+ years from meaningful revenue) but is potentially sizeable, currently scaled as a £50m+ annual peak revenue opportunity. With 1 in 5 patients dissatisfied with their knee surgery, patient demand for non-metal based solutions offer significant potential in this market. Our partnership with Maxx Orthopedics provides a good platform to support our long term aspirations in this market.

Condensed Consolidated Income Statement

	Note	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m	Year ended 30 September 2016 £m
Revenue	5	**130.9**	117.0	252.3
Cost of sales		**(48.5)**	(43.4)	(93.6)
Gross profit		**82.4**	73.6	158.7
Sales, marketing and administrative expenses	6	**(32.3)**	(26.1)	(58.4)
Operating profit	5	**50.1**	47.5	100.3
Financial income		**0.1**	0.1	0.3
Financial expenses		**(0.1)**	(0.1)	(0.3)
Profit before tax		**50.1**	47.5	100.3
Income tax expense	7	**(10.4)**	(8.8)	(17.8)
Profit for the period attributable to owners of the parent		**39.7**	38.7	82.5
Earnings per share				
Basic	8	**46.4p**	45.5p	96.8p
Diluted	8	**46.3p**	45.4p	96.7p

Dividends			
Year ended 30 September 2015:			
Final dividend paid February 2016 at 35.09p per share	**-**	29.9	29.9
Year ended 30 September 2016:			
Interim dividend paid July 2016 at 11.73p per share	**-**	-	10.0
Final dividend paid February 2017 at 35.09p per share	**30.0**	-	-
	30.0	29.9	39.9

An interim dividend of 12.20p per share will be paid on 30 June 2017 to shareholders on the register at the close of business on 9 June 2017. This dividend will be recognised in the period in which it is approved.

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m	Year ended 30 September 2016 £m
Profit for the period	**39.7**	38.7	82.5
Items that will not be reclassified to profit or loss			
Defined benefit pension schemes' actuarial gains/(losses)	**11.5**	2.1	(11.6)
Income tax on items that will not be reclassified to profit or loss	**(2.0)**	(0.4)	2.0
	9.5	1.7	(9.6)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences for foreign operations	**0.5**	1.1	2.5
Effective portion of changes in fair value of cash flow hedges	**(4.0)**	(6.4)	(23.8)
Net change in fair value of cash flow hedges transferred to profit or loss	**11.3**	(0.8)	14.3
Income tax on items that may be reclassified to profit or loss	**(1.7)**	1.3	1.7
	6.1	(4.8)	(5.3)
Total other comprehensive income/(expense) for the period	**15.6**	(3.1)	(14.9)
Total comprehensive income for the period attributable to owners of the parent	**55.3**	35.6	67.6

Condensed Consolidated Balance Sheet

	Note	31 March 2017 £m	31 March 2016 £m	30 September 2016 £m
Assets				
Non-current assets				
Property, plant and equipment		**257.3**	252.3	255.5
Intangible assets		**26.8**	22.4	23.5
Investments		**10.0**	-	10.0
Deferred tax assets		**6.3**	6.3	8.9
Retirement benefit asset		**1.8**	3.2	-
		302.2	284.2	297.9
Current assets				
Inventories		**66.3**	69.1	61.8
Current income tax assets		**6.5**	5.0	-
Trade and other receivables		**42.2**	34.8	46.9
Derivative financial instruments	9	**1.7**	1.4	2.1
Cash and cash equivalents		**86.0**	45.3	64.0
		202.7	155.6	174.8
Total assets		**504.9**	439.8	472.7
Liabilities				
Non-current liabilities				
Deferred tax liabilities		**(19.1)**	(19.4)	(19.2)
Retirement benefit obligations		**-**	-	(10.6)
		(19.1)	(19.4)	(29.8)
Current liabilities				
Derivative financial instruments	9	**(11.3)**	(11.6)	(19.5)
Current income tax liabilities		**(15.1)**	(9.1)	(5.4)
Trade and other payables		**(40.4)**	(33.8)	(28.9)
		(66.8)	(54.5)	(53.8)
Total liabilities		**(85.9)**	(73.9)	(83.6)
Net assets		**419.0**	365.9	389.1
Equity				
Share capital		**0.9**	0.9	0.9
Share premium		**41.4**	37.5	37.8
Translation reserve		**4.7**	2.8	4.2
Hedging reserve		**(3.4)**	(7.3)	(9.2)
Retained earnings		**375.4**	332.0	355.4
Total equity attributable to owners of the parent		**419.0**	365.9	389.1

