

6 December 2021

Victrex plc – Preliminary Results 2021

‘Solid & sustainable recovery: FY volumes +25%, strong cash generation & 50p/share special dividend’

Victrex plc is an innovative world leader in high performance polymer solutions, delivering sustainable products which support CO2 reduction and bring environmental and societal benefit in multiple end-markets. Today’s announcement covers our preliminary results (audited) for the 12 months ended 30 September 2021.

	FY 2021	FY 2020	% change (reported)	% change (constant currency) ¹
Group sales volume	4,373 tonnes	3,492 tonnes	+25%	N/A
Group revenue	£306.3m	£266.0m	+15%	+20%
Gross profit	£165.3m	£142.4m	+16%	+20%
Gross margin	54.0%	53.5%	+50bps	N/A
Underlying PBT ¹	£91.7m	£75.5m	+21%	+30%
Reported PBT	£92.5m	£63.5m	+46%	+60%
Underlying EPS ¹	83.4p	75.3p	+11%	
EPS	84.3p	62.6p	+35%	
Dividend per share (regular & special dividends)	109.56p	46.14p	+137%	N/A

Highlights:

- **Solid & sustainable recovery; FY volumes +25%**
 - FY sales volume up 25% driven by improving end-markets
 - Double-digit YoY growth in Electronics, Energy & Industrial, VAR
 - Improvement in Automotive with volumes +18% despite Semiconductor challenges
 - Medical revenue up 3% as elective surgeries gradually return
 - 9% increase in new application targets
- **Underlying PBT up 21% driven by strong volume growth & cost management**
 - Underlying PBT up 21% at £91.7m, reported PBT up 46% at £92.5m
 - Gross margin stable at 54.0% despite weaker sales mix, FX and inventory unwind
- **Further progress in ‘mega-programme’ growth pipeline & additional milestones**
 - Strong validation of PEEK technology through sale of Magma interest to TechnipFMC; opportunities in traditional & new energy including hydrogen transportation
 - Good progress in PEEK Knee clinical trial; 10 patients now implanted
 - Meaningful revenue of c£1m in PEEK Gears
 - Mega-programme potential for E-mobility, with 50% increase in development programmes
 - Good progress in Trauma joint developments
- **Strong cash generation underpinning investment & returns; 50p special dividend**
 - FY 2021 available cash¹ of £99.9m** underpinning c£40m capex; further investment focused on China in FY 2022
 - Operating cash conversion¹ 100%
 - Civil construction progressing on plan for new PEEK facility in China; commissioning in 2022
 - Post-Brexit inventory unwind benefiting cashflow; total inventory down £28m to £70m
 - Dividends returned to pre-COVID-19 levels & special dividend of 50p/share

- **Further enhanced ESG strategy; products bringing environmental & societal benefit**
 - *Signatory to Science Based Target initiative (SBTi), reflecting 2030 net zero goal****
 - *New ESG criteria added to Executive remuneration*

¹ Alternative performance measures are defined on page 16

^{**}excludes £12.5m of cash ring-fenced in the Group's Chinese subsidiaries and includes £37.5m in 95-day notice deposit accounts

^{***} Scope 1&2 emissions

Jakob Sigurdsson, Chief Executive of Victrex, said: "Victrex delivered a solid and sustainable recovery during FY 2021, following the impact we saw from the pandemic in FY 2020. We saw strong volume growth in several end-markets and strong cash generation, supporting investment and shareholder returns.

"Automotive, Electronics and Value Added Resellers (VAR) were our standout end markets, with new application growth in our core business and notable milestones in our mega-programmes. These include TechnipFMC acquiring our equity in Magma as they prepare for scale up in Brazil, validating the technology for use in both traditional and new energy opportunities; good progress in the PEEK Knee clinical trial, with ten patients implanted to date; meaningful revenue in our PEEK Gears mega-programme; and a 50% increase in the number of development programmes for E-mobility, which is now a mega-programme.

"FY 2021 saw a continued strong focus on the health, safety and well-being of our employees – with 80% of our global regions now seeing a return to site, backed by our Global Flexible Working Policy – as we navigated our business through the pandemic. We again delivered strong service levels for customers, with sustainable products which bring environmental and societal benefits, as reflected in our long-term ESG goals.

"With strong cash generation underpinning investment and shareholder returns, we are pleased to declare dividends back to pre-COVID-19 levels, alongside a special dividend for shareholders of 50p/share.

Outlook

"For FY 2022, at this early stage, our assumptions are for year-on-year progress in full year sales volumes, with several end-markets expected to see further recovery, including in Medical, which will support our sales mix. In addition to a sizeable currency headwind, like most industrial companies, we are facing increased raw material and energy costs, which will impact us particularly in the first half, although mitigation plans are progressing. We will increase our investment in innovation and will start to incur commissioning costs in relation to our new China facility, although better asset utilisation should support our margin. Overall, we plan to deliver year-on-year growth in FY 2022.

"With an attractive portfolio of short, medium and long term growth opportunities, a strong ESG agenda, including alignment to global megatrends and sustainable products which help CO2 reduction and support environmental and societal benefit, and a highly cash generative business model, the Group remains well placed for the medium to long-term."

