10 May 2021

Victrex plc – Interim Results 2021

'H1 volumes +5% & improving end markets; PBT offset by mix & inventory unwind'

Victrex plc is an innovative world leader in high performance polymer solutions, delivering sustainable products which support CO2 removal and bring environmental and societal benefit in multiple end-markets. Today's announcement covers our interim results (unaudited) for the 6 months ended 31 March 2021.

	H1 2021	H1 2020	% change (reported)	% change (constant currency)[1]
Group sales volume	**2,087 tonnes**	1,992 tonnes	+5%	NA
Group revenue	**£150.9m**	£151.5m	-0.4%	+2%
Gross profit	**£81.4m**	£86.8m	-6%	-3%
Gross margin	**53.9%**	57.3%	-340bps	NA
Underlying PBT[1]	**£46.6m**	£52.0m	-10%	
Reported PBT	**£46.6m**	£49.9m	-7%	-1%
Adjusted EPS[1]	**46.9p**	50.0p	-6%	
EPS	**46.9p**	47.6p	-1%	
Dividend per share (regular & special dividends)	**13.42p**	-	+100%	NA

COVID-19

Victrex continues to be proactive on COVID-19, with the health, safety and well-being of our employees remaining our highest priority. We have maintained strong service levels to our customers as well as supporting our communities, alongside retaining a strong financial position.

Highlights:

- **Volumes +5% & improving end markets**
  - *H1 sales volume up 5%, driven by improving end-markets*
  - *Double-digit YoY growth and new applications in Electronics, VAR & Other Industrial (M&E)*
  - *Sequential[#] improvement in Automotive, Aerospace & Energy*
  - *H1 revenue in-line; softer sales mix due to strong Medical performance in prior year*
  - *Medical revenue down 16% on tougher comparative; gradual improvement as elective procedures return*

- **PBT offset by sales mix, inventory unwind & bonus accrual**
  - *PBT down 7% at £46.6m*
  - *Post-Brexit inventory unwind impacting fixed cost absorption, offset by cost savings*
  - *Sequential gross margin improvement, up 660 bps to 53.9%*

- **Strong growth pipeline of 'mega-programmes' with significant milestones delivered**
  - *Closing in on new E-mobility business win*
  - *Good progress in PEEK Knee with 3 trial sites now live; clinical update in July*
  - *Preparations for Magma qualification programme in Brazil on track*
  - *Further progress in Gears with advanced OEM testing*
  - *Progress in Aerospace slowed by COVID-19; long term opportunities expanding*

- **Strong financial position; underpinning investment & shareholder returns**
  - *H1 total cash £79.6m** underpinning c£50m capex in FY 2021, operating cash conversion[1] 96%*
  - *New PEEK facility in China on plan, commissioning late 2022*
  - *Post-Brexit inventory unwind to benefit cashflow (H1 2021 inventory down £17.5m to £81.0m)*
  - *Dividends returned to pre-COVID-19 levels; interim dividend for shareholders of 13.42p/share*

[1] **Alternative performance measures are defined on page 15**

****includes £16.6m of cash ring-fenced in the China subsidiary**

 # References to sequential items are based on H1 2021 vs H2 2020

Jakob Sigurdsson, Chief Executive of Victrex, said: "Victrex delivered good volume growth through the first half despite a strong performance in the prior year period, as improving end-markets and our solid and sustainable recovery from the impact of COVID-19 continues. We saw record volumes for March and April, despite a softer sales mix, and our order book remains robust. Profits were in line with our expectations as mix – reflecting a strong Medical performance last year – inventory unwind and under-recovery of fixed costs, and accrual for the Group's All Employee Bonus scheme offset our performance.

"Several end-markets benefited from new application growth, including in Electronics and M&E (part of Other Industrial), up 28% and 27% respectively, whilst geographically, Asia-Pacific was up 11%. It is also pleasing to see progress in delivering significant milestones within our mega-programme pipeline.

"Whilst COVID-19 restrictions remain, our priorities continue to be the health, safety and well-being of our employees and providing sustainable products which bring environmental and societal benefits for our customers. Although our Brexit inventory is now unwinding, which will impact recovery of fixed costs as production remains low, our £10m cost saving programme will sustainably improve our long-term operating leverage by the end of FY 2021. We also note gross margin improvement from the low point of H2 2020.

"Our strong cash generation underpins investment and shareholder returns, and we are pleased to see dividends back to pre-COVID-19 levels, with an interim dividend for shareholders of 13.42p/share.

Outlook

"The first half reflects an improving momentum across several end-markets, but also some restocking within supply chains. Consequently, our assumptions are that full year profits will be weighted to the first half. Our focus for H2 is to maintain good momentum although Medical is likely to see a more gradual improvement until elective procedures return in greater numbers. Whilst there may yet be upside to our anticipated full year performance, with the continued impact of post-Brexit inventory unwind on fixed cost recovery, and accrual for our All-Employee-Bonus scheme, at this stage we remain comfortable with current full year expectations.

"Overall, the Group is in a strong financial position. We have an attractive and growing portfolio of medium to long term growth opportunities, a strong ESG agenda, including alignment to global megatrends and sustainable products which help CO2 removal and support societal benefit, and a highly cash generative business model which underpins investment and shareholder returns."

About Victrex:

Victrex is an innovative world leader in high performance polymer solutions, focused on the strategic markets of automotive, aerospace, energy (including manufacturing & engineering), electronics and medical. Every day, millions of people use products and applications which contain our sustainable materials – from smartphones, aeroplanes and cars to oil and gas operations and medical devices. With over 40 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, provide environmental and societal benefits, and drive value for our shareholders. Find out more at www.victrexplc.com

A presentation for investors and analysts will be held at 9.00am (BST) this morning via a conference call facility. To register, dial ***+44 (0) 3333 000804*** *and participant pin:* ***13457249#.*** *Audio playback is available by dialling +44 (0) 3333 000819 and participant pin 301339125#. The presentation will be available to download from 8.30am (BST) today on Victrex's website at www.victrexplc.com under the Investors/Reports & Presentations section.*

Victrex plc:

Andrew Hanson, Director of Investor Relations & Corporate Communications
+44 (0) 7809 595831

Richard Armitage, Chief Financial Officer
+44 (0) 1253 897700

Jakob Sigurdsson, Chief Executive
+44 (0) 1253 897700

Interim results statement for the 6 months ended 31 March 2021

'H1 volumes +5% & improving end markets; PBT offset by mix and inventory unwind'

Group financial results

H1 sales volume up 5%

Group sales volume of 2,087 tonnes was 5% up on the prior year (H1 2020: 1,992 tonnes), despite the challenging comparative, with performance principally reflecting strong growth in Electronics (volumes up 28%) and sequential improvement from the low point of H2 2020 in Value Added Resellers (VAR) and Automotive (volumes up 68% vs H2 2020). Good growth was also seen in our Manufacturing & Engineering (M&E) business, which reports under Energy & Other Industrial, up 27% compared to H1 2020. In the more challenging end markets of Aerospace and Energy, the Group saw some sequential improvement although we note the subdued outlook in the short term.

Q2 sales volume of 1,204 tonnes was 8% ahead of the strong Q2 2020 (Q2 2020: 1,115 tonnes), with the prior year reflecting some pre-buying ahead of COVID-19 lockdowns.

Group revenue in line with H1 2020, with more gradual Medical recovery

Group revenue was £150.9m, in line with the prior year (H1 2020: £151.5m), reflecting a weaker sales mix as elective surgeries take time to return, driving Medical revenue 16% lower compared to H1 2020, which was a particularly strong period for Medical, prior to COVID-19 related lockdowns.

Group revenue in constant currency[1] was 2% up on the prior year (H1 2020: £148.4m in constant currency).

ASP down 5% due to mix

Our Average Selling Price (ASP) of £72/kg was 5% lower than the prior year (H1 2020: £76/kg), principally reflecting the faster sequential improvement in Industrial end markets compared to our Medical division, as elective surgeries take time to return. Currency also impacted us at the revenue level as Sterling strengthened. With several Industrial end-markets likely to continue improving faster than Medical, our expectations are that full year ASP will now be modestly lower than FY 2020 (FY 2020: £76/kg).

Good performance in Industrial; Medical up 23% sequentially

Our Industrial division reported revenues of £126.0m, 3% up on the prior year (H1 2020: £122.0m), with Electronics being notably strong as homeworking and the demand for a range of smart devices supported use of our materials. We also benefited from an improvement in VAR, with Automotive slightly down but up strongly from the lows of H2 2020. As noted, Aerospace and Energy performance was weaker during the first half, reflecting year-on-year rig counts being lower, with a reduction of 11% compared to H1 2020 (source: Baker Hughes).

