VICTREX plc
Half-yearly Financial Report 2010

With over 30 years experience, Victrex is a global manufacturer of innovative, high performance thermoplastic polymers. We work with customers and end users to deliver technology driven solutions to the challenges and opportunities they face. Our Victrex Polymer Solutions division focuses on our transport, industrial and electronics markets and our Invibio Biomaterial Solutions division focuses on providing specialist solutions for medical device manufacturers.

Our operations

Our Group and divisional headquarters are based in the United Kingdom along with our manufacturing, research and customer support facilities. We have an integrated supply chain providing flexibility, control over quality and capacity and reassurance to our customers over security of supply. This is complemented by a growing network of sales, distribution and technical centres serving more than 30 countries worldwide.

How we work

Our team of dedicated market development, sales and technical support professionals work closely with customers and end users around the world offering continued assistance in new application development, product performance data and processing support. Our team includes organic and polymer chemists, physicists and material scientists, as well as process, mechanical and design engineers. These teams are effectively networked with a range of industrial and academic collaborators, laboratories and service providers around the world, which enable us to leverage additional specialised resources focused on solving our customers' toughest technical challenges.

Our divisions

victrex®
HIGH PERFORMANCE PEEK™ POLYMERS

Victrex Polymer Solutions' high performance polymers includes VICTREX® PEEK™ polymer, which is one of the highest quality thermoplastic materials in the world. It offers a unique combination of properties to help processors and end users reach new levels of cost savings, performance and product differentiation.

The VICTREX PEEK polymer product range includes several different types of polyaryletherketones, as well as a wide range of blends, compounds, high flow, high purity, films and coatings grades to meet a variety of performance criteria.

Invibio®
biomaterial solutions

Invibio Biomaterial Solutions offers an unparalleled combination of high performance biocompatible PEEK-OPTIMA® based polymers, advanced technical research and support, proven market expertise and a network of industry resources.

These biomaterial solutions help clients develop innovative medical devices and surgical techniques that improve outcomes and enhance patient quality of life.

Highlights

- **Group sales volume up 52% to 1,171 tonnes (2009: 772 tonnes)**
- **Group revenue up 88% to £89.3m (2009: £47.4m)**
  - **Underlying revenue up 36%***
- **Earnings per share up 205% to 26.8p (2009: 8.8p)**
  - **Underlying EPS up 52%***
- **Interim dividend up 23% to 6.4p (2009: 5.2p)**

* a reconciliation to underlying results is set out on page 2

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Interim Management Report

We are pleased to report excellent progress at Victrex with record half year revenue and profits. After last year's challenging global economic conditions, there has been a strong rebound in sales volume in the Victrex Polymer Solutions ('VPS') business and continued growth in our Invibio Biomaterial Solutions ('Invibio') business.

Group results

At 1,171 tonnes, first half sales volume was 52% up on the previous first half (772 tonnes) largely due to a strong rebound in VPS as a result of increased demand across all our major markets.

Group revenue increased by 88% to £89.3m (H1 2009: £47.4m) as underlying sales growth was also boosted by improved effective exchange rates. Underlying revenue was up 36%.

Gross profit increased by 66% to £52.5m (H1 2009: £31.7m), representing a gross margin of 58.8% (H1 2009: 66.9%). As previously forecast, while the gross margin was positively impacted by currency, this was more than offset by a significant increase in VPS cost of sales per tonne as sales were largely out of inventory produced in 2009, where significantly reduced production volumes resulted in increased fixed production costs per tonne (2009 first half sales were out of inventory produced in 2008). We expect cost of sales per tonne to revert towards lower historic levels in the second half as sales utilise current year production where volumes have increased.

Sales, marketing and administrative expenses were maintained at £21.7m (H1 2009: £21.5m). Group profit before tax was £30.8m (H1 2009: £10.2m) and basic earnings per share were 26.8p (H1 2009: 8.8p) both up over 200% on the previous first half. Underlying profit and earnings per share were both up over 50% on the first half of 2009.

The overall effective tax rate (including deferred tax) was 28% (H1 2009: 29%).