Condensed Consolidated Cash Flow Statement

	Note	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m	Year ended 30 September 2016 £m
Cash flows from operating activities				
Cash generated from operations	12	**68.4**	38.1	96.0
Interest and similar charges paid		**(0.2)**	-	-
Interest received		**0.2**	0.1	0.1
Tax paid		**(8.1)**	(5.7)	(12.7)
Net cash flow from operating activities		**60.3**	32.5	83.4
Cash flows from investing activities				
Acquisition of investments		**-**	-	(10.0)
Acquisition of property, plant and equipment		**(12.2)**	(12.5)	(25.9)
Net cash flow from investing activities		**(12.2)**	(12.5)	(35.9)
Cash flows from financing activities				
Premium on issue of ordinary shares exercised under option		**3.6**	0.7	1.0
Dividends paid		**(30.0)**	(29.9)	(39.9)
Net cash flow from financing activities		**(26.4)**	(29.2)	(38.9)
Net increase/(decrease) in cash and cash equivalents		**21.7**	(9.2)	8.6
Effect of exchange rate fluctuations on cash held		**0.3**	0.7	1.6
Cash and cash equivalents at beginning of period		**64.0**	53.8	53.8
Cash and cash equivalents at end of period		**86.0**	45.3	64.0

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 2016	0.9	37.8	4.2	(9.2)	355.4	389.1
Total comprehensive income for the period						
Profit	-	-	-	-	39.7	39.7
Other comprehensive income/(expense)						
Currency translation differences for foreign operations	-	-	0.5	-	-	0.5
Effective portion of changes in fair value of cash flow hedges	-	-	-	(4.0)	-	(4.0)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	11.3	-	11.3
Defined benefit pension schemes' actuarial gains	-	-	-	-	11.5	11.5
Tax on other comprehensive income	-	-	-	(1.5)	(2.2)	(3.7)
Total other comprehensive income for the period	-	-	0.5	5.8	9.3	15.6
Total comprehensive income for the period	-	-	0.5	5.8	49.0	55.3
Contributions by and distributions to owners of the Company						
Share options exercised	-	3.6	-	-	-	3.6
Equity-settled share-based payment transactions	-	-	-	-	1.0	1.0
Dividends to shareholders	-	-	-	-	(30.0)	(30.0)
Equity at 31 March 2017	0.9	41.4	4.7	(3.4)	375.4	419.0

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

Notes to the 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 2017 comprise those of the Company and its subsidiaries (together referred to as the 'Group').

The comparative figures for the financial year ended 30 September 2016 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.victrexplc.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 2016.

This Half-yearly Financial Report was approved by the Board of Directors on 15 May 2017.

Risks and uncertainties

The principal risks and uncertainties which could impact the Group's long-term performance remain those detailed on pages 22, 23, 24, 96 and 97 of the Group's 2016 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 2016 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 2017. None of these have had a material impact and accordingly the 31 March 2016 and 30 September 2016 comparatives have not been restated.

IFRS15 Revenue from contracts with customers and IFRS9 Financial instruments, are effective for the year ending 30 September 2018. These are not expected to have a material impact.

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 2017 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 2016. 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 2016.

5. Segment reporting

The Group's business is strategically organised as two business units: Industrial (Victrex Polymer Solutions), which focuses on our Automotive, Aerospace, Electronics and Energy markets; and Medical (Invibio Biomaterial Solutions), which focuses on providing specialist solutions for medical device manufacturers.