Medical revenues were £24.9m, down 16% on the prior year (H1 2020: £29.5m) and 11% lower in constant currency[1]. Recovery in this end-market is expected to take longer and also reflects the prior year period, where we saw a particularly strong end to H1 2020, including some pre-buying as customers added inventory ahead of COVID-19 lockdowns. Whilst year-on-year performance was weaker, Medical revenues are up 23% sequentially, compared to H2 2020. Asia-Pacific remains a key area of growth for Medical, including in Spine, Arthroscopy and Cranio Maxillo Facial (CMF) applications, offsetting the more mature US spine market. By mid-2021, surgeries in China are anticipated to return to pre-COVID-19 levels, although the US and Europe are expected to remain more gradual in their recovery.

Gains & losses on foreign currency net hedging

Fair value gains and losses on foreign currency contracts, where net hedging is applied on cash flow hedges, are required to be separately disclosed on the face of the Income Statement. In H1 2021, a gain of £0.5m (H1 2020: loss of £1.2m) has been recognised accordingly, largely from USD contracts where the deal rate obtained (placed up to 12 months in advance in accordance with the Group's hedging policy) was favourable to the average exchange rate prevailing at the date of the related hedged transactions.

Gross margin improvement since H2 2020

Group gross margin of 53.9% improved by 660 basis points sequentially from the low point of H2 2020 (47.3%) but remained 340 basis points lower than the prior year (H1 2020: 57.3%) as mix was weaker and we saw lower production volumes, with Brexit inventories being unwound. This additional inventory has provided us with the ability to respond flexibly to customer demand. Whilst the unit cost of manufacturing increased compared to the prior year period, the cost savings implemented, of which approximately £5m will benefit cost of sales by the end of FY 2021, means that when demand sustainably improves and production volumes increase to more normalised levels, we expect gross margin to return closer to 60%.

PBT down 7%

PBT of £46.6m was down 7% on the prior year (H1 2020: £49.9m), reflecting a weaker mix and the impact from a higher unit cost of sales through under-recovered overhead, due to lower production as we unwind inventories. Operating overheads[1] were flat, reflecting cost savings offset by bonus accrual. After two years of no accrual for the Group's All Employee Bonus Scheme, we also began to accrue for this scheme, with approximately £4m accrued in the first half.

As communicated in our 2020 Annual Report, we have been reviewing the need to reflect retention and recruitment of global talent and how our All-Employee-Bonus Scheme supports this. Going forward, the scheme will remain discretionary but will no longer be based primarily on profit growth, instead it will be based on actual performance versus a budget-based target, with a cap in place. We envisage this will reduce the volatility of bonus payout year on year, whilst not increasing the overall payout over a multi-year period.

Our "front-end" functions of Sales, Marketing and R&D support existing business growth and our mega-programmes and whilst we will continue to invest in these areas where appropriate, particularly R&D, for FY 2021, we anticipate a slightly higher level of overhead investment, with implemented cost savings being offset by bonus.

Earnings per share down 1%

Earnings per share of 46.9p was 1% down (H1 2020: 47.6p per share). The effective tax rate was 13.1%, lower than the prior year (H1 2020: 17.6%) which is mainly due to the restatement of deferred tax balances in FY 2020 from the change in tax rates. The effective tax rate of 13.1% remains significantly below the UK rate of 19% because of the availability of the reduced rate on profits taxed under Patent Box.

Currency headwind

For FY 2021, our expectations are for currency to show a modest headwind of approximately £3m at PBT level, reflecting the strengthening of Sterling since the end of FY 2020. Hedging cover for FY 2021 is approximately 80%. With Sterling continuing to re-rate, we also note the implications for FY 2022, which is now approximately £9-10m headwind at PBT level, with less than 50% of hedging cover in place.

Our hedging policy seeks to substantially protect our cash flows from currency volatility on a rolling twelve-month basis. The policy requires that approximately 80% of our $ and € cash flow exposure is hedged for the first six months, then at least 75% for the second six months of any twelve-month period. The implementation of the policy is overseen by an Executive Currency Committee which approves all transactions and monitors the policy's effectiveness.

Proactive actions on COVID-19

Whilst several end markets have started to see improvement, the health, safety and well-being of Victrex employees and supporting our customers continues to be our highest priority. Our COVID-19 committee, established at the start of 2020, remains in place, with a proactive approach and a range of contingency plans already implemented. Our approach is focused on several key areas:

People

A range of contingency plans have already been implemented, with a focus on the health, safety and well-being of our people. We continue to follow governmental or state guidance wherever we operate, and continue to serve customers from home offices, with the overwhelming majority of our global employees' homeworking, wherever roles are not production related. Beyond our UK and US manufacturing operations, warehousing and limited R&D support, our China technical centre remains the only site with employees in place. Adherence to governmental guidance also reflects our own Risk levels geographically to support our roadmap for when Return to Site is possible.

For our UK sites, we are at an early stage of developing Return to Site plans and anticipate a greater Return to Site from July 2021, subject to UK government guidelines.

Essential industry

The UK government defines Chemicals as an essential industry with essential workers, with Victrex also having a long-standing history in supporting many critical and "life-sustaining" applications, particularly in Medical. In the US, we continue to operate on an ongoing modified basis, defined as being a 'life-sustaining' organisation in several states.

Cash conservation

Following implementation of a range of cash conservation measures during FY 2020, our cash position remains healthy, with total cash of £79.6m at H1 2021. All discretionary costs including travel and new recruitment have been constrained to those activities critical to supporting customer related activity.

Dividends

With a highly cash generative business model, the Group has proposed an interim dividend for shareholders, which reflects a gradual improvement in the Outlook, as well as an improvement in our cash position following cash conservation measures implemented during FY 2020. This takes our dividends back to pre-COVID-19 levels.

Strong financial position

Overall, our financial position remains strong, including a total cash position of £79.6m on 31 March 2021 and a committed undrawn RCF of £20m, and a £20m accordion, to October 2024. We are in regular engagement with our banks, with options available to access other capital, should this be required.

Brexit

Following implementation of the Brexit trade agreement, the Group has seen no material impact on trade from the UK to the EU, reflecting our proactive stock build and EU warehousing. We have continued to hold Brexit steering meetings to assess any immediate concerns through the transition period.

Investment to drive growth

Sales, marketing and administration expenses ("operating overheads[1]") were flat at £34.4m (H1 2020: £34.6m) principally reflecting accrual for the Group's All Employee Bonus Scheme, offset by cost savings. Excluding bonus, the cost actions we implemented at the end of FY 2020 means that overhead investment reduced by 12.5% compared to the prior year period, supported by the benefit of lower marketing activity and travel as a result of COVID-19. R&D investment is measured on a full year basis and is currently tracking at approximately 5% of revenues[1].

For FY 2021 overall, we expect total operating overheads, including accrual for the Group's all employee bonus scheme, to be slightly ahead of FY 2020.

Investment in capacity and to support downstream strategy

Capital expenditure was £16.5m (H1 2020: £11.9m) and we continue to anticipate FY 2021 capital expenditure will be in the region of £50m, which will be second half weighted. Nearly three-quarters of total capital investment this year will be in China, to develop a new PEEK facility and related infrastructure.

This investment in capacity is being developed in a more tailored way than historic investments, with smaller increments providing an overall return on investment similar to current Group Return on Capital Employed (ROCE)[1]. Our debottlenecking project – covering an upgrade to our UK assets – remains paused, although we have the opportunity to quickly restart it once we see demand sustainably improve. Following these investments, we do not anticipate any material large scale capacity investment for several years.

Our China investment is progressing well, with commissioning anticipated to be during 2022. With the challenge of managing some of the engineering work remotely – due to COVID-19 restrictions on in-country access – we have had to source additional regional engineering support and other facilities at an increased cost. Over 300 employees and contractors are typically on site, with the investment reflecting continued growth in China across end-markets, and the opportunities we see to support our customers in country and with a quality PEEK offering. Following a pause for the Panjin winter, the civils part of the construction programme has recently been completed.