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 9.30am (GMT) this morning via a conference call facility. To register, dial **+44 (0) 3333 000804** and participant pin 91122185# Audio playback is available by dialling +44 (0) 3333 000819 and participant pin 425015823# . The presentation will be available to download from 8.30am (GMT) today on Victrex's website at www.victrexplc.com under the Investors/Reports & Presentations section.*

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Preliminary results statement for the 12 months ended 30 September 2021

'Solid & sustainable recovery: FY volumes +25%, strong cash generation & 50p/share special dividend'

Group financial results

FY sales volume up 25%

Group sales volume of 4,373 tonnes was 25% up on the prior year (FY 2020: 3,492 tonnes), reflecting a solid and sustainable recovery across most end-markets, principally driven by Automotive, Electronics and Value Added Resellers (VAR). We also enjoyed double-digit volume growth within Energy & Industrial, with Industrial reflecting new applications and the strength of the global recovery. VAR also benefited from some level of restocking through the year, as global economies reopened, although we do not anticipate a repeat of this during FY 2022. In the more challenging end market of Aerospace, H2 2021 volumes grew 8% on H1 2021, although full year volumes remained 20% lower than the prior year, reflecting a strong performance in Aerospace prior to the initial impact from COVID-19.

H2 2021 sales volume of 2,287 tonnes was 52% ahead of H2 2020 (H2 2020: 1,500 tonnes) and 10% ahead sequentially, compared to the first half. As anticipated, our final quarter remained strong but was slightly lower than prior quarters due to the restocking impact being seen earlier in our financial year.

Good growth in new application targets

We saw a 9% increase in our target application pipeline.

Group revenue up 15%, with gradual Medical recovery

Group revenue was £306.3m, up 15% on the prior year (FY 2020: £266.0m), reflecting a strong performance in most Industrial end markets and a more gradual improvement in Medical, as elective surgeries take longer to return, following COVID-19 related lockdowns.

Group revenue in constant currency¹ was 20% up on the prior year (FY 2020: £255.4m in constant currency).

ASP down 8% due to sales mix

Our Average Selling Price (ASP) of £70/kg was 8% lower than the prior year (FY 2020: £76/kg), principally reflecting a weaker sales mix and the faster growth in Industrial end markets compared to our Medical division. Currency also impacted us at the revenue level as Sterling strengthened. With Medical set to continue improving as surgery rates increase globally, offset by a sizeable currency headwind of approximately £8m-£11m, our expectations are that FY 2022 ASP will be slightly ahead of FY 2021.

Strong performance in Industrial; Medical improvement in H2 2021

Our Industrial division reported revenues of £255.2m, 18% up on the prior year (FY 2020: £216.3m), with Electronics remaining strong as homeworking and the demand for a range of smart devices supported use of our materials, as well as a recovering Semiconductor sector. We also benefited from an improvement in VAR, with Automotive and Energy & Industrial also ahead compared to the prior year. As noted, Aerospace improved in the second half vs the first half but remained lower than FY 2020 on a full year basis, primarily reflecting a strong H1 2020, prior to the impact of COVID-19 on trading within this end-market.

Medical revenues were £51.1m, up 3% on the prior year (FY 2020: £49.7m) and 9% ahead in constant currency¹. We continued to see recovery in this end-market through the year, although we were still faced with a strong comparative from H1 2020, due to a strong Medical performance prior to COVID-19 related lockdowns. Whilst surgery rates in China and parts of Asia returned to more normalised levels, surgeries in the US have not yet returned to pre-COVID-19 levels, although they are expected to continue improving through FY 2022. We continue to benefit from growth in non-Spine through applications in Trauma, Arthroscopy and Cranio Maxillo Facial (CMF) applications, with non-Spine now representing 45% of Medical revenues.

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 FY 2021, a gain of £4.9m (FY 2020: loss of £1.5m) 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 stable

Group gross margin of 54.0% improved slightly compared to FY 2020 (FY 2020: 53.5%). We saw some improvement from increased PEEK production volumes and the benefit from our cost savings plan announced in FY 2020, but these were offset by our monomer production, where we carried out a period of extended maintenance. A weaker sales mix – as our Medical business was slower to recover from the impact of COVID-19 than Industrial – a small degree of price erosion, and an increase in supply chain costs also held back margin.

With Brexit contingency inventories now unwound, we anticipate that FY 2022 will see production volume more aligned to sales volume, as well as an improved sales mix. This should result in a recovery in gross margin, although it will be offset by currency and commissioning costs associated with our new Chinese facility, as well as raw material and energy inflation.

Inventory unwind

Inventory built up ahead of Brexit provided us with the ability to respond flexibly to customer demand and maintain high service levels throughout the pandemic. With the significant inventory unwind during FY 2021, our closing inventory position of £70.3m (FY 2020: £98.5m) benefited cashflow. With some uncertainties in global supply chains, we expect total inventory in FY 2022 to fluctuate between £70m and £80m as we build contingency stocks from time-to-time. With the commissioning of our China manufacturing subsidiary expected during 2022, we also anticipate holding a slightly higher level of raw material inventory.

Cost savings drive reduced overheads, excluding bonus

Operating overheads¹ excluding bonus were 2% lower, primarily reflecting the benefit of cost savings announced in FY 2020, partly offset by an increase in innovation investment. Operating overheads of £72.7m (FY 2020: £66.4m) were 9% ahead of the prior year, which includes the effect of the Group's All Employee Bonus Scheme. Including both the annual incentive and long-term incentive programmes, the year on year incremental reward totalled approximately £9m.

As communicated in FY 2020, the All Employee Bonus Scheme is no longer based primarily on profit growth, but is 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. Executives will also now be incentivised on targets linked to our ESG goals (from FY 2022), with further detail in our forthcoming Annual Report.

Our "front-end" functions of Sales, Marketing and R&D support existing business growth and our mega-programmes. With some investment in these areas deferred during FY 2020, we anticipate a modestly higher level of overhead investment in FY 2022, with accrual for the All Employee Bonus Scheme expected to be slightly lower. R&D investment of £15.5m (FY 2020: £16.7m) represented approximately 5% of revenues¹. Of total R&D investment focused on individual projects, approximately 83% of this is aligned to programmes supporting sustainable products.