For clarity, a reconciliation of actual results to underlying results is set out below:

	Half year to 31 March 2010 £m	Half year to 31 March 2009 £m	Change %
Revenue			
Actual	**89.3**	47.4	+88%
Constant exchange rates (a)	**(12.8)**	–	
VPS buyout of surplus forward contracts	–	9.0	
Underlying	**76.5**	56.4	+36%
Profit before tax			
Actual	**30.8**	10.2	+202%
Constant exchange rates (a)	**(12.3)**	–	
VPS buyout of surplus forward contracts	–	9.0	
VPS streamlining costs	–	1.9	
VPS cost of sales (b)	**13.3**	–	
Underlying	**31.8**	21.1	+51%

Notes

(a) H1 2010 results restated at H1 2009 effective exchange rates
(b) H1 2010 cost of sales restated at H1 2009 cost of sales per tonne

Cash flow and dividend

Cash flow from operations increased to £36.2m compared with £10.3m for the first half of last year. This substantial improvement is primarily as a result of increased operating profit.

Capital expenditure cash payments amounted to £2.4m (H1 2009: £4.3m). Tax paid was £3.3m (H1 2009: £7.4m). Dividend payments for the period (comprising the 2009 final dividend) were £11.6m (H1 2009: £10.8m).

At 31 March 2010 the Group had cash of £39.4m and no debt (31 March 2009: cash of £14.2m and no debt). The Group has a committed bank facility of £40m, all of which was undrawn at 31 March 2010. This facility expires in September 2012.

In recognition of the Group's strong performance and in line with our progressive dividend policy, an interim dividend of 6.4p per share, representing an increase of 23% over last year's interim dividend, will be paid on Tuesday 6 July 2010 to all shareholders on the register at the close of business on Friday 11 June 2010.

The Board recognises the importance of a strong balance sheet and continually monitors the capital structure of our business. We have seen good cash generation in the first half which we expect to continue into the second half as we see the benefits of our high return on capital, good cash conversion and lower capital expenditure following our recent capacity expansion. We are currently reviewing the Group's requirement for capital in the strategic development of our business and this, together with our assessment of the medium-term trading outlook, will determine the potential for any return of excess capital to shareholders.

Victrex Polymer Solutions

	Half year to 31 March 2010 £m	Half year to 31 March 2009 £m	Change %
Revenue	**67.2**	29.7	+126%
Gross profit	**32.9**	16.3	+102%
Operating profit	**17.5**	0.5	+3,400%

VPS revenue increased by 126% compared to the first half of 2009 reflecting improved effective exchange rates and strong trading as our major markets recovered from the economic downturn in 2009. This rebound is evidenced by underlying revenue which was up 49%.

Gross margin decreased to 49.0% (H1 2009: 54.8%) due to the significant short-term increase in VPS cost of sales per tonne.

Sales, marketing and administrative expenses decreased by 3% to £15.4m (H1 2009: £15.8m). Excluding the cost of the streamlining exercise carried out in VPS last year (£1.9m), underlying expenses increased by 12% principally due to an increased staff bonus provision as a result of improved trading.

Underlying operating profit was up 91% compared with the first half of 2009.

Major markets

All of our major markets have recovered from the downturn in 2009.

Transport sales volume was 320 tonnes, up 65% on last year's first half. This rebound was principally due to increased automotive sales in Europe and Asia-Pacific, together with stronger aerospace sales in both the United States and Europe.

Industrial sales volume was 440 tonnes, up 36% on last year's first half. This predominantly reflects a recovery in oil and gas and increased demand for industrial applications in Europe and the United States.

Electronics sales volume was 244 tonnes, up 76% on last year's first half. This recovery occurred in both semiconductor and consumer electronics.

Development pipeline

During the first half we commercialised 349 new VICTREX PEEK applications with an estimated mature annualised volume ('MAV') of 184 tonnes compared with 266 commercialised applications with an estimated MAV of 126 tonnes in the second half of 2009. As at 31 March 2010, the development pipeline contained 3,062 developments (September 2009: 2,942) with an estimated MAV of 2,064 tonnes (September 2009: 1,966) if all of the developments were successfully commercialised.