	Six months ended 31 March 2017			Six months ended 31 March 2016			Year ended 30 September 2016		
	Industrial	**Medical**	**Group**	Industrial	Medical	Group	Industrial	Medical	Group
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue from external sales	**105.7**	**25.2**	**130.9**	91.8	25.2	117.0	201.5	50.8	252.3
Segment gross profit	**59.9**	**22.5**	**82.4**	51.4	22.2	73.6	114.2	44.5	158.7
Sales, marketing and administrative expenses			**(32.3)**			(26.1)			(58.4)
Operating profit			**50.1**			47.5			100.3
Net financing income			**-**			-			-
Profit before tax			**50.1**			47.5			100.3
Income tax expense			**(10.4)**			(8.8)			(17.8)
Profit for the period attributable to owners of the parent			**39.7**			38.7			82.5

6. Exceptional items

	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m	Year ended 30 September 2016 £m
Included within Sales, marketing and administrative expenses			
Pension curtailment gain	**-**	2.5	2.6
Costs of pension change	**-**	(1.5)	(1.5)
Restructuring costs	**(2.0)**	(1.0)	(1.6)
Exceptional items before tax	**(2.0)**	-	(0.5)
Tax on exceptional items	**0.4**	-	0.1
Exceptional items	**(1.6)**	-	(0.4)

Restructuring costs

Restructuring costs in both periods were incurred relating to a reorganisation across a number of the group's manufacturing and non-manufacturing locations.

Closure of Defined Benefit Section of the Pension Scheme

In the prior year, the closure of the Defined Benefit Section of the Pension Scheme to future benefit accrual on 31 March 2016, resulted in a curtailment gain of £2.6m. This non cash gain represented a one off reduction in accounting liabilities as benefits are no longer linked to future salary increases. The Scheme had been closed to new members in 2001. Offsetting this gain was 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 cash contribution of £3.6m in January 2016.

7. Income tax expense

Taxation of profit before tax in respect of the six months ended 31 March 2017 has been provided at the estimated effective rates chargeable for the full year in the respective jurisdiction.

	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m	Year ended 30 September 2016 £m
UK corporation tax	**8.9**	7.6	15.5
Overseas tax	**1.1**	1.1	1.7
Deferred tax	**0.4**	0.1	0.6
	10.4	8.8	17.8

The deferred tax assets/liabilities at 31 March 2017 and 30 September 2016 have been calculated at a rate of 17%, being the UK tax rate substantively enacted at the respective balance sheet dates. At 31 March 2016, this change had not been substantively enacted into law and therefore deferred tax was recognised at 18%.

8. Earnings per share

		Six months ended 31 March 2017	Six months ended 31 March 2016	Year ended 30 September 2016
Earnings per share	– basic	**46.4p**	45.5p	96.8p
	– diluted	**46.3p**	45.4p	96.7p
Profit for the financial period (£m)		**39.7**	38.7	82.5
Weighted average number of shares used	– basic	**85,422,476**	85,253,273	85,258,855
	– diluted	**85,599,364**	85,368,640	85,343,190

9. Derivative financial instruments

The notional contract amount, carrying amount and fair value of the Group's forward exchange contracts and swaps are as follows:

	As at 31 March 2017		As at 31 March 2016		As at 30 September 2016	
	Notional contract amount £m	**Carrying amount and fair value £m**	Notional contract amount £m	Carrying amount and fair value £m	Notional contract amount £m	Carrying amount and fair value £m
Current assets	**44.7**	**1.7**	1.0	1.4	(22.1)	2.1
Current liabilities	**140.2**	**(8.1)**	168.6	(11.6)	196.9	(19.5)
	184.9	**(6.4)**	169.6	(10.2)	174.8	(17.4)

The fair values have been calculated by applying (where relevant), for equivalent maturity profiles, the rate at which forward currency contracts with the same principal amounts could be acquired on the balance sheet date. These are categorised as Level 2 within the fair value hierarchy under IFRS 7.
In addition to the above, £3.2m is included in current liabilities in respect of the fair value of the derivative instruments associated with TxV. Further details are provided in note 10. These are categorised as Level 2 within the fair value hierarchy under IFRS 7.