Underlying PBT up 21.5%

Underlying PBT of £91.7m was up 21.5% on the prior year (FY 2020: £75.5m), reflecting a strong operating performance. Reported PBT of £92.5m was up 45.7% on the prior year (FY 2020: £63.5m). The exceptional credit in FY 2021 related to more favourable settlements than assumed, primarily in non-UK regions, when making the restructuring charge in FY 2020.

Earnings per share up 35%

Basic earnings per share of 84.3p was 34.7% up on the prior year (FY 2020: 62.6p per share) as a result of the exceptional items in FY 2020, partly offset by a higher tax charge. The effective tax rate was 21.3%, materially higher than the prior year (FY 2020: 14.6%) which is mainly due to the restatement of deferred tax balances in

FY 2021 following the announcement the UK Corporation tax rate would increase to 25% from April 2023. Whilst the UK corporation tax rate is currently 19%, because of the availability of the reduced rate on profits taxed under Patent Box, our mid-term guidance at this stage remains for an effective tax rate of approximately 12%-15%, although we continue to assess global taxation developments which may see this rate slightly increase.

Currency headwind

Currency was a modest headwind of £4m at PBT level, reflecting the strengthening of Sterling since the end of FY 2020. With Sterling having re-rated through FY 2021, the impact of which was partially deferred by our hedging policy, we note the implications for FY 2022, which is now approximately £8m-£11m headwind at PBT level, with over 80% of hedging cover in place for US Dollar and Euro exposure.

Our hedging policy seeks to substantially protect our cash flows from currency volatility on a rolling twelve-month basis. The policy requires that at least 80% of our US Dollar and Euro 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

The health, safety and well-being of Victrex employees and supporting our customers continued to be our highest priority during FY 2021. Our COVID-19 committee, established at the start of 2020, remains in place, with a proactive approach despite a Return to Site for approximately 80% of our global regions, supported by our Global Flexible Working policy. Our approach has been focused on several key areas:

People

A range of contingency plans were 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. Beyond our UK and US manufacturing operations, approximately 80% of our global regions have now seen a Return to Site, backed by our Global Flexible Working Policy. Broadly, our UK, US, Europe, China and Korea regions are back in office locations, with a flexible approach. Our UK Return to Site commenced in October 2021, although we continue to maintain some specific COVID-19 controls such as face coverings and room occupancy levels.

Essential industry & serving customers

The UK government defined Chemicals as an essential industry with essential workers, with Victrex also having a long-standing history in supporting many critical and "life-sustaining" applications for our customers, particularly in Medical. This meant we continued to have a manufacturing, warehousing and quality control presence throughout the pandemic. In the US, we continued to operate on an ongoing modified basis, defined as being a 'life-sustaining' organisation in several states.

Despite supply chain challenges during FY 2021, we continued to deliver strong service levels for our customers, although we did incur some additional costs including air-freighting. Our service levels for customers remained above 90%.

Dividends

With a highly cash generative business model, a solid recovery and the benefit of inventory unwind on our cashflow, the Group reinstated dividends back to pre-COVID-19 levels, following the cancellation of the H1 2020 interim dividend.

Strong financial position

Overall, our financial position remains strong, including an available cash position of £99.9m on 30 September 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 on 31 January 2021, the Group saw no material impact on trade from the UK to the EU, reflecting our proactive stock build and EU warehousing. We continued to hold Brexit steering meetings for a period after the Brexit trade agreement, to assess any immediate concerns through the transition period. As noted earlier, supply chain and logistics challenges were seen during FY 2021, although these did not materially impact on service levels to our customers.

Investment in capacity and to support downstream strategy

Cash capital expenditure was £41.9m (FY 2020: £24.9m), slightly lower than our guidance as some investment, principally for our China manufacturing subsidiary, was phased into FY 2022. We also expect to see a multi-year investment to support the efficiency improvement of our UK manufacturing assets, a project which was deferred during the pandemic. We anticipate this will be approximately £15m, spread over the next four financial years and built into the annual capital budget.

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. 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. We achieved over 500,000 hours without a recordable injury, 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.

As a consequence of some capital being phased into FY 2022, we now anticipate capital expenditure for the year could exceed £60m. This also reflects some additional capability we are planning to invest in, to support our growth opportunities in China.

Mega-programme progress

To date, we have seen limited evidence of any material slowdown in our overall growth portfolio of mega-programmes. Although individual timelines remain subject to change, the long-term prospects in each programme continue to be attractive. Our **Knee** programme has been the key area where timing towards commercialisation has been impacted by COVID-19, following the pausing of the clinical trial last year, which subsequently restarted with trial sites in India, Italy and Belgium. Pleasingly, this programme has now moved forward with ten patients implanted in India and Belgium, with no issues reported at the 6-month follow up stage. We also envisage we may require less than the original plan for 30 patients. Those patients now implanted will be progressing through the trial over the next two years.

Our **Aerospace Loaded Brackets** programme – which successfully secured over £1m of meaningful revenue in FY 2020 – increased commercial revenues above £2m in FY 2021, despite this end market remaining subdued. Although timing for some milestones has slipped as a result of the impact of COVID-19, we continue to see good long-term opportunities, with mega-trends aligned to light-weighting, CO2 reduction and faster processing supporting the use of our PEEK based composite materials. We also continue to explore opportunities in eVTOL (Electric Vehicle Take-off and Landing) which could support medium to long term growth.

In PEEK **Gears**, which now have several initial contracts 'on the road' following a first supply agreement in 2018, we secured meaningful revenue of approximately £1m in FY 2021. We also have over 20 development programmes with tier 1 suppliers or OEMs (Original Equipment Manufacturers). Gears continue to have application uses across both traditional internal combustion engines (ICEs) and electric vehicles (EVs) and we have recent opportunities progressing in both the US and Asia.