Interim Management Report *continued*

Invibio Biomaterial Solutions

	Half year to 31 March 2010 £m	Half year to 31 March 2009 £m	Change %
Revenue	**22.1**	17.6	+26%
Gross profit	**19.6**	15.4	+27%
Operating profit	**14.1**	10.4	+36%

Invibio generated revenue of £22.1m, an increase of 26% over the previous first half and up 33% on the second half. Underlying revenue was up 7% on last year's record first half and 26% ahead of the second half as the business continued to make good progress following the inventory rationalisation by our customers in the second half of last year.

Sales, marketing and administrative expenses increased 10% to £5.5m reflecting continued investment in resources to drive further growth.

Operating profit increased by 36% to £14.1m. Underlying operating profit was up 4% on the previous first half and 34% ahead of the second half.

During the period we saw increased usage of PEEK-OPTIMA polymer in various spinal application areas, including cervical spinal fusion, where alternative materials such as bone have been utilised previously. Additionally, in arthroscopy we experienced strong growth in a broadening range of applications.

Invibio continues to invest, both in new technologies for medical device manufacturers and in the development of infrastructure to support growth. Since the start of the financial year, Invibio has entered into 21 additional PEEK-OPTIMA polymer long-term supply assurance agreements with implantable medical device manufacturers. These agreements were with device manufacturers based in Europe, the United States and increasingly in emerging markets such as Asia-Pacific.

Risks and uncertainties

Victrex's business and share price may be affected by a number of risks, trends, factors and uncertainties, not all of which are in our control. The process Victrex has in place for identifying, assessing and managing risks is set out in the Corporate Governance Report of the Annual Report 2009 on page 22. The Risk Management Committee was chaired by Tim Walker, Production and Technical Director, until his retirement from the Board in February 2010. From this point, the Group Risk Management Committee has been restructured with the Company Secretary becoming Chairman, and now comprises the Chief Executive, Finance Director, both divisional Managing Directors and representatives of the operational and finance functions. In addition, divisional Risk Management Committees have been formed, chaired by the respective Managing Directors and comprising the Company Secretary and appropriate representatives from all divisional functions.

The specific risks, trends, factors and uncertainties (which could impact the Group's revenues, profits and reputation) and relevant mitigating factors, as currently identified by Victrex's risk management process, have not changed since the year end. Detailed explanations can be found in the Annual Report 2009 on pages 10, 11 and 12. Broadly, these risks include technological change, operational disruption, insufficient capacity, product specifications, competitor activity and currency exposure.

Other risks may also adversely affect the Group. Accordingly, actual results may differ materially from anticipated results because of a variety of risk factors, including: changes in interest and exchange rates; changes in global, political, economic, business, competitive and market forces; changes in raw material pricing and availability; changes to legislation and tax rates; future business combinations or disposals; relations with customers and customer credit risk; events affecting international security, including global health issues and terrorism; changes in regulatory environment, and the outcome of litigation.

Outlook

Trading

Group sales volume remains strong since the end of the first half, further reinforcing the positive underlying trends in VPS. Invibio revenues continue in line with expectations and we expect that second half revenues will be broadly in line with the first half.

Currency impact and gross margin

Based on our forecast trading assumptions, current hedging already in place and spot exchange rates as at 14 May 2010, we currently estimate that the following average exchange rates will apply in the second half:

	Half year to 31 March 2010 Actual	Half year to 30 September 2010 Estimate
US Dollar	**1.57**	1.57
Euro	**1.14**	1.14
Yen	**162**	147

We expect that the second half effective sterling average selling price will remain at a similar level to the first half. However, as noted above, we anticipate a reduced cost of sales per tonne in the second half, resulting in gross margin for the year as a whole being similar to 2009 (62.1%).

The Company's second interim management statement, covering the period from 1 April 2010, will be issued on Thursday 5 August 2010.

People

The progress we have made during the first half is, in no small part, due to the continuing efforts and achievements of our employees. I would like to offer them special thanks for their ongoing commitment towards building our business.