Mega-programme progress

We continue to see little evidence of any material slowdown in our overall growth portfolio of mega-programmes. Whilst individual timelines remain subject to change, the long-term prospects in each programme are undimmed. Our Knee programme is the key programme where timing towards commercialisation has been impacted by COVID-19, following the pausing of the clinical trial in Italy, which subsequently restarted alongside trials in India and Belgium. Knee commercial revenues are approximately 1 year behind our original timeline although with patients in place for clinical trials, we anticipate our partner Maxx Orthopedics will update on clinical progress towards first implants in July 2021. Our Aerospace Loaded Brackets programme – which successfully secured over £1m of meaningful revenue in FY 2020 – is expected to remain subdued over the next 1-2 years but we continue to see good long-term opportunities, with mega-trends aligned to light-weighting and CO2 reduction supporting the use of our materials.

In PEEK **Gears**, which now have four initial contracts 'on the road' following a first supply agreement in 2018, we have increased the number of development programmes with tier 1 suppliers or OEMs (Original Equipment Manufacturers). During the first half we started advanced testing for a major European car manufacturer, with two sets of gears for engine applications, building on our existing development programmes in Automotive, which total approximately 20. Gears continue to have application uses across both traditional combustion engines (ICEs) and electric vehicles (EVs) and we have recent opportunities progressing in both the US and Asia.

Our **Aerospace Loaded Brackets** programme secured meaningful revenue in excess of £1m during FY 2020. Whilst this end-market remains challenging in the short term – with revenues likely to remain similar – the long term opportunity remains intact, with PEEK composites supporting both light-weighting and faster processing times compared to metal based applications. During FY 2020 we supplied the first composite parts manufactured in our US facility, which generated commercial revenues in line with our 'Parts that fly' strategy. Niche opportunities within the composites area remain strong, even if aeroplane build rates are likely to remain subdued over the next 1-2 years. We also continue to explore opportunities in eVTOL (Electric Vehicle Take-off and Landing) which could support medium term growth.

Within **'Aerospace Structures'** which links to our development alliance with Airbus, we are now delivering prototype revenue via large scale test parts. The alliance will support the development and commercialisation of thermoplastic composites in Aerospace, with a focus on both larger primary and secondary Aerospace structures, such as wings and fuselage parts. We anticipate this programme could move close to meaningful revenue of £1m during FY 2021, although we note this is derived from prototypes. A long term agreement was also signed to support the use of our composite materials which underpins the opportunity. Aerospace Structures remains incremental to Victrex's Aerospace Loaded Brackets programme, with our AE™250 composites grade being integral to both of these opportunities.

In our **Magma** composite pipe programme, we anticipate smaller incremental projects will continue to support revenues. Victrex continues to play a key role in Magma Global's qualification programme, working directly and indirectly with TechnipFMC to support the pre-qualification work as part of TechnipFMC's bid programmes in Brazil. Ahead of the outcome of pre-development work, anticipated in 2022, using a Hybrid Flexible Pipe (HFP) model, we expect to see continued development revenues as the 6 inch qualification pipe progresses – extruded by Victrex– through the supply chain. Despite the challenging oil & gas sector, the technical and subsea engineering requirements in Brazil and elsewhere continue to support the proposition for Magma, including light-weighting, durability and chemical resistance.

Our **E-mobility** programme, which focuses on applications across electric vehicles, in particular for high-voltage next generation programmes, is closing in on a contract where PEEK will be used in specific applications. Initial revenues, whilst low, are expected to commence early in FY 2022. A number of other global testing programmes are taking place with major OEMs. We have a growing number of development programmes, with FY 2022 and FY 2023 set to see greater commercialisation.

In Medical, following a doubling of revenue from our next generation **PEEK-OPTIMA™ HA Enhanced** product for Spine during FY 2020 to £2m, revenues remain subdued due to the challenges of lower elective surgeries, as a result of COVID-19. However, with elective surgeries expected to gradually increase through the second half and into FY 2022, we anticipate seeing some improvement. During the first half, we secured first US FDA approval for this product in ankle wedge systems, complementing other extremity applications such as hammertoe. We also continue to innovate within Medical to secure revenues in non-Spine, which are growing. These include Cranio Maxilo Facial (CMF), European regulatory approval for a total PEEK heart application and sternal devices. We are also making good progress in our Porous PEEK offering thanks to our investment in Bond 3D and the 3D printing opportunities that offers.

As communicated last year, our focus to grow our non-Spine business in **Dental** has been slower than we anticipated, with COVID-19 disruption being particularly strong in this end market. Whilst the technical proposition remains strong, like other participants or competitors in this market, we are focused on commercialisation through partnerships or other vehicles.

Our **Trauma** pipeline continues to build, following the agreement with US based In2Bones for composite plating, and we are also on track for our first Asia customer product launch later in FY 2021. We also recently entered into a joint development agreement with a major Chinese trauma company.

In **Knee**, we are seeing positive progress across three trial sites and our partner Maxx Orthopedics will be providing a more detailed update in July as we focus on the first human implant. Clinical trials are progressing in three regions with over 30 patients – Belgium, India and Italy. As a result of COVID-19 and the pausing and subsequent recommencement of the trial, this programme is now running up to 12 months behind its original plan, although the commercial revenue opportunity remains significant, reflecting the demand for alternatives within the Knee market. We also remain focused on securing a second OEM partner in this programme, alongside Maxx Orthopedics.

Strong balance sheet

Our strong balance sheet underpins our ability to invest and support security of supply for customers. Net assets at 31 March 2021 totalled £484.2m (H1 2021: £471.1m). Inventories reduced to £81.0m (H1 2021: £95.1m), which reflects sales inventory being unwound at pace after Brexit. Our expectation is that full year inventory will reduce below £75m.

Robust cash generation

Cash generated from operations was £59.2m (H1 2020: £53.7m), an operating cash conversion[1] of 96% (H1 2020: 85%). Total cash (with no debt) at 31 March 2021 was £79.6m (H1 2021: £53.2m). This includes £16.6m ring-fenced in our China subsidiary to give £63.0m available cash[1] in the wider Group. In February 2021 we paid the 2020 full year final dividend of 46.14p/share. The half year cash position is materially above that included in the base case and the two scenarios in the FY 2020 year-end going concern assessment, driven by a stronger than anticipated recovery in sales.

Taxation

The Group's effective tax rate reflects the associated benefit from Victrex filing patents as part of its unique chemistry and IP, through the UK government's 'Patent Box' scheme. The effective tax rate was 13.1% for H1 2021 (H1 2020: 17.6%), lower than the prior year period where there was a one-off deferred tax charge of £2.2m as a result in the change of tax rate. Our anticipated effective tax rate in the medium term is expected to be in the 10-14% range, which includes an allowance for the increase in the UK corporation tax rate over the coming years and reflects the rate available through the UK Patent Box scheme. The increase in the UK Corporation Tax rate, once approved by parliament, will result in a one-off deferred tax charge in the region of £6.3m which will increase the effective tax rate for FY 2021 by approximately 7 to 8% points, and adversely impact earnings per share for the current financial year.

Dividends

With positive cash generation and an improving Outlook, the Group is seeing dividends return to pre-COVID-19levels. We have proposed an interim dividend – the interim dividend in H1 2020 was deferred and subsequently cancelled as part of our cash conservation measures and to reflect consideration for all of the Group's stakeholders – at the same level, 13.42p/share, as H1 2019, or at pre-COVID-19 levels.

Outlook

The first half reflects an improving momentum across several end-markets, but also some restocking within supply chains. Consequently, our assumptions are that full year profits will be weighted to the first half. Our focus for H2 is to maintain good momentum, although Medical is likely to see a more gradual improvement until elective procedures return in greater numbers. Whilst there may yet be upside to our anticipated full year performance, with the continued impact of post-Brexit inventory unwind on fixed cost recovery, and accrual for our All-Employee-Bonus scheme, at this stage we remain comfortable with current full year expectations.

Overall, the Group is in a strong financial position. We have an attractive and growing portfolio of medium to long term growth opportunities, a strong ESG agenda, including alignment to global megatrends and sustainable products which help CO2 removal and support societal benefit, and a highly cash generative business model which underpins investment and shareholder returns.

Jakob Sigurdsson
Chief Executive
10 May 2021

[1] **Alternative performance measures are defined on page 15.**

DIVISIONAL REVIEW

Industrial

	6 months Ended 31 Mar **2021** £m	6 months ended 31 Mar 2020 £m	% Change (reported)	% Change (constant currency)
Revenue	126.0	122.0	+3%	+5%
Gross profit	59.5	61.6	-3%	-

Group performance is reported through the Industrial and Medical divisions although we continue to provide a market-based summary of our performance and growth opportunities. The Industrial division includes the markets of Energy & Other Industrial (including Manufacturing & Engineering), Value Added Resellers, Transport (Automotive & Aerospace) and Electronics.