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. 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, our minority equity interest in Magma Global Limited was sold to TechnipFMC in October 2021, with a gain of £0.9m from our initial investment of £10m in 2016 (our initial shareholding was subsequently diluted in 2018 when TechnipFMC first acquired a shareholding). TechnipFMC is seeking to accelerate the significant opportunities for thermoplastic composite pipe, which is clear validation of the technology that is based on Victrex PEEK polymer and Victrex's composite tape. Victrex will continue to work in close collaboration with TechnipFMC as a strategic supply partner, with multi-year supply agreements in place and industry qualifications based on Victrex PEEK. TechnipFMC has indicated its intention to accelerate the use of this technology and scale up manufacturing in Brazil as required, to support use in traditional energy applications. It has also indicated the potential to further develop the technology for use in carbon capture and storage, and hydrogen transportation. Separately, Victrex has made a small investment to form Enoflex, a combination and collaboration of previous shareholders in Magma Global Limited, which seeks to utilise this technology, based on Victrex PEEK, and broaden its use for the 'energy transition'. This will include targeting a wider number of industry players involved in hydrogen and other new energy opportunities.

Pre-qualification work as part of TechnipFMC's bid programmes in Brazilian oil & gas fields continue, based on the 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 in the short term, with TechnipFMC's significant commitment offering the potential for revenues to begin stepping up over the medium term. The high technical and subsea engineering requirements in Brazil and elsewhere continue to support the proposition, including light-weighting, durability, CO2 and chemical resistance.

Our **E-mobility** programme, which focuses on applications across electric vehicles, in particular for high-voltage next generation programmes, is expected to achieve commercial success over the medium term. PEEK will be used in specific applications where durability, heat resistance and light-weighting are all key. We saw a 50% increase in development programmes, with FY 2022 and FY 2023 expected to see greater commercialisation. Our assessment of the PEEK content per vehicle has also been increased to more than 100g (from approximately 10g today), as we focus on the high performance needs of next generation electric vehicles. E-mobility is now a mega-programme.

In Medical, following good progress in our next generation **PEEK-OPTIMA™ HA Enhanced** product for Spine during FY 2020 to £2m, revenues were lower (but remained above £1m) due to the challenges of lower elective surgeries and new product launches, as a result of COVID-19. However, with elective surgeries expected to gradually increase through FY 2022, we anticipate seeing some improvement. During the year, 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 now 45% of Medical revenues. 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.

Our **Trauma** pipeline continues to build, following the agreement with US based In2Bones for composite plating, and we also secured our first Asia customer product launch for FY 2022.

Our focus to grow our non-Spine business in **Dental** continues to be slower than we anticipated, with COVID-19 disruption being particularly notable 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. Clinical data, including infection rates compared to metal prosthetics, remains positive. Strategically, we have also reined back on resource commitments in this area, to reflect the adoption challenge and prioritisation elsewhere. Dental is now no longer a mega-programme but continues to offer a sizeable revenue opportunity.

Strong balance sheet

Our strong balance sheet underpins our ability to invest and support security of supply for customers. Net assets at 30 September 2021 totalled £511.7m (FY 2020: £481.0m). Inventories reduced to £70.3m (FY 2020: £98.5m), which reflects sales inventory being unwound at pace after Brexit. With the expected commissioning of our China facility during FY 2022, our expectation is that raw material inventory will increase, meaning total full year inventory is expected to be slightly higher than FY 2021.

Robust cash generation

Cash generated from operations was £135.5m (FY 2020: £86.6m), an operating cash conversion¹ of 100% (FY 2020: 101%). Cash and other financial assets (with no debt) at 30 September 2021 was £112.4m (FY 2020: £73.1m). This includes £12.5m ring-fenced in our China subsidiaries and other financial assets of £37.5m, representing cash which was held on 95-day deposit at 30 September 2021, therefore the Group had £99.9m available cash¹ as at the year-end date. In February 2021 we paid the 2020 full year final dividend of 46.14p/share and following reinstatement of the interim dividend, we paid the H1 2021 interim dividend of 13.42p/share in July 2021.

We are in the final stages of securing a RMB300m borrowing facility (£34.5m equivalent translated at the FY 2021 year-end rate of 8.7) in China in support of our investments there.

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 21.3% (FY 2020: 14.6%), higher than the prior year period to reflect the increase in the future UK Corporation Tax rate, resulting in a one-off deferred tax charge in the region of £6.1m which has increased the effective tax rate for FY 2021 by approximately 7% points, and adversely impacts earning per share for the financial year. Our anticipated effective tax rate in the medium term is expected to be in the 12-15% range, although we continue to assess tax policies which may see this rate slightly increase.

This includes an allowance for the increase in the UK corporation tax rate over the coming years and reflects our continued use of the Patent Box scheme which promotes investment in UK Research & Development and intellectual property (IP).

Dividends

With positive cash generation and a strong trading performance, the Group has seen dividends return to pre-COVID-19 levels. We have proposed a final dividend of 46.14p/share (FY 2020: final dividend 46.14p/share) taking the full year dividend to 59.56p (FY 2020: 46.14p) which reflects the expectation of growth in FY 2022, despite the significant currency and inflation headwinds.

As a result of the Group's available cash¹ balance exceeding the £85m threshold set out in our capital allocation policy for additional returns to shareholders, we are also proposing a 50p/share special dividend.

Outlook

For FY 2022, at this early stage, our assumptions are for year-on-year progress in full year sales volumes, with several end-markets expected to see further recovery, including in Medical, which will support our sales mix. In addition to a sizeable currency headwind, like most industrial companies, we are facing increased raw material and energy costs, which will impact us particularly in the first half, although mitigation plans are progressing. We will increase our investment in innovation, and will start to incur commissioning costs in

relation to our new China facility, although better asset utilisation should support our margin. Overall, we plan to deliver year-on-year growth in FY 2022.