Anita Frew
Chairman
24 May 2010

Condensed Consolidated Income Statement

	Note	Unaudited six months ended 31 March 2010 £000	Unaudited six months ended 31 March 2010 £000	Unaudited six months ended 31 March 2009 £000	Unaudited six months ended 31 March 2009 £000	Audited year ended 30 September 2009 £000	Audited year ended 30 September 2009 £000
Revenue	5		**89,302**		47,361		103,822
Cost of sales			**(36,795)**		(15,680)		(39,307)
Gross profit			**52,507**		31,681		64,515
Sales, marketing and administrative expenses			**(21,734)**		(21,511)		(39,420)
Operating profit	5		**30,773**		10,170		25,095
Financial income		**68**		86		91	
Financial expenses		**(45)**		(23)		(60)	
Net financing income			**23**		63		31
Profit before tax			**30,796**		10,233		25,126
Income tax expense	6		**(8,623)**		(2,968)		(7,287)
Profit for the period attributable to equity shareholders of the parent			**22,173**		7,265		17,839
Earnings per share							
Basic	7		**26.8p**		8.8p		21.7p
Diluted	7		**26.5p**		8.8p		21.6p
Dividends							
Year ended 30 September 2008:							
Final dividend paid February 2009 at 13.1p per share			**–**		10,795		10,795
Year ended 30 September 2009:							
Interim dividend paid July 2009 at 5.2p per share			**–**		–		4,285
Final dividend paid February 2010 at 14.0p per share			**11,574**		–		–
			11,574		10,795		15,080

An interim dividend of 6.4p per share will be paid on 6 July 2010 to shareholders on the register at the close of business on 11 June 2010. This dividend will be recognised in the period in which it is approved.

Condensed Consolidated Statement of Comprehensive Income

	Unaudited six months ended 31 March 2010 £000	Unaudited six months ended 31 March 2009 £000	Audited year ended 30 September 2009 £000
Profit for the period	**22,173**	7,265	17,839
Other comprehensive income			
Exchange differences on net investment translation of foreign operations	**229**	3,589	1,935
Net change in fair value of cash flow hedges:			
Transferred to equity	**(2,084)**	(24,310)	(19,923)
Transferred to income statement	**1,066**	16,845	25,366
Actuarial gains/(losses) on defined benefit plans	**459**	(1,907)	(7,210)
Tax on other comprehensive income	**(305)**	1,263	(2,178)
Other comprehensive income for the period, net of tax	**(635)**	(4,520)	(2,010)
Total comprehensive income for the period attributable to equity shareholders of the parent	**21,538**	2,745	15,829

Condensed Consolidated Balance Sheet

	Note	Unaudited 31 March 2010 £000	Unaudited 31 March 2009 £000	Audited 30 September 2009 £000
Assets				
Non-current assets				
Property, plant and equipment		**127,142**	130,879	129,484
Intangible assets		**10,110**	10,568	10,263
Deferred tax assets		**6,753**	10,631	7,096
		144,005	152,078	146,843
Current assets				
Inventories		**28,438**	42,122	37,168
Current income tax assets		**240**	1,066	1,015
Trade and other receivables		**22,647**	14,823	15,663
Derivative financial instruments	8	**636**	666	1,702
Cash and cash equivalents		**39,409**	14,223	18,563
		91,370	72,900	74,111
Total assets	5	**235,375**	224,978	220,954
Liabilities				
Non-current liabilities				
Deferred tax liabilities		**(15,865)**	(15,256)	(15,587)
Retirement benefit obligations		**(8,043)**	(5,923)	(10,831)
		(23,908)	(21,179)	(26,418)
Current liabilities				
Derivative financial instruments	8	**(4,236)**	(23,848)	(6,303)
Current income tax liabilities		**(9,633)**	(5,377)	(5,424)
Trade and other payables		**(16,940)**	(15,866)	(14,582)
		(30,809)	(45,091)	(26,309)
Total liabilities	5	**(54,717)**	(66,270)	(52,727)
Net assets		**180,658**	158,708	168,227
Equity				
Share capital		**834**	830	831
Share premium		**23,321**	20,915	21,653
Translation reserve		**2,634**	4,059	2,405
Hedging reserve		**(2,384)**	(10,945)	(1,651)
Retained earnings		**156,253**	143,849	144,989
Total equity attributable to equity shareholders of the parent		**180,658**	158,708	168,227