Our Industrial business delivered revenue of £126.0m (H1 2020: £122.0m), 3% up on the prior year, reflecting a strong performance in Electronics, a solid performance in Automotive and Value Added Resellers, offset by a weaker performance in Aerospace and Energy & Other Industrial. Revenue in constant currency was up 5%. Gross margin was lower at 47.2% (H1 2020: 50.4%), primarily reflecting the impact of inventory unwind from low production, alongside a softer Industrial mix. Electronics and Manufacturing & Engineering (which reports under Other Industrial) were the notable drivers of growth, with volumes 28% and 27% ahead in these end markets respectively, supported by an extension of applications including for Semiconductor and 5G applications.

Energy & Other Industrial
Our Energy & Other Industrial end-market (which includes volumes reported for Manufacturing & Engineering) saw sales volume of 362 tonnes, which was up 10% on the prior year (H1 2020: 329 tonnes), with Oil & Gas down 11% overall. Rig count reduced through 2020 as oil prices and activity levels fell. Oil & Gas volumes during the first half increased by 20% sequentially versus the second half of FY 2020. In our Magma mega-programme, we expect to see a stable performance during the year, reflecting the opportunity with TechnipFMC and Ocyan in Brazil, with Victrex supporting the material requirements and qualification pipe. A number of smaller incremental projects are in place to support revenue this year.

Manufacturing & Engineering (M&E) focuses on new or incremental applications in fluid handling, food contact materials and manufacturing equipment applications, including the emerging opportunities in fridge compressors where metal replacement requirements are increasing. Application growth in this end market helped drive volume growth of 27% compared to the prior half year.

Value Added Resellers
Material processors and compounders use our PEEK materials for parts or component manufacturing specified by end users and OEMs, together with more variable demand requirements as the "pull" from Industrial markets using Victrex^{TM} PEEK continues to grow. Because of the fragmented nature of the industrial supply chain, once PEEK has been specified by end users, full clarity on the exact route to market for all of our polymer business is not always possible, however, our analysis suggests a similar alignment to our Industrial end-markets, with Aerospace being the exception, as volumes through VAR are limited.

The Value Added Reseller channel to market also typically sees greater levels of restocking and destocking as processors or compounders typically reduce inventories in higher value materials when end market demand drops. Sales volume of 852 tonnes was 11% up on last year (H1 2020: 768 tonnes), principally reflecting the improvement in Electronics and sequential improvement in Automotive, offset by a weaker Energy market.

Transport (Automotive & Aerospace)

Through COVID-19, the structural megatrends including lightweighting, CO2 reduction, durability, comfort, electrification and heat resistance remain strong and we anticipate that some opportunities within Transport may be able to move forward faster.

Following a strong performance in the prior year period, Automotive was slightly down during the first half year, although we saw an improving trend compared to the second half of FY 2020. Recent Semiconductor shortages have weighed on Automotive, slightly slowing momentum, although we anticipate growth on a full year basis. Whilst Aerospace has improved from the trough levels seen during FY 2020, this end-market remains subdued, with OEM build rates significantly lower than the prior year period. Long term trends remain supportive and we note that OEM forecast build rates have only marginally reduced over the next 15-20 years (Airbus forecasts 36,000 new or replacement planes by 2038).

Overall Transport sales volume declined 14% to 474 tonnes (H1 2020: 549 tonnes).

Automotive

Volumes were down 4%, primarily a reflection of the strong comparative in H1 2020, where the Group benefited from the PFOA ban in certain areas of Asia and strong growth in Japan. Core applications include braking systems, bushings & bearings and transmission equipment, with increasing opportunities in electric vehicles including impending e-mobility business. Volumes were up 68% compared to H2 2020.

In PEEK Gears, our pipeline is approximately 20 programmes within Automotive (we also have additional opportunities in Gears within M&E), which includes advanced testing for a major European OEM, as well as opportunities in China, Asia, Europe and the US. The majority of these development programmes have commercial opportunity in the period 2021-2023, with the potential of meaningful revenue of over £1m in FY 2021. PEEK gears based on Victrex^{TM} HPG PEEK can offer a 50% performance and noise vibration and harshness (NVH) benefit compared to metal gears, as well as contributing to the trend for minimising CO2 emissions through weight & inertia reduction, and quicker manufacturing compared to metal. A PEEK Gear offers the potential of approximately 20 grams per application.

In E-mobility, our focus on next generation high-voltage vehicles has helped us secure a new contract for applications, which will deliver initial revenues in FY 2022. PEEK remains well placed for both internal combustion engines, hybrids and electric vehicles (EVs). Multiple development programmes are underway and the mid-term higher voltage batteries support the use of PEEK due to the increased need for insulation and good dielectric properties. The long-term potential for up to 100g per EV application supports growth opportunities in this end market. We anticipate that a number of programmes will start to see revenue build from FY 2022.

Aerospace

Aerospace volumes were down 40%, reflecting the significant impact on plane build through COVID-19. 2020 was recognised as having the sharpest decline in aviation history with demand (revenue passenger kilometres or RPKs) down by 66% on the prior year.

Sequentially, Aerospace volumes were up 9% as we progressed from trough levels in H2 2020, although we note the current industry challenges. The latest announcements from OEMs confirm the slow pace of recovery, with widebody models such as the Boeing 787 seeing production rates adjusted to 5 per month (down from 8) in early 2021. The Boeing 737 Max's production rates are also unlikely to return above 30 planes a month until early 2022. Similarly at Airbus, we note that the latest production plan represents a slower ramp up than previously anticipated.

Long term trends remain strong however. Our Loaded Brackets and Aerospace Structures mega-programmes, and the use of composites and differentiated products on a long-term basis, including seat pans and interior structural components, continue to look favourable and we anticipate a continuation of revenue build in both of these programmes, reflecting their niche and differentiated offering. Light-weighting, recyclability and the ability to reduce manufacturing cycle time by up to 40% remains a key selling point for our PEEK and PAEK polymers.

Electronics
Electronics volumes rebounded strongly, up 28% at 309 tonnes (H1 2020: 242 tonnes). With Asia being a key geography for much of this end-market, the COVID-19 recovery in Asia and return to operations for many countries in the region provided support, alongside application growth.

Semiconductor chip demand – driven by internet of things, 5G applications, cloud computing and Automotive – supported our growth, with core applications like CMP rings and other extended application areas growing. We also benefited from greater implementation of 5G alongside the greater homeworking trend during the pandemic. This provided good momentum for our APTIV™ film business and small space acoustic applications.

With consumer spending shifting from travelling to home care or upgrades, sales of home appliances and our impeller application business in high-end brands are also performing well.

Regional trends
With societies in Asia gradually seeing recovery from COVID-19, sales volume in that region saw the greatest improvement, with Asia-Pacific up 11% at 599 tonnes (H1 2020: 540 tonnes). Asia is now larger than the US as a geographic market.

Europe was up 6%, with 1,124 tonnes (H1 2020: 1,056 tonnes), reflecting sequential improvement in Automotive and Value Added Resellers. US volumes were down 8% at 363 tonnes (H1 2020: 396 tonnes) principally reflecting the weaker performance in Energy.

Medical

	6 months Ended 31 Mar 2021 £m	6 months ended 31 Mar 2020 £m	% Change (reported)	% Change (constant currency)
Revenue	24.9	29.5	-16%	-11%
Gross profit	21.9	25.2	-13%	-11%

Revenue in Medical was down 16% at £24.9m (H1 2020: £29.5m) but increased by 23% compared to H2 2020 as we see a gradual but steady return to elective surgeries in some regions, principally Asia-Pacific.

In constant currency, Medical revenue was down 11%. Gross profit was £21.9m (H1 2020: £25.2m) and gross margin was up at 88.0% (H1 2020: 85.4%) which partly reflected the impact of currency gains.

Geographically, as several societies in Asia-Pacific started to emerge from COVID-19, we saw an improvement in this region from trough levels of H2 2020. Asia-Pacific revenues were flat year on year, with Medical revenues in the US 23% down and Europe down 10%. Asia-Pacific continues to reflect revenues in Spine, as new approvals are secured, and some non-Spine areas such as Cranio Maxillo-Facial (CMF), Arthroscopy & Sports Medicine as well as some emerging or incremental opportunities in heart components. On a medium-term view, we are targeting high single-digit million revenue from our non-Spine areas.