10. Investment in joint venture

On 10 January 2017 Victrex established a Joint Venture with Tri-Mack Plastics which will focus on developing a new supply chain, with the capability to manufacture, at scale, unique and differentiated Loaded Brackets, blending new PEEK and PAEK polymer grades and composite materials. The results and financial position of TxV are consolidated into the group income statement and group balance sheet respectively based on the level of control Victrex exerts over TxV. Victrex's investment in TxV amounts to $14m.

Under the terms of the Joint Venture Agreement both parties have access to financial derivatives over the equity of TxV. The nature of these derivatives provides Victrex with the potential to increase its level of ownership. Where this is not under Victrex's control the exercise price of the derivative is recognised as a financial liability as required by IAS 32 Financial Instruments – Disclosure. The value of this liability is $4m. Where a financial liability is recognised, the anticipated level of potential ownership on exercise of the derivative is taken into account in determining that a non-controlling interest should not be recognised.

11. 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 2017		Six months ended 31 March 2016		Year ended 30 September 2016	
	Average	**Closing**	Average	Closing	Average	Closing
US Dollar	**1.41**	**1.25**	1.55	1.44	1.54	1.31
Euro	**1.28**	**1.15**	1.37	1.26	1.35	1.18
Yen	**158**	**141**	182	162	179	135

12. Reconciliation of profit to cash generated from operations

	Six months ended 31 March 2017 £m	Six months ended 31 March 2016 £m	Year ended 30 September 2016 £m
Profit after tax for the period	**39.7**	38.7	82.5
Income tax expense	**10.4**	8.8	17.8
Operating profit	**50.1**	47.5	100.3
Adjustments for:			
Depreciation	**7.3**	7.6	14.8
Amortisation	**0.8**	0.4	0.8
Loss on disposal of non-current assets	**0.1**	-	-
Increase in inventories	**(3.7)**	(9.8)	(3.4)
Decrease/(increase) in trade and other receivables	**4.7**	(3.0)	(13.4)
Increase/(decrease) in trade and other payables	**9.5**	0.8	(3.3)
Equity-settled share-based payment transactions	**0.9**	0.9	1.8
(Gains)/losses on derivatives recognised in income statement that have not yet settled	**(0.4)**	0.7	5.4
Retirement benefit obligations charge less contributions	**(0.9)**	(7.0)	(7.0)
Cash generated from operations	**68.4**	38.1	96.0

13. Related party transactions

The Group's related parties are as disclosed in the Annual Report and Financial Statements 2016. There were no material differences in related parties or related party transactions in the six months ended 31 March 2017 except for transactions with key management personnel. The most significant of these was on 8 December 2016, under the 2009 Long Term Incentive Plan ('LTIP'), when 41,469, 17,745, 15,379 and 14,802 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 1,857p per share.

14. Subsequent events

On 3 April 2017, the Group acquired 100% of the issued share capital of Zyex Limited, which is recognised as a global leader in the manufacture of PEEK based fibres, principally for the Aerospace, Automotive and Industrial markets. The consideration was approximately £9.6m but will be finalised through a completion accounts mechanism. The completion accounts are contracted to be completed within 80 days, after which the initial fair value accounting required by IFRS 3 Business Combinations will be completed.

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 38 and 39 of the Victrex plc Annual Report 2016.

By order of the Board

David Hummel	**Louisa Burdett**
Chief Executive	Group Finance Director
15 May 2017	15 May 2017

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 2017 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 2017 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
15 May 2017

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	8 June 2017
Record date for interim dividend ***	9 June 2017
Payment of interim dividend	30 June 2017
2017 year end	30 September 2017
Announcement of 2017 full year results	December 2017
Annual General Meeting	February 2018
Payment of final dividend	February 2018

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

* References to core volumes, core revenue or core business excludes Consumer Electronics
**Constant currency values have been reached by applying current year (H1 2017) effective currency rates to prior year (H1 2016) transactions
Operating cash conversion is cash generated from operations / operating profit
*** The date by which shareholders must be recorded on the share register to receive the dividend