With an attractive portfolio of short, medium and long term growth opportunities, a strong ESG agenda, including alignment to global megatrends and sustainable products which help CO2 reduction and support environmental and societal benefit, and a highly cash generative business model, the Group remains well placed for the medium to long-term.

Jakob Sigurdsson

Chief Executive

6 December 2021

¹ Alternative performance measures are defined on page 16.

DIVISIONAL REVIEW

Industrial

	12 months Ended 30 Sept 2021 £m	12 months ended 30 Sept 2020 £m	% Change (reported)	% Change (constant currency)
Revenue	255.2	216.3	+18%	+22%
Gross profit	119.7	99.3	+21%	+25%

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 & Industrial, Value Added Resellers (VAR), Transport (Automotive & Aerospace) and Electronics.

Our Industrial business delivered revenue of £255.2m (FY 2020: £216.3m), 18% up on the prior year, reflecting a strong performance across most end-markets, with Automotive, Electronics, Energy & Industrial and VAR being the standout performers. Revenue in constant currency was up 22%. Gross margin improved slightly to 46.9% (FY 2020: 45.9%), primarily reflecting the impact of higher production volumes. Electronics and VAR were the notable drivers of growth, with volumes 33% and 39% ahead in these end markets respectively, supported by an extension of applications including for Semiconductor and 5G applications.

Energy & Industrial

Our Energy & Industrial segment includes volumes for oil & gas and new energy applications, including renewables, and an array of applications across General Industrial. These include in food processing, machinery and robotics. Energy & Industrial saw sales volume of 760 tonnes, which was up 22% on the prior year (FY 2020: 622 tonnes), with Oil & Gas up 11% overall. H2 2021 saw an acceleration in this end market as activity levels started to return. Our products continue to offer durability and performance in many demanding applications including in both exploration and processing, where the reliability of PEEK can mean less intervention or downtime, thereby supporting efficiency of operation.

Industrial focuses on new or incremental applications in fluid handling, food contact materials and manufacturing equipment applications, including the emerging opportunities in compressors where metal replacement requirements are increasing. Application growth in this end market helped drive volume growth of 47% compared to the prior year.

Value Added Resellers (VAR)

Full clarity on the exact route to market for all of our polymer business is not always possible, however, our analysis suggests that VAR shows a similar alignment to our Industrial end-markets, with the exception of Aerospace, where sales volumes are largely direct to OEMs or tier suppliers.

PEEK materials are used for parts or component manufacturing specified by end users and OEMs to processors and compounding specialists, as the "pull" from Industrial markets using Victrex™ PEEK continues to grow. VAR remains an important part of our Industrial division and enjoyed strong growth this year as societies emerged from the worst impact of the pandemic. Sales volume of 1,900 tonnes was 39% up on the prior year (FY 2020: 1,368 tonnes), principally reflecting the macro-improvement, as well as good growth in end markets such as Electronics, Automotive, Energy & Industrial.

The VAR channel 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 and do the opposite

when it increases. Our second and third quarters benefited from the restocking effect as societies began to open up, with demand normalising in our final quarter. We do not expect this restocking effect to repeat in FY 2022.

Transport (Automotive & Aerospace)

Emerging from the worst impact of COVID-19, structural megatrends including lightweighting, CO2 reduction, durability, comfort, electrification and heat resistance remain strong.

Following a strong performance for both Automotive & Aerospace in H1 2020 (prior to the impact of COVID-19), Automotive saw a good recovery as societies began to open up, whilst Aerospace remained subdued, with most industry data suggesting a multi-year recovery. Semiconductor shortages weighed on Automotive in the second half, slightly slowing momentum, although we recorded growth on a full year basis. In Aerospace, 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 39,000 new or replacement planes by 2040).

Overall Transport sales volume grew 8% to 926 tonnes (FY 2020: 858 tonnes), with Automotive volumes up 18% and Aerospace volumes down 20%, reflecting the strong comparative for the first half of FY 2020.

Automotive

Performance was strong through FY 2021, with some impact in the second half from the Semiconductor chip shortage. Core applications include braking systems, bushings & bearings and transmission equipment, with increasing opportunities in electric vehicles including impending e-mobility business.

In PEEK Gears, we delivered meaningful revenue of approximately £1m for the first time in this mega-programme, with over 20 programmes we are seeking to commercialise over the next three years. PEEK gears based on Victrex™ 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 is expected to deliver initial revenues in FY 2022. PEEK remains well placed for both internal combustion engines, hybrids and electric vehicles (EVs).

Aerospace

Aerospace volumes were down 20%, reflecting the significant impact on plane build through COVID-19. Whilst 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, 2021 to date has seen some limited recovery as build rates have recovered across several models.

Sequentially, Aerospace volumes were up 8% in the second half as we progressed from trough levels, although we note the current industry challenges and expected multi-year recovery.

Long term trends remain strong however. Our Loaded Brackets and Aerospace Structures mega-programmes both grew revenues over the year, with Loaded Brackets exceeding £2m revenue as the use of composites and differentiated products remain in demand. These include interior structural components, 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. The ability to support CO2 reduction through PEEK materials which are typically 60% lighter than metals also remains strong, with our assessment that over 50 million tonnes of CO2 could be saved over the next 15 years if all new single aisle planes were produced with over 50% PEEK composite content. These attractions play to our Aerospace Structures mega-programme, working with Airbus to support their Clean Sky 2 and Wing/Fuselage of Tomorrow programmes.

Electronics

Electronics volumes rebounded strongly, up 33% at 602 tonnes (FY 2020: 454 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, including a new PEEK nut application. 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 and we continue to see a positive outlook for this end market into FY 2022.