Medical market overview

Elective procedures were significantly impacted during FY 2020 and remain subdued in most regions outside of Asia-Pacific. Latest indicators suggest China is expected to return to pre-COVID-19 levels of elective surgeries by mid-year, with the US and Europe not expected to be in a similar position until the end of calendar year 2021.

Spine is our historic market which is now mature, and we continue to diversify through emerging geographies, and new innovative products. Our premium and differentiated PEEK-OPTIMA™ HA Enhanced product (POHAE) – to drive next generation Spine procedures – is one part of our strategy to grow our Medical business. Following good growth during FY 2020, the decrease in elective surgeries impacted revenues during H1 2021, although we anticipate some improvement in the second half. First FDA approval of POHAE in ankle wedge systems is expected to complement other extremity applications such as hammertoe for this product.

Our Porous PEEK opportunity, where the benefit of bone-in growth is added to bone-on growth for Spinal applications, is moving forward on plan thanks to our Bond 3D investment, where our ability to 3D print spinal cages will be invaluable. Following successful feasibility work we entered into a joint development agreement with a medical device customer to progress development of the first FDA approved porous PEEK additive manufactured spinal cage, for projected launch in 2022.

Progress in our non-Spine business continues to be impressive, with non-Spine revenues now 46% of the division. During the first half one of our customers gained regulatory approval in Europe (CE mark) for the first PEEK total artificial heart. We also saw the first FDA approval of a PEEK based cervical disk and developed new products in sternal applications. Cranio Maxillo Facial (CMF) continues to be a growth opportunity and we saw 17% growth compared to H1 2020.

Mega-programmes

As previously communicated, the focus for our Invibio Dental (Juvora™) branded products is for adoption to be driven by partners and industry players – similar to other competitor products – with Invibio continuing to support and build on existing clinical data, including that through the Malo Clinic, which further validates our Dental proposition.

Our emphasis remains on the prosthetic dental market – frames, bridges and partials – rather than the full jaw-based implant, with the Invibio Dental offering focused on improving quality of life and clinical outcomes for patients, whilst offering manufacturing efficiency benefits.

In Trauma, we announced an agreement during the first half with US based In2Bones for composite plating in higher and lower extremities and are on track for our first Asia customer product launch in 2021. We also recently entered into a joint development agreement with a major Chinese trauma company.

Our PEEK composite Trauma plates offer the potential for 50 times better fatigue resistance compared to a metal plate. The awareness of composites as a viable metal alternative is growing and we have the manufacturing capability to meet initial demand.

In Knee, we saw positive progress during the first half year. Clinical trials are now operating in Belgium, India and Italy, with our partner Maxx Orthopedics due to update on the clinical trial in July, with the focus on the first human PEEK Knee implants. With the impact of COVID-19 last year on the original trial in Italy, this programme has shifted its timeline backwards by approximately 12 months although the long term opportunity – in what is a $6 billion global market – remains attractive.

Alternative performance measures:

We use alternative performance measures to assist in presenting information in an easily comparable, analysable and comprehensible form. The measures presented in this report are used by the Board in evaluating performance. However, this additional information presented is not required by IFRS or uniformly defined by all companies. Certain measures are derived from amounts calculated in accordance with IFRS but are not in isolation an expressly permitted GAAP measure. The measures are as follows:

- Operating profit before exceptional items (referred to as underlying operating profit) is based on operating before the impact of exceptional items. This metric is used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and / or unusual or infrequent in nature. Exceptional items for FY 2020 are £12.0m relating to restructuring and acquisition related costs. Further details are disclosed in note 5;
- Profit before tax and exceptional items (referred to as underlying profit before tax) is based on Profit before tax before the impact of exceptional items. This metric is used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and / or unusual or infrequent in nature.
- Constant currency metrics are used by the Board to assess the year on year underlying performance of the business excluding the impact of foreign currency rates, which can by nature be volatile. Constant currency metrics are reached by applying current year (H1 2021) weighted average spot rates to prior year (H1 2020) transactions;
- Adjusted EPS is earnings per share based on profit after tax but before exceptional items divided by the weighted average number of shares in issue. This metric is used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and/or unusual or infrequent in nature;
- Operating cash conversion is used by the Board to assess the business's ability to convert operating profit to cash effectively, excluding the impact of investing and financing activities. Operating cash conversion is operating profit before exceptional items adjusted for depreciation and amortisation, working capital movements and capital expenditure / operating profit before exceptional items;
- Available cash is used to enable the Board to understand the true cash position of the business when determining the use of cash under the capital allocation policy. Available cash is cash and cash equivalents plus other financial assets (cash invested in term deposits greater than three months in duration) less cash ring-fenced in the Group's PVYX subsidiary;
- Research and development expenditure as a % of Group sales is used by the Board because R&D spend is considered to be a leading indicator of the Group's ability to innovate into new applications, supporting future growth. The Group targets spend at c5%–6% of Group revenues;
- Sales from New Products as a percentage of Group sales is used by the Board to measure the success of driving adoption of the new product pipeline. It measures Group sales generated from mega-programmes, new differentiated polymers and other pipeline products that were not sold before FY 2014 as a percentage of total Group sales; and
- Return on Capital Employed (ROCE) is used by the Board to assess the return on investment at a Group level. ROCE is profit after tax / total equity attributable to shareholders at the year end;
- Operating overheads is made up of sales, marketing and administrative expenses before exceptional items.; this metric is used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and/or unusual or infrequent in nature.

Condensed Consolidated Income Statement

	Note	**Unaudited Six months ended 31 March 2021 £m**	Unaudited Six months ended 31 March 2020 £m	Audited Year ended 30 September 2020 £m
Revenue	5	**150.9**	151.5	266.0
Gains/(losses) on foreign currency net hedging		**0.5**	(1.2)	(1.5)
Cost of sales		**(70.0)**	(63.5)	(122.1)
Gross profit		**81.4**	86.8	142.4
Sales, marketing and administrative expenses	5	**(34.4)**	(36.7)	(78.4)
Operating profit before exceptional items		**47.0**	52.2	76.0
Exceptional items	6	**-**	(2.1)	(12.0)
Operating profit	5	**47.0**	50.1	64.0
Financial income		**-**	0.1	0.3
Financial costs		**-**	-	(0.3)
Share of loss of associate		**(0.4)**	(0.3)	(0.5)
Profit before tax and exceptional items		**46.6**	52.0	75.5
Exceptional items	6	**-**	(2.1)	(12.0)
Profit before tax		**46.6**	49.9	63.5
Income tax expense	7	**(6.1)**	(8.8)	(9.3)
Profit for the period		**40.5**	41.1	54.2
Attributable to:				
Owners of the Company		**40.7**	41.1	54.2
Non-controlling interests		**(0.2)**	-	-
Earnings per share				
Basic	8	**46.9p**	47.6p	62.6p
Diluted	8	**46.8p**	47.4p	62.5p

Dividends			
Year ended 30 September 2019:			
Final dividend paid February 2020 at 46.14p per share	**-**	39.9	39.9
Year ended 30 September 2020:			
Final dividend paid February 2021 at 46.14p per share	**40.0**	-	-
	40.0	39.9	39.9

An interim dividend of 13.42p per share will be paid on 30 June 2021 to shareholders on the register at the close of business on 4 June 2021. 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 2021 £m	Unaudited Six months ended 31 March 2020 £m	Audited Year ended 30 September 2020 £m
Profit for the period	**40.5**	41.1	54.2
Items that will not be reclassified to profit or loss			
Defined benefit pension schemes' actuarial (losses)/gains	**(2.6)**	1.6	(3.0)
Income tax on items that will not be reclassified to profit or loss	**0.5**	(0.3)	0.6
	(2.1)	1.3	(2.4)
Items that may be subsequently reclassified to profit or Loss			
Currency translation differences for foreign operations	**(4.5)**	(0.5)	(2.8)
Effective portion of changes in fair value of cash flow hedges	**8.0**	1.9	3.7
Net change in fair value of cash flow hedges transferred to profit or loss	**(0.5)**	1.1	1.5
Income tax on items that may be reclassified to profit or loss	**(1.4)**	(0.6)	(1.0)
	1.6	1.9	1.4
Total other comprehensive expense for the period	**(0.5)**	3.2	(1.0)
Total comprehensive income for the period	**40.0**	44.3	53.2
Total comprehensive income for the period attributable to:			
Owners of the Company	**40.2**	44.3	53.2
Non-controlling interests	**(0.2)**	-	-