Condensed Consolidated Cash Flow Statement

	Note	Unaudited six months ended 31 March 2010 £000	Unaudited six months ended 31 March 2009 £000	Audited year ended 30 September 2009 £000
Cash flows from operating activities				
Cash generated from operations	10	**36,217**	10,324	26,804
Interest and similar charges paid		**(62)**	(22)	(50)
Interest received		**68**	86	91
Tax paid		**(3,322)**	(7,360)	(11,156)
Net cash flow from operating activities		**32,901**	3,028	15,689
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(2,381)**	(4,347)	(7,468)
Net cash flow from investing activities		**(2,381)**	(4,347)	(7,468)
Cash flows from financing activities				
Issue of ordinary shares exercised under option		**3**	1	2
Premium on issue of ordinary shares exercised under option		**1,668**	192	930
Purchase of own shares held		–	(977)	(977)
Dividends paid		**(11,574)**	(10,795)	(15,080)
Net cash flow from financing activities		**(9,903)**	(11,579)	(15,125)
Net increase/(decrease) in cash and cash equivalents		**20,617**	(12,898)	(6,904)
Exchange differences on net investment translation of foreign operations		**229**	3,589	1,935
Cash and cash equivalents at beginning of period		**18,563**	23,532	23,532
Cash and cash equivalents at end of period		**39,409**	14,223	18,563

Condensed Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Equity at 1 October 2009	831	21,653	2,405	(1,651)	144,989	168,227
Total comprehensive income for the period						
Profit	–	–	–	–	22,173	22,173
Other comprehensive income						
Exchange differences on net investment translation of foreign operations	–	–	229	–	–	229
Net change in fair value of cash flow hedges:						
Transferred to equity	–	–	–	(2,084)	–	(2,084)
Transferred to income statement	–	–	–	1,066	–	1,066
Actuarial gains on defined benefit plans	–	–	–	–	459	459
Tax on other comprehensive income	–	–	–	285	(590)	(305)
Total other comprehensive income for the period	–	–	229	(733)	(131)	(635)
Total comprehensive income for the period	–	–	229	(733)	22,042	21,538
Share options exercised	3	1,668	–	–	–	1,671
Equity-settled share-based payment transactions	–	–	–	–	796	796
Dividends to shareholders	–	–	–	–	(11,574)	(11,574)
Equity at 31 March 2010	**834**	**23,321**	**2,634**	**(2,384)**	**156,253**	**180,658**

	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Equity at 1 October 2008	829	20,723	470	(5,570)	150,342	166,794
Total comprehensive income for the period						
Profit	–	–	–	–	7,265	7,265
Other comprehensive income						
Exchange differences on net investment translation of foreign operations	–	–	3,589	–	–	3,589
Net change in fair value of cash flow hedges:						
Transferred to equity	–	–	–	(24,310)	–	(24,310)
Transferred to income statement	–	–	–	16,845	–	16,845
Actuarial losses on defined benefit plans	–	–	–	–	(1,907)	(1,907)
Tax on other comprehensive income	–	–	–	2,090	(827)	1,263
Total other comprehensive income for the period	–	–	3,589	(5,375)	(2,734)	(4,520)
Total comprehensive income for the period	–	–	3,589	(5,375)	4,531	2,745
Share options exercised	1	192	–	–	–	193
Equity-settled share-based payment transactions	–	–	–	–	748	748
Purchase of own shares held	–	–	–	–	(977)	(977)
Dividends to shareholders	–	–	–	–	(10,795)	(10,795)
Equity at 31 March 2009	830	20,915	4,059	(10,945)	143,849	158,708

	Share capital £000	Share premium £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Equity at 1 October 2008	829	20,723	470	(5,570)	150,342	166,794
Total comprehensive income for the year						
Profit	–	–	–	–	17,839	17,839
Other comprehensive income						
Exchange differences on net investment translation of foreign operations	–	–	1,935	–	–	1,935
Net change in fair value of cash flow hedges:						
Transferred to equity	–	–	–	(19,923)	–	(19,923)
Transferred to income statement	–	–	–	25,366	–	25,366
Actuarial losses on defined benefit plans	–	–	–	–	(7,210)	(7,210)
Tax on other comprehensive income	–	–	–	(1,524)	(654)	(2,178)
Total other comprehensive income for the year	–	–	1,935	3,919	(7,864)	(2,010)
Total comprehensive income for the year	–	–	1,935	3,919	9,975	15,829
Share options exercised	2	930	–	–	–	932
Equity-settled share-based payment transactions	–	–	–	–	729	729
Purchase of own shares held	–	–	–	–	(977)	(977)
Dividends to shareholders	–	–	–	–	(15,080)	(15,080)
Equity at 30 September 2009	831	21,653	2,405	(1,651)	144,989	168,227

Notes to the Half-yearly Financial Report

1. Reporting entity

Victrex plc (the 'Company') is a limited liability company incorporated and domiciled in the United Kingdom. The address of the Registered Office is Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire, FY5 4QD, United Kingdom. The Company is listed on the London Stock Exchange.