Sales of home appliances and our impeller application business in high-end brands are also performing well across a number of product areas, including vacuum cleaners and hairdryers.

Regional trends

As Asian economies gradually opened up first, with a recovery from COVID-19, sales volume in that region saw Asia-Pacific up 19% at 1,134 tonnes (FY 2020: 953 tonnes). Asia is now larger than the US as a geographic market, reflected in our investments in China to support growth over the coming years.

Europe was up 30%, with 2,432 tonnes (FY 2020: 1,876 tonnes), reflecting improvement in Automotive and the strong performance in VAR. US volumes were up 22% at 807 tonnes (FY 2020: 663 tonnes) as Energy saw a steady recovery, although Aerospace remained subdued.

Medical

	12 months Ended 30 Sept 2021 £m	12 months ended 30 Sept 2020 £m	% Change (reported)	% Change (constant currency)
Revenue	51.1	49.7	+3%	+9%
Gross profit	45.6	43.1	+6%	+8%

Revenue in Medical was up 3% at £51.1m (FY 2020: £49.7m) as we saw a gradual but steady return to elective surgeries in most regions, principally Asia-Pacific. The US – which represents 53% of divisional revenues – remained slower in the return of patient surgeries compared to Asia-Pacific, with the latest data indicating the turn of the calendar year 2021/2022 will see surgery rates return to pre-COVID-19 levels. This data supports our assumption of an improved sales mix in FY 2022.

In constant currency, Medical revenue was up 9%. Gross profit was £45.6m (FY 2020: £43.1m) and gross margin was up at 89.2% (FY 2020: 86.7%) reflecting a slightly better sales mix within this division. Overall Medical volume (implantable and non-implantable) was down 3%, reflecting the demand for non-implantable business in ventilators and related equipment during FY 2020.

In the prior year period, the strong comparative in H1 2020 should be noted, as the supply chain and a number of major customers pre-bought product ahead of COVID-19 related lockdowns. Geographically, Asia-Pacific revenues were up 10% year on year, with Medical revenues in the US flat and Europe up 4%. Asia-Pacific continues to reflect revenues in Spine, as new approvals are secured, and non-Spine areas such as Cranio Maxillo-Facial (CMF), Arthroscopy & Sports Medicine as well as emerging or incremental opportunities in heart components. On a medium-term view, we continue to target high single-digit million revenue from each of our non-Spine areas, for example CMF, Cardio. Non-Spine overall now represents 45% of divisional revenues.

Medical market overview

Spine is our historic end-market which, whilst it has become more mature in recent years, is one we continue to diversify through focusing on 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 saw improvement in the second half. Full year revenues were lower than the £2m seen in the prior year. We are also innovating within the application uses for PEEK-OPTIMA™ HA Enhanced, for example in ankle wedge systems where we gained US FDA approval, which complements other extremity applications such as hammertoe.

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 important. 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. A number of other customer discussions are ongoing.

Progress in our non-Spine business continues to be impressive, with non-Spine revenues now 45% of the division. A number of emerging opportunities made good progress during FY 2021, these include one of our customers gaining 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 25% growth compared to FY 2020.

Mega-programmes

In **Knee**, we saw positive progress through the year, with the first patients implanted in India as part of the clinical trial and a total of 10 implants now having successfully passed the 6 month follow up phase. Clinical trials are now operating in Belgium, India and Italy, although the European trials remain slower to emerge from the impact of COVID-19 than the trial in India. Although the Knee programme has shifted its timeline backwards by approximately 12 months due to the impact of COVID-19, the long term opportunity – in what

is a \$10 billion global market – remains attractive. Further news flow is expected during FY 2022 and we anticipate the trial sites will run for approximately two years.

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. Adoption in this end market has remained challenging, and our resources have been tailored appropriately. Strategically, we are prioritising our investment and resources in other programmes.

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 year with US based In2Bones for composite plating in higher and lower extremities and concluded our first Asia customer product launch plan, scheduled for FY 2022.

Our PEEK composite Trauma plates offer the potential for 50 times better fatigue resistance compared to a metal plate, with awareness of composites as a viable metal alternative growing. Whilst we have the manufacturing capability to meet initial demand, we may also choose to consider partnerships to support scale-up, particularly for geographies in Asia-Pacific and China specifically.

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 2021 are a credit of £0.8m; 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 (FY 2021) weighted average spot rates to prior year (FY 2020) transactions;
- Underlying 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 Chinese subsidiaries which is committed to capital investment or additional capability and therefore not available to the wider group;
- 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;
- 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; and
- Research and Development spend on sustainable products is calculated as the percentage of project-based R&D spend on sustainable products or sustainable programmes. This metric, which is new in FY 2021, is used by the Board to assess progress against the sustainability strategy and vision of being Carbon Net Zero by 2030 (scope 1 & 2 emissions). Sustainable products are currently defined as revenue from Aerospace, Automotive and Medical end markets.

Consolidated Income Statement

		Year ended 30 September 2021	Year ended 30 September 2020
	Note	£m	£m
Revenue	4	306.3	266.0
Gains/(Losses) on foreign currency net hedging		4.9	(1.5)
Cost of sales		(145.9)	(122.1)
Gross profit	4	165.3	142.4
Sales, marketing and administrative expenses	-	(71.9)	(78.4)
Operating profit before exceptional items		92.6	76.0
Exceptional items	5	0.8	(12.0)
Operating profit	4	93.4	64.0
Financial income		0.2	0.3
Finance costs		(0.2)	(0.3)
Share of loss of associate		(0.9)	(0.5)
Profit before tax and exceptional items		91.7	75.5
Exceptional items	5	0.8	(12.0)
Profit before tax		92.5	63.5
Income tax expense	6	(19.7)	(9.3)
Profit for the period		72.8	54.2
Attributable to:			
Owners of the Company		73.2	54.2
Non-controlling interests		(0.4)	-
Earnings per share			
Basic	7	84.3p	62.6p
Diluted	7	84.0p	62.5p
Dividends (pence per share)			
Interim		13.42	-
Final		46.14	46.14
Special		50.00	-
		109.56	46.14

A final dividend in respect of 2021 of 46.14p and a special dividend of 50.00p per ordinary share has been recommended by the Directors for approval at the Annual General Meeting on 11 February 2022.