Condensed Consolidated Balance Sheet

	Note	**Unaudited 31 March 2021 £m**	Unaudited 31 March 2020 £m	Audited 30 September 2020 £m
Assets				
Non-current assets				
Property, plant and equipment		**281.6**	270.6	273.7
Intangible assets		**25.7**	27.2	26.4
Investment in associated undertaking	9	**11.9**	12.5	12.3
Financial assets held at fair value through profit and loss	10	**10.0**	8.0	8.0
Deferred tax assets		**7.6**	9.6	10.7
Retirement benefit asset		**6.2**	11.9	7.5
		343.0	339.8	338.6
Current assets				
Inventories		**81.0**	95.1	98.5
Current income tax assets		**0.1**	8.2	4.3
Trade and other receivables		**45.5**	50.7	32.1
Derivative financial instruments	11	**9.4**	2.2	2.9
Cash and cash equivalents		**79.6**	53.2	73.1
		215.6	209.4	210.9
Total assets		**558.6**	549.2	549.5
Liabilities				
Non-current liabilities				
Deferred tax liabilities		**(22.0)**	(24.0)	(24.9)
Loan payable to Non-controlling interest	12	**(5.5)**	-	-
Long-term lease liabilities		**(7.4)**	(6.5)	(5.6)
		(34.9)	(30.5)	(30.5)
Current liabilities				
Derivative financial instruments	11	**(0.5)**	(6.5)	(3.3)
Current income tax liabilities		**(4.2)**	(8.2)	(2.7)
Current lease liabilities		**(1.5)**	(1.6)	(1.5)
Trade and other payables		**(33.3)**	(31.3)	(30.5)
		(39.5)	(47.6)	(38.0)
Total liabilities		**(74.4)**	(78.1)	(68.5)
Net assets		**484.2**	471.1	481.0
Equity				
Share capital		**0.9**	0.9	0.9
Share premium		**57.8**	54.0	55.0
Translation reserve		**(0.8)**	6.0	3.7
Hedging reserve		**5.6**	(2.3)	(0.5)
Retained earnings		**418.0**	409.6	419.0
Equity attributable to owners of the Company		**481.5**	468.2	478.1
Non-controlling interest	12	**2.7**	2.9	2.9
Total equity		**484.2**	471.1	481.0

Condensed Consolidated Cash Flow Statement

	Note	**Unaudited Six months ended 31 March 2021 £m**	Unaudited Six months ended 31 March 2020 £m	Audited Year ended 30 September 2020 £m
Cash flows from operating activities				
Cash generated from operations	14	**59.2**	53.7	86.6
Interest received		**-**	0.1	0.3
Interest paid		**-**	-	(0.3)
Tax paid		**(0.9)**	(15.6)	(17.2)
Net cash flow from operating activities		**58.3**	38.2	69.4
Cash flows from investing activities				
Acquisition of property, plant and equipment and intangible assets		**(16.5)**	(11.9)	(24.9)
Decrease in other financial assets		**-**	0.3	0.3
Cash received from non-controlling interest	12	**-**	1.0	2.9
Loan to associated undertaking	10	**(2.0)**	-	-
Investment in subsidiary		**-**	(3.2)	(3.2)
Cash consideration of acquisitions of associated undertakings and unquoted investments		**-**	(4.6)	(4.6)
Net cash flow from investing activities		**(18.5)**	(18.4)	(29.5)
Cash flows from financing activities				
Proceeds from issue of ordinary shares exercised under option		**2.8**	1.7	2.7
Loan received from non-controlling interest	12	**5.9**	-	-
Repayment of lease liabilities		**(0.9)**	(0.9)	(1.5)
Dividends paid		**(40.0)**	(39.9)	(39.9)
Net cash flow from financing activities		**(32.2)**	(39.1)	(38.7)
Net increase/(decrease) in cash and cash equivalents		**7.6**	(19.3)	1.2
Effect of exchange rate fluctuations on cash held		**(1.1)**	-	(0.6)
Cash and cash equivalents at beginning of period		**73.1**	72.5	72.5
Cash and cash equivalents at end of period		**79.6**	53.2	73.1

Condensed Consolidated Statement of Changes in Equity

	Share capital	Share premium	Translation reserve	Hedging reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Equity at 1 October 2020 (Audited)	0.9	55.0	3.7	(0.5)	419.0	478.1	2.9	481.0
Total comprehensive income for the period								
Profit/(loss) for the period: Attributable to owners of the Company	-	-	-	-	40.7	40.7	-	40.7
Attributable to Non-controlling interest	-	-	-	-	-	-	(0.2)	(0.2)
Other comprehensive (expense)/income								
Currency translation differences for foreign operations	-	-	(4.5)	-	-	(4.5)	-	(4.5)
Effective portion of changes in fair value of cash flow hedges	-	-	-	8.0	-	8.0	-	8.0
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	(0.5)	-	(0.5)	-	(0.5)
Defined benefit pension schemes' actuarial losses	-	-	-	-	(2.6)	(2.6)	-	(2.6)
Tax on other comprehensive (expense)/income	-	-	-	(1.4)	0.5	(0.9)	-	(0.9)
Total other comprehensive (expense)/income for the period	-	-	(4.5)	6.1	(2.1)	(0.5)	-	(0.5)
Total comprehensive (expense)/income for the period	-	-	(4.5)	6.1	38.6	40.2	(0.2)	40.0
Contributions by and distributions to owners of the Company								
Share options exercised	-	2.8	-	-	-	2.8	-	2.8
Equity-settled share-based payment transactions	-	-	-	-	0.4	0.4	-	0.4
Dividends to shareholders	-	-	-	-	(40.0)	(40.0)	-	(40.0)
Equity at 31 March 2021 (Unaudited)	0.9	57.8	(0.8)	5.6	418.0	481.5	2.7	484.2

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total attributable to owners of parent £m	Non-controlling interest £m	Total £m
Equity at 1 October 2019 (Audited)	0.9	52.3	6.5	(4.7)	406.6	461.6	-	461.6
Total comprehensive income for the period								
Profit for the period attributable to owners of the Company	-	-	-	-	41.1	41.1	-	41.1
Other comprehensive (expense)/income								
Currency translation differences for foreign operations	-	-	(0.5)	-	-	(0.5)	-	(0.5)
Effective portion of changes in fair value of cash flow hedges	-	-	-	1.9	-	1.9	-	1.9
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	1.1	-	1.1	-	1.1
Defined benefit pension schemes' actuarial gains	-	-	-	-	1.6	1.6	-	1.6
Tax on other comprehensive (expense)/income	-	-	-	(0.6)	(0.3)	(0.9)	-	(0.9)
Total other comprehensive (expense)/income for the period	-	-	(0.5)	2.4	1.3	3.2	-	3.2
Total comprehensive (expense)/income for the period	-	-	(0.5)	2.4	42.4	44.3	-	44.3
Contributions by and distributions to owners of the Company								
Adjustment arising from inception of Non-Controlling interest	-	-	-	-	-	-	2.9	2.9
Share options exercised	-	1.7	-	-	-	1.7	-	1.7
Equity-settled share-based payment transactions	-	-	-	-	0.5	0.5	-	0.5
Dividends to shareholders	-	-	-	-	(39.9)	(39.9)	-	(39.9)
Equity at 31 March 2020 (Unaudited)	0.9	54.0	6.0	(2.3)	409.6	468.2	2.9	471.1

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 2021 comprise those of the Company and its subsidiaries (together referred to as the 'Group').

The comparative figures for the financial year ended 30 September 2020 are extracted from the Group's statutory financial statements for that year. Those financial statements have been reported on by the Group's auditor, filed with the Registrar of Companies and are available on request from the Group'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 PricewaterhouseCoopers LLP and its report is set out on page 31.

2. Basis of preparation and 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 2020. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. The Group's 2020 Annual Report and Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('endorsed IFRS') as well as IFRS Interpretations Committee ("IFRS IC") interpretations, and with the Companies Act 2006 applicable to companies reporting under IFRS.

This Half-yearly Financial Report was approved by the Board of Directors on 10 May 2021.

Risks and uncertainties
The principal risks and uncertainties which could impact the Group's long-term performance remain those detailed on pages 33 to 36 of the Group's 2020 Annual Report and Financial Statements, a copy of which is available on the Group's website www.victrexplc.com. The risks outlined remain valid as regards their potential to impact the Group during the first 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.

Use of Judgements and estimation uncertainty
In preparing these condensed consolidated interim financial statements, 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 that applied to the consolidated financial statements for the Group's 2020 Annual Report and Financial Statements, detailed on page 122.