This Half-yearly Financial Report is an interim management report as required by DTR 4.2.3 of the Disclosure and Transparency Rules of the UK Financial Services Authority.

These condensed consolidated interim financial statements as at and for the six months ended 31 March 2010 comprise the Company and its subsidiaries (together referred to as the 'Group').

The comparative figures for the financial year ended 30 September 2009 are extracted from the Company's statutory accounts for that year. Those accounts have been reported on by the Company's auditor, filed with the Registrar of Companies and are available on request from the Company's Registered Office or to download from www.victrex.com. The auditor's report on those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain any statement under sections 498 (2) or (3) of the Companies Act 2006.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by KPMG Audit Plc and their report is set out on page 19.

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ('IAS') 34 – Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 September 2009.

This Half-yearly Financial Report was approved by the Board of Directors on 24 May 2010.

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 2009 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 2010. The effects of adopting the new standards, amendments to standards and interpretations, which are mandatory for the first time for the year ending 30 September 2010, are as follows:

- As a result of the adoption of IAS 1 (Revised 2007) – Presentation of Financial Statements, the Condensed Consolidated Statement of Recognised Income and Expense has been replaced with the Condensed Consolidated Statement of Comprehensive Income, and the Condensed Consolidated Statement of Changes in Equity is now presented separately as a primary statement;

- The amendment to International Financial Reporting Standard ('IFRS') 2 – Share-based Payment: Vesting Conditions and Cancellations has been adopted. The amendment affects the accounting for the Group's Save as you Earn ('SAYE') schemes. It stipulates that an individual ceasing to pay contributions is classed as a cancellation. The principal effect of this is that when an award is cancelled the full cost of the award will be expensed in the period in which the option lapses, unless a replacement award is issued. Previously the lapsing of an award through employee cancellation would have resulted in the fair value of the option previously charged being reversed in the income statement. The amendment is required to be applied fully retrospectively and the implementation has had no material impact on prior year financial statements;

- During the period IFRS 8 – Operating Segments has been adopted. IFRS 8 requires operating segments to be identified and reported upon that are consistent with the level at which results are regularly reviewed by the entity's chief operating decision maker. The chief operating decision maker for the Group is the Victrex plc Board. Divisional information is the primary basis of information reported to the Victrex plc Board and this is reflected in the segmental information in note 5. The performance of the divisions is assessed based on segmental operating profit and,

- IFRS 7 (Revised 2009) – Financial Instruments: Disclosures has been adopted. Accordingly, disclosure is given regarding the level of the fair value hierarchy within which the fair values of the Group's forward foreign exchange contracts are categorised and the maturity analysis required in relation to the timing of cash flows.

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

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 2009.

Notes to the Half-yearly Financial Report *continued*

5. Segment reporting

The Group's business is strategically organised as two divisions: Victrex Polymer Solutions, which manufactures high performance thermoplastic polymers for customers in the transport, industrial and electronics markets, and Invibio Biomaterial Solutions, which provides biocompatible PEEK based polymers to medical device manufacturers.