Consolidated Statement of Comprehensive Income

	Year ended 30 September 2021 £m	Year ended 30 September 2020 £m
Profit for the period	72.8	54.2
Items that will not be reclassified to profit or loss		
Defined benefit pension schemes' actuarial losses	4.5	(3.0)
Income tax on items that will not be reclassified to profit or loss	(1.1)	0.6
	3.4	(2.4)
Items that may be subsequently reclassified to profit or loss		
Currency translation differences for foreign operations	(2.0)	(2.8)
Effective portion of changes in fair value of cash flow hedges	5.7	3.7
Net change in fair value of cash flow hedges transferred to profit or loss	(4.9)	1.5
Income tax on items that may be reclassified to profit or loss	(0.2)	(1.0)
	(1.4)	1.4
Total other comprehensive expense for the period	2.0	(1.0)
Total comprehensive income for the period	74.8	53.2
Total comprehensive income for the period attributable to:		
Owners of the Company	75.2	53.2
Non-controlling interests	(0.4)	-

Consolidated Balance Sheet

		30 September 2021	30 September 2020
	Note	£m	£m
Assets			
Non-current assets			
Property, plant and equipment		305.7	273.7
Intangible assets		24.8	26.4
Investment in associated undertakings	8	11.4	12.3
Financial assets held at fair value through profit and loss	8, 9	12.7	8.0
Deferred tax assets		8.9	10.7
Retirement benefit asset	10	14.2	7.5
		377.7	338.6
Current assets			
Inventories		70.3	98.5
Current income tax assets		2.9	4.3
Trade and other receivables		49.1	32.1
Derivative financial instruments	11	2.9	2.9
Other financial assets	12	37.5	-
Cash and cash equivalents		74.9	73.1
		237.6	210.9
Total assets		615.3	549.5
Liabilities			
Non-current liabilities			
Deferred tax liabilities		(31.6)	(24.9)
Long term lease liabilities		(8.2)	(5.6)
Long term loans	13	(5.9)	-
Retirement benefit obligations	10	(1.9)	-
		(47.6)	(30.5)
Current liabilities			
Derivative financial instruments	11	(1.9)	(3.3)
Current income tax liabilities		(2.9)	(2.7)
Trade and other payables		(49.4)	(30.5)
Current lease liabilities		(1.8)	(1.5)
		(56.0)	(38.0)
Total liabilities		(103.6)	(68.5)
Net assets		511.7	481.0
Equity			
Share capital		0.9	0.9
Share premium		61.1	55.0
Translation reserve		1.7	3.7
Hedging reserve		0.1	(0.5)
Retained earnings		445.4	419.0
Equity attributable to owners of the Company		509.2	478.1
Non Controlling Interest	13	2.5	2.9
Total equity		511.7	481.0

Consolidated Cash Flow Statement

		Year ended 30 September 2021	Year ended 30 September 2020
	Note	£m	£m
Cash flows from operating activities			
Cash generated from operations	15	135.5	86.6
Interest received		0.2	0.3
Interest paid		-	(0.3)
Tax paid		(8.6)	(17.2)
Net cash flow generated from operating activities		127.1	69.4
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(41.9)	(24.9)
(Increase)/decrease in other financial assets		(37.5)	0.3
Investment in subsidiary		-	(3.2)
Loan to associated undertakings		(3.8)	-
Cash consideration of acquisitions of associated undertakings and unquoted investments		-	(4.6)
Cash received from non-controlling interest		-	2.9
Net cash flow used in from investing activities		(83.2)	(29.5)
Cash flows from financing activities			
Proceeds from issue of ordinary shares exercised under option		6.1	2.7
Repayment of lease liabilities		(1.8)	(1.5)
Loan received from non-controlling interest		5.6	-
Dividends paid		(51.6)	(39.9)
Net cash flow used in financing activities		(41.7)	(38.7)
Net increase in cash and cash equivalents		2.2	1.2
Effect of exchange rate fluctuations on cash held		(0.4)	(0.6)
Cash and cash equivalents at beginning of period		73.1	72.5
Cash and cash equivalents at end of period		74.9	73.1

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 2019	0.9	52.3	6.5	(4.7)	406.6	461.6	-	461.6
Total comprehensive income for the period								
Profit for the period	-	-	-	-	54.2	54.2	-	54.2
Other comprehensive (expense)/income								
Currency translation differences for foreign operations	-	-	(2.8)	-	-	(2.8)	-	(2.8)
Effective portion of changes in fair value of cash flow hedges	-	-	-	3.7	-	3.7	-	3.7
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	1.5	-	1.5	-	1.5
Defined benefit pension schemes' actuarial gains	-	-	-	-	(3.0)	(3.0)	-	(3.0)
Tax on other comprehensive (expense)/income	-	-	-	(1.0)	0.6	(0.4)	-	(0.4)
Total other comprehensive (expense)/income for the period	-	-	(2.8)	4.2	(2.4)	(1.0)	-	(1.0)
Total comprehensive (expense)/ income for the period	-	-	(2.8)	4.2	51.8	53.2	-	53.2
Contributions by and distributions to owners of the Company								
Adjustment arising from inception of non-controlling interest	-	-	-	-	-	-	2.9	2.9
Share options exercised	-	2.7	-	-	-	2.7	-	2.7
Equity-settled share-based payment transactions	-	-	-	-	0.5	0.5	-	0.5
Dividends to shareholders	-	-	-	-	(39.9)	(39.9)	-	(39.9)
Equity at 30 September 2020	0.9	55.0	3.7	(0.5)	419.0	478.1	2.9	481.0