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 Group's published consolidated financial statements for the year ended 30 September 2020.

3. Significant accounting policies (continued)

Going concern

The Directors have performed a robust going concern assessment including a detailed review of the business's 24 month rolling forecast and consideration of the principal risks faced by the Group , as detailed on pages 33 to 36 of the Annual Report 2020. This assessment has paid particular attention to the impact of the current economic situation, caused by the COVID-19 pandemic, over the past 12 months and on the aforementioned forecasts.

An update on the Group's proactive approach to managing the challenges of COVID-19 are detailed on pages 5 and 6with the specific impact of COVID-19 on the company's going concern assessment detailed below.

The company maintains a strong balance sheet, with cash resources at 31 March 2021 of £79.6m having recently paid the final dividend of £40.0m. Of the cash balance £16.6m is held in the Group's subsidiary in China for the sole purpose of funding the construction of our new PEEK production facility. Of the remaining £63.0m, three quarters is held in the UK where the company incurs the majority of its expenditure. All funds are held either in instant access or short-term deposit accounts with less than 35 days notice. The Group has no debt and has unutilised banking facilities of £40m through to October 2024, of which £20m is committed and immediately available and £20m is available subject to lender approval.

COVID-19 had a material impact on second half performance of the year ended 30 September 2020 with sales volumes down 19% on the same period in 2019 and 25% down on the first half, revenue was down 23% and 24% respectively. Quarter 4 was the weakest with revenue in July the low point of the year and volume averaging c.230 tonnes per month. Demand for the company's products rebounded through quarter 1 of financial year 2021 which was sustained against strong comparatives in quarter 2 with half 1 volumes finishing 5% ahead of the prior year, which was largely unimpacted by COVID-19, at 2,087 tonnes. As with the drop off in demand during half 2 2020 the timing and speed of recovery has been felt differently across our markets and geographies with further detail provided in the financial review on pages 4 to 14.

The 24 month forecast is derived from the company's Integrated Business Planning ("IBP") process which runs monthly. Each area of the business provides revised forecasts which consider a number of external data sources, triangulating with customer conversations, trends in market and country indices as well forward looking industry forecasts. For example, forecast aircraft build rates from the two major manufacturers for Aerospace and analysing IHS data for the Automotive market through previous downturns, current trends and latest 2021 and 2022 forecasts.

The assessment of going concern included conducting scenario analysis on the aforementioned forecast which focused on one key question; will the recovery seen in half 1 2021 and the increasing economic confidence derived from falling COVID-19 cases and the ongoing vaccination programme continue or will further waves of new, vaccine immune, variants derail the recovery or worse push the global economy back into contraction?

The company's manufacturing assets remain operational, as they have done throughout the past 14 months, with revised procedures put in place to ensure social distancing is maintained along with proactive measures to protect employees such as offering the facility to conduct temperature checks each day before starting work. Non manufacturing staff have continued to work from home in the majority of our regions with a return to site only being contemplated once government guidelines recommend it.

Using the IBP data and the key question noted above, management has created two scenarios to model the effect of reductions to revenue at regional/market level and aggregated levels on the company's profits and cash generation through to June 2022.

Scenario 1 – the global economy contracts again with sales returning to the low levels seen in quarter 4 of financial year 2020, at c.230tonnes per month, from June 2021 for a period of 6 months (to mirror the length of the downturn in 2020) before a partial recovery to c.280 tonnes per month for the remainder of the going concern period.

Scenario 2 – in line with scenario 1, c.230tonnes per month from June 2021, however, the economic contraction lasts for a full 12 months, i.e. throughout the going concern period. This would give an annual volume of c.2,760 tonnes, a level not seen since the financial crisis which impacted 2008 and 2009 (and lasted approximately 12 months). The group considers scenario 2 to be a severe but plausible scenario.

Before any mitigating actions the sensitised cash flows show the company has significantly reduced cash headroom, particularly post the payment of the February 2022 final dividend. Under scenario 2 the committed facility would potentially be required to manage intra-month cash flows for a short period following the payment. However, the company has a number of mitigating actions which are readily available in order to generate significant headroom. These include:

- Use of committed facility - £20m could be drawn at short notice. Conversations with our banking partner indicating that the £20m accordion could also be readily accessed. The covenants of the facility have been successfully tested under each of the scenarios.
- Deferral of capital expenditure – the base case for financial years 2021 and 2022 includes c.£50m of capital expenditure in each year, this could be reduced significantly by limiting expenditure to essential projects, deferring all other projects into 2023, with the exception of the investment in China capacity which will continue as planned;

- Reduction in discretionary overheads - costs would be limited to prioritise and support customer related activity; and
- Deferral/cancellation of dividends – the dividends payable in February and June 2022 could be deferred or cancelled. The company's intention is to continue payment of dividends where cash reserves facilitate but it remains a key lever in downside scenario mitigation.

As a result of this detailed assessment and with reference to the company's strong balance sheet, existing committed facilities and the cash preserving levers at the company's disposal, but also acknowledging the inherent economic uncertainty as the global economy emerges from the COVID-19 pandemic, the Board has concluded that the company has sufficient liquidity to meet its obligations when they fall due for a period of at least 12 months after date of this report. For this reason, they continue to adopt the going concern basis for preparing the 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 detailed on page 122 of the Group's 2020 Financial Statements.

5. Segment reporting

The Group's business is strategically organised as two business units (operating segments): Industrial, (which focuses on our Energy and Other Industrial, Value Added Reseller, Automotive, Aerospace and Electronics markets) and Medical, which focuses on providing specialist solutions for medical device manufacturers.

	Unaudited			Unaudited			Audited		
	Six months ended 31 March 2021			Six months ended 31 March 2020			Year ended 30 September 2020		
	Industrial	**Medical**	**Group**	Industrial	Medical	Group	Industrial	Medical	Group
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Segment revenue	**127.3**	**24.9**	**152.2**	124.9	29.5	154.4	221.1	49.7	270.8
Internal revenue	**(1.3)**	**-**	**(1.3)**	(2.9)	-	(2.9)	(4.8)	-	(4.8)
Revenue from external sales	**126.0**	**24.9**	**150.9**	122.0	29.5	151.5	216.3	49.7	266.0
Segment gross profit	**59.5**	**21.9**	**81.4**	61.6	25.2	86.8	99.3	43.1	142.4
Sales, marketing and administrative expenses			**(34.4)**			(36.7)			(78.4)
Operating profit before exceptional items			**47.0**			52.2			76.0
Exceptional items			**-**			(2.1)			(12.0)
Operating profit			**47.0**			50.1			64.0
Net financing income			**-**			0.1			-
Share of loss of associate			**(0.4)**			(0.3)			(0.5)
Profit before tax and exceptional items			**46.6**			52.0			75.5
Exceptional items			**-**			(2.1)			(12.0)
Profit before tax			**46.6**			49.9			63.5
Income tax expense			**(6.1)**			(8.8)			(9.3)
Profit for the period			**40.5**			41.1			54.2
Attributable to:									
Owners of the Company			**40.7**			41.1			54.2
Non-controlling interests			**(0.2)**			-			-

6. Exceptional items

Items that are, in aggregate, material in size and / or unusual or infrequent in nature, are included within operating profit and disclosed separately as exceptional items in the Consolidated Income Statement.

The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the Consolidated Income Statement, helps provide an indication of the underlying performance of the Group.

	Unaudited Six months ended 31 March 2021 £m	Unaudited Six months ended 31 March 2020 £m	Audited Year ended 30 September 2020 £m
Included within sales, marketing and administrative expenses			
Acquisition related costs	**-**	2.1	2.2
Restructuring costs	**-**	-	9.8
Exceptional items before tax	**-**	2.1	12.0
Tax on exceptional items	**-**	-	(1.1)
Exceptional items after tax	**-**	2.1	10.9

Acquisition related costs comprise legal and other non-recurring costs the Group has incurred directly in the course of acquisition and investment activity. These costs are largely non-deductible expenses for tax purposes.
During the second half of the year ended 30 September 2020, the Group reviewed cost actions and efficiencies required to support profitability in a lower production environment. As part of this programme, the Group commenced consultation prior to the year-end which has reduced the Group's employee base by up to 100 roles, primarily through voluntary severance.

7. Income tax expense

Taxation of profit before tax in respect of the six months ended 31 March 2021 has been provided at the estimated effective rates chargeable for the full year in the respective jurisdiction.