Operating divisional segments

Results

	Unaudited six months ended 31 March 2010			Unaudited six months ended 31 March 2009			Audited year ended 30 September 2009		
	Victrex Polymer Solutions £000	Invibio Biomaterial Solutions £000	Group £000	Victrex Polymer Solutions £000	Invibio Biomaterial Solutions £000	Group £000	Victrex Polymer Solutions £000	Invibio Biomaterial Solutions £000	Group £000
Revenue from external sales	**67,207**	**22,095**	**89,302**	29,731	17,630	47,361	69,626	34,196	103,822
Segment operating profit	**17,491**	**14,112**	**31,603**	479	10,375	10,854	6,276	20,040	26,316
Unallocated central costs			**(830)**			(684)			(1,221)
Operating profit			**30,773**			10,170			25,095
Net financing income			**23**			63			31
Profit before tax			**30,796**			10,233			25,126
Income tax expense			**(8,623)**			(2,968)			(7,287)
Profit for the period attributable to equity shareholders of the parent			**22,173**			7,265			17,839

Other information

Segment assets	**215,406**	**19,969**	**235,375**	208,629	16,349	224,978	203,770	17,184	220,954
Segment liabilities	**47,812**	**6,905**	**54,717**	62,023	4,247	66,270	45,852	6,875	52,727
Capital expenditure	**1,468**	**354**	**1,822**	4,145	106	4,251	7,100	263	7,363
Depreciation	**4,092**	**112**	**4,204**	3,873	108	3,981	8,074	223	8,297
Amortisation	**153**	**–**	**153**	305	–	305	610	–	610

6. Taxation

Taxation of profit before tax in respect of the six months ended 31 March 2010 has been provided at the estimated effective rates chargeable for the full year in the respective jurisdiction.

	Unaudited six months ended 31 March 2010 £000	Unaudited six months ended 31 March 2009 £000	Audited year ended 30 September 2009 £000
UK corporation taxation	**6,730**	2,760	3,670
Overseas taxation	**1,868**	872	2,334
Deferred taxation	**25**	(664)	1,283
	8,623	2,968	7,287

7. Earnings per share

	Unaudited six months ended 31 March 2010	Unaudited six months ended 31 March 2009	Audited year ended 30 September 2009
Earnings per share – basic	**26.8p**	8.8p	21.7p
– diluted	**26.5p**	8.8p	21.6p
Profit for the financial period	**£22,173,000**	£7,265,000	£17,839,000
Weighted average number of shares used – basic	**82,688,881**	82,244,501	82,329,865
– diluted	**83,523,704**	82,567,070	82,714,432

8. Derivative financial instruments

The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges and states them at fair value. The notional contract amount, carrying amount and fair value of the Group's forward exchange contracts and swaps designated as cash flow hedges are as follows:

	Unaudited 31 March 2010		Unaudited 31 March 2009		Audited 30 September 2009	
	Notional contract amount £000	Carrying amount and fair value £000	Notional contract amount £000	Carrying amount and fair value £000	Notional contract amount £000	Carrying amount and fair value £000
Current assets	**27,043**	**636**	(483)	666	9,010	1,702
Current liabilities	**84,246**	**(4,236)**	96,817	(23,848)	76,389	(6,303)
	111,289	**(3,600)**	96,334	(23,182)	85,399	(4,601)

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 at the balance sheet date.

These are categorised as Level 1 within the fair value hierarchy under IFRS 7.

Notes to the Half-yearly Financial Report *continued*

The following tables indicate the periods in which cash flows associated with the maturity date of the forward foreign exchange contracts for which hedge accounting applies are expected to occur:

	Unaudited 31 March 2010				Unaudited 31 March 2009			
	Expected cash flows £000	6 months or less £000	6 to 12 months £000	12 to 18 months £000	Expected cash flows £000	6 months or less £000	6 to 12 months £000	12 to 18 months £000
Forward exchange contracts								
Assets	**23,732**	**14,531**	**8,406**	**795**	1,703	(5,344)	3,834	3,213
Liabilities	**80,989**	**42,379**	**35,186**	**3,424**	95,273	47,291	37,814	10,168
	104,721	**56,910**	**43,592**	**4,219**	96,976	41,947	41,648	13,381

	Audited 30 September 2009			
	Expected cash flows £000	6 months or less £000	6 to 12 months £000	12 to 18 months £000
Forward exchange contracts				
Assets	10,762	2,923	7,839	–
Liabilities	73,412	36,477	32,392	4,543
	84,174	39,400	40,231	4,543

The following tables indicate the periods in which cash flows associated with the maturity date of the forward foreign exchange contracts for which no hedge accounting applies are expected to occur:

	Unaudited 31 March 2010				Unaudited 31 March 2009			
	Expected cash flows £000	6 months or less £000	6 to 12 months £000	12 to 18 months £000	Expected cash flows £000	6 months or less £000	6 to 12 months £000	12 to 18 months £000
Forward exchange contracts								
Assets	**3,311**	**3,311**	**–**	**–**	(2,186)	(1,736)	(959)	509
Liabilities	**3,257**	**3,257**	**–**	**–**	1,544	(521)	2,065	–
	6,568	**6,568**	**–**	**–**	(642)	(2,257)	1,106	509

	Audited 30 September 2009			
	Expected cash flows £000	6 months or less £000	6 to 12 months £000	12 to 18 months £000
Forward exchange contracts				
Assets	(1,752)	(2,261)	509	–
Liabilities	2,977	2,977	–	–
	1,225	716	509	–

9. Exchange rates

The most significant sterling exchange rates used in the accounts under the Group's accounting policies are:

	Unaudited six months ended 31 March 2010		Unaudited six months ended 31 March 2009		Audited year ended 30 September 2009	
	Average	Closing	Average*	Closing	Average*	Closing
US Dollar	**1.57**	**1.52**	2.05	1.43	1.85	1.60
Euro	**1.14**	**1.12**	1.38	1.08	1.31	1.09
Yen	**162**	**142**	210	142	181	143

* excluding adverse impact from buyout of surplus forward exchange contracts

10. Reconciliation of profit to cash generated from operations

	Unaudited six months ended 31 March 2010 £000	Unaudited six months ended 31 March 2009 £000	Audited year ended 30 September 2009 £000
Profit after tax for the period	**22,173**	7,265	17,839
Income tax expense	**8,623**	2,968	7,287
Net financing income	**(23)**	(63)	(31)
Operating profit	**30,773**	10,170	25,095
Adjustments for:			
Depreciation	**4,240**	4,178	8,370
Amortisation	**153**	305	610
Decrease/(increase) in inventories	**8,730**	(10,447)	(5,493)
(Increase)/decrease in trade and other receivables	**(6,984)**	3,372	2,532
Increase/(decrease) in trade and other payables	**2,857**	(1,755)	(2,726)
Equity-settled share-based payment transactions	**796**	747	729
Changes in fair value of derivative financial instruments	**(2,019)**	6,116	444
Retirement benefit obligations charge less contributions	**(2,329)**	(2,362)	(2,757)
Cash generated from operations	**36,217**	10,324	26,804

11. Related party transactions

The Group's related parties are as disclosed in the Annual Report and Accounts 2009. There were no material differences in related parties or related party transactions in the six months ended 31 March 2010 except for transactions with key management personnel, of which the most significant were as follows:

- On 14 December 2009, under the 2009 Long Term Incentive Plan ('LTIP'), 49,741 and 30,434 share option awards were granted to D R Hummel and M W Peacock respectively at an option price of nil p per share when the market price was 805p per share and,
- On 15 February 2010, under the 1999 LTIP, D R Hummel and M W Peacock exercised 84,943 and 62,663 share options respectively at an option price of nil p per share when the market price was 811p per share.

Responsibility Statement of the Directors

The Directors confirm that to the best of our knowledge:

- The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union;
- 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 Services 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 Services 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 page 16 of the Victrex plc Annual Report 2009. As announced in that Annual Report the Production and Technical Director stepped down from that role on 9 February 2010.

By order of the Board

Michael Peacock
Finance Director
24 May 2010

Forward-looking Statements

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

Independent Review Report 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 2010 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 Services Authority ('the UK FSA'). 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 FSA.

The annual financial statements of the Company are prepared in accordance with IFRSs 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 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

David Bills
For and on behalf of
KPMG Audit Plc
Chartered Accountants
St James' Square
Manchester
M2 6DS
24 May 2010

Shareholder Information

The Company's Annual Reports and Half-yearly Financial Reports are available on request from the Company's Registered Office or to download from www.victrex.com.

Financial calendar

Ex dividend date for interim dividend	9 June 2010
Record date for interim dividend *	11 June 2010
Payment of interim dividend	6 July 2010
2010 year end	30 September 2010
Announcement of 2010 full year results	December 2010
Annual General Meeting	February 2011
Payment of final dividend	February 2011

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

Victrex plc

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