	Unaudited Six months ended 31 March 2021 £m	Unaudited Six months ended 31 March 2020 £m	Audited Year ended 30 September 2020 £m
UK corporation tax	**4.5**	4.8	4.6
Overseas tax	**1.0**	0.9	1.0
Deferred tax	**0.6**	3.1	3.7
Total tax expense in income statement	**6.1**	8.8	9.3
Effective tax rate	**13.1%**	17.6%	14.6%

The March 2021 Budget announced that the UK corporation tax rate will increase to 25% with effect from 1 April 2023. As this change has not yet been substantively enacted as at 31 March 2021, UK deferred tax balances continue to be measured at a rate of 19%. If the proposed tax rate had been used, the net deferred tax liability would have been £6.4m higher, of which £6.3m would be charged in the Income Statement and £0.1m to Statement of Changes in Equity.

8. Earnings per share

		Unaudited Six months ended 31 March 2021	Unaudited Six months ended 31 March 2020	Audited Year ended 30 September 2020
Earnings per share	– basic	**46.9p**	47.6p	62.6p
	– diluted	**46.8p**	47.4p	62.5p
Profit for the financial period attributable to the owners of the Company (£m)		**40.7**	41.1	54.2
Weighted average number of shares used	– basic	**86,599,378**	86,371,404	86,470,079
	– diluted	**86,815,421**	86,639,852	86,630,437

9. Investments in associates

Bond 3D High Performance Technology BV

Bond 3D High Performance Technology BV ("Bond") is a company incorporated in the Netherlands, developing unique, protectable 3D printing (additive manufacturing) processes which are capable of producing high strength parts from existing grades of PEEK and PAEK polymers. The investment offers the potential of utilising this technology to help accelerate the market adoption of 3D printed PEEK parts, with particular emphasis on the Medical market.

The Group is considered to have significant influence in Bond, accordingly the investment continues to be accounted for as an associate, using the equity method.

In addition to the €14.0m (£12.3m) equity holding at 30 September 2020, representing a 24.5% holding, convertible loans of €2.3m (£2.0m) were made to Bond (see Note 10) during the period.

In the period to 31 March 2021, the Group's share of the loss on Bond was £0.4m (H1 FY20 – losses of £0.3m; FY20 - losses of £0.5m).

10. Financial assets held at fair value through profit and loss

Financial assets held at fair value through profit and loss relate to the investments in Surface Generation Limited and Magma Global Limited and the convertible loan receivable made to Bond (as referred to in Note 9 above).

There were no movements in respect of the investments in Surface Generation Limited and Magma Global Limited in the period to 31 March 2021.

A convertible loan was issued to Bond at a value of €2.3m (£2.0m) in December 2020. The convertible loan is interest free and can be converted into equity in Bond within the 5-year period from December 2020 to December 2025. If conversion does not occur, and the Group has not required earlier repayment, the loan will be immediately repayable on 15 December 2025.

11. Derivative financial instruments

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

	Unaudited As at 31 March 2021		Unaudited As at 31 March 2020		Audited As at 30 September 2020	
	Notional contract amount	**Carrying amount and fair value**	Notional contract amount	Carrying amount and fair value	Notional contract amount	Carrying amount and fair value
	£m	**£m**	£m	£m	£m	£m
Current assets	**159.4**	**9.4**	56.6	2.2	82.3	2.9
Current liabilities	**12.4**	**(0.5)**	128.8	(6.5)	81.8	(3.3)
	171.8	**8.9**	185.4	(4.3)	164.1	(0.4)

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. The Board took the decision to cease hedging Japanese Yen during the year ended 30 September 2020. The final deal matured in January 2021.
Fair value gains on foreign currency contracts of £0.5m has been recognised in the period (H1 FY20 – losses of £1.2m; FY20 - losses of £1.5m).

12. Non-controlling interest

On 13 January 2020 the Group established a subsidiary in China, Panjin VYX High Performance Materials Co., Ltd ("PVYX"), a limited liability company set up for the purpose of the manufacture and sale of PAEK polymer powder and granules. The Group holds a 75% equity interest with the remaining 25% held by Yingkou Xingfu Chemical Co. Ltd ("YX"). With 75% of the voting equity and the majority of appointments on the board the Group is considered to have control of PVYX and therefore it is accounted for as a subsidiary. The income statement and balance sheet of PVYX are fully consolidated with the share owned by YX represented by a non-controlling interest.

During the period, the Group invested a further CNY 150m (£16.5m) in PVYX by way of an interest-bearing loan repayable in September 2026, and at the same time the non-controlling interest invested CNY 50m (£5.5m) by way of loan on the same terms. The loan made by the Group is eliminated on consolidation with that from the non-controlling interest disclosed on the balance sheet in Non-current liabilities.

During the period, the non-controlling interest's share of the loss of PVYX was £0.2m (FY2020 - £nil).

13. Exchange rates

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

	Unaudited Six months ended 31 March 2021		Unaudited Six months ended 31 March 2020		Audited Year ended 30 September 2020	
	Average spot	**Closing**	Average	Closing	Average	Closing
US Dollar	**1.33**	**1.39**	1.29	1.24	1.27	1.30
Euro	**1.11**	**1.15**	1.17	1.13	1.13	1.10

The average exchange rates in the above table are the weighted average spot rates applied to foreign currency transactions, excluding the impact of foreign currency contracts. Gains and losses on foreign currency contracts, where net hedging has been applied for cash flow hedges, are separately disclosed in the income statement.

14. Reconciliation of profit to cash generated from operations

	Unaudited Six months ended 31 March 2021 £m	Unaudited Six months ended 31 March 2020 £m	Audited Year ended 30 September 2020 £m
Profit after tax for the period	**40.5**	41.1	54.2
Income tax expense	**6.1**	8.8	9.3
Share of post-tax loss of associate	**0.4**	0.3	0.5
Financial income	**-**	(0.1)	(0.3)
Finance costs	**-**	-	0.1
Interest on lease liabilities	**-**	-	0.2
Operating profit	**47.0**	50.1	64.0
Adjustments for:			
Depreciation	**9.0**	7.8	17.9
Amortisation	**1.5**	1.3	2.8
Loss on disposal of non-current assets	**-**	-	0.2
Decrease/(increase) in inventories	**15.2**	(3.8)	(7.5)
(Increase)/decrease in trade and other receivables	**(14.3)**	(4.0)	11.7
Increase in trade and other payables	**3.4**	3.5	0.6
Equity-settled share-based payment transactions	**0.4**	0.5	0.5
Gains on derivatives recognised in income statement that have not yet settled	**(1.8)**	(0.5)	(2.2)
Retirement benefit obligations charge less contributions	**(1.2)**	(1.2)	(1.4)
Cash generated from operations	**59.2**	53.7	86.6

15. Related party transactions

The Group's related parties are as disclosed in the Annual Report and Financial Statements 2020. There were no material differences in related parties or related party transactions in the six months ended 31 March 2021 except for transactions with key management personnel. The most significant of these was on 14 December 2020, under the 2019 Long Term Incentive Plan ('LTIP'), when 45,792, 26,611, and 22,080 share option awards were granted to J O Sigurdsson, R J Armitage and M L Court respectively at an option price of nil p per share when the market price was £21.86p per share.

Responsibility Statement of the Directors

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

(i) an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(ii) material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

During the period since the approval of the Victrex plc Annual Report for the year ended 30 September 2020, there have been no changes in the directorate.

The Directors of Victrex plc are detailed on our group website www.victrexplc.com.

By order of the Board

Jakob Sigurdsson	**Richard Armitage**
Chief Executive	Chief Financial Officer
10 May 2021	10 May 2021

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
Report on the consolidated interim financial statements

Our conclusion

We have reviewed Victrex plc's consolidated interim financial statements (the "interim financial statements") in the Interim Results 2021 of Victrex plc for the 6 month period ended 31 March 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Balance Sheet as at 31 March 2021;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Cash Flow Statement for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Results 2021 of Victrex plc have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results 2021, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim Results 2021 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results 2021 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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 United Kingdom. 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, 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.

We have read the other information contained in the Interim Results 2021 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP, Chartered Accountants
Manchester, 10 May 2021

Shareholder Information

Victrex's Annual Reports are available on request from the Company's Registered Office. Both the Annual Report and Half-yearly financial report can be downloaded from our corporate website, www.victrexplc.com.

Financial calendar **(also available at www.victrexplc.com)**

Ex-dividend date	3 June 2021
Record date#	4 June 2021
Payment of interim dividend	30 June 2021
Announcement of 2021 full–year results	6 December 2021

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

Victrex plc
Registered in England
Number 2793780

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

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