	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	0.9	55.0	3.7	(0.5)	419.0	478.1	2.9	481.0
Total comprehensive income for the period								
Profit for the period attributable to the parent	-	-	-	-	73.2	73.2	-	73.2
Profit for the period attributable to non-controlling interest	-	-	-	-	-	-	(0.4)	(0.4)
Other comprehensive (expense)/income								
Currency translation differences for foreign operations	-	-	(2.0)	-	-	(2.0)	-	(2.0)
Effective portion of changes in fair value of cash flow hedges	-	-	-	5.7	-	5.7	-	5.7
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	(4.9)	-	(4.9)	-	(4.9)
Defined benefit pension schemes' actuarial gains	-	-	-	-	4.5	4.5	-	4.5
Tax on other comprehensive (expense)/income	-	-	-	(0.2)	(1.1)	(1.3)	-	(1.3)
Total other comprehensive (expense)/income for the period	-	-	(2.0)	0.6	3.4	2.0	-	2.0
Total comprehensive (expense)/income for the period	-	-	(2.0)	0.6	76.6	75.2	(0.4)	74.8
Contributions by and distributions to owners of the Company								
Share options exercised	-	6.1	-	-	-	6.1	-	6.1
Equity-settled share-based payment transactions	-	-	-	-	1.4	1.4	-	1.4
Dividends to shareholders	-	-	-	-	(51.6)	(51.6)	-	(51.6)
Equity at 30 September 2021	0.9	61.1	1.7	0.1	445.4	509.2	2.5	511.7

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 its registered office is Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire FY5 4QD, United Kingdom. The consolidated financial statements of the Company for the year ended 30 September 2021 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Company is listed on the London Stock Exchange.

The consolidated financial statements were approved for issue by the Board of Directors on 6 December 2021.

2. Basis of preparation

Both the consolidated and Company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have been prepared under the historical cost basis except for derivative financial instruments, defined benefit pension scheme assets and financial assets held at fair value through profit and loss, which are measured at their fair value.

The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Annual Report. In addition, note 15 in the Financial Statements on financial risk management details the Group's exposure to a variety of financial risks, including currency and credit risk.

Statutory accounts for the year ended 30 September 2021 and 30 September 2020 have been reported on by the auditors who issued an unqualified opinion in respect of both years and the auditors' reports for FY 2021 and FY 2020. Statutory accounts for the year ended 30 September 2020 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 September 2021, will be delivered to the Registrar of Companies within the Companies House accounts filing guidance.

Going Concern

The Directors have performed a robust going concern assessment including a detailed review of the business' 24-month rolling forecast and consideration of the principal risks faced by the Group and the Company, as detailed in the Annual Report. This assessment has paid particular attention to the impact of the ongoing global economic challenges on the aforementioned forecasts.

An update on the Group's proactive approach to managing the challenges of COVID-19 is detailed in the Annual Report with the specific impact of COVID-19 on the Company's going concern assessment detailed below.

The Company has maintained a strong balance sheet throughout the past two years despite seeing a significant impact from COVID-19, particularly during the second half of the year ended 30 September 2020. The combined cash and other financial assets balance at 30 September 2021 was £112.4m, having increased from £79.6m at 31 March 2021. Of the £112.4m, £12.5m is held in the Group's subsidiaries in China for the sole purpose of funding the construction of our new manufacturing facilities. Of the remaining £99.9m, approximately 90% is held in the UK, where the Company incurs the majority of its expenditure. All funds are held either in instant access or deposit accounts with less than 95 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 2020 the low point of the year and volume averaging c.230 tonnes per month. Demand for the Company's products has recovered through the FY 2021 with the second half being the strongest in the Company's history in volume terms. Full year volumes are up 25% on FY 2020 and 52% up on the heavily COVID-19 impacted second half of 2020. As with the drop off in demand during the second half of FY 2020 the timing and speed of recovery has been felt differently across our markets and geographies.

The 24-month rolling 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 the latest 2022 and 2023 forecasts.

The assessment of going concern included conducting scenario analysis on the aforementioned forecast which focused on one key question: Is the recovery during 2021 and the increasing economic confidence, derived from falling COVID-19 cases and the ongoing vaccination programme, sustainable, or will either the recovery run out of momentum in the face of further waves of new, vaccine immune, variants of COVID-19 or will the global economy be pushed back into contraction by supply chain issues, inflationary pressures and labour shortages, etc?

The Company's manufacturing assets remain operational, as they have done throughout the past 24 months, with revised procedures remaining 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 commencing work. Non-manufacturing staff have continued to work from home in the majority of our regions throughout FY 2021 as we continue with a safety first approach. A carefully managed return to site commenced in the UK in October 2021 in line with government recommendations. Other regions have moved in line with local government guidance.

Using the IBP data and the key question noted above, along with consideration of the outputs from the longer-term viability assessment (noted below), 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 January 2023.

Scenario 1 – the global economy contracts again with sales returning to the low levels seen in quarter 4 of FY 2020, at c.230 tonnes per month, from March 2022 (i.e. the first period post payment of the final and special dividends, therefore representing the cash low point of the year) 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.230 tonnes per month from March 2022, 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. Under scenario 2 there is minimal cash generation through the going concern period and there is potential that the committed facility, for which the covenants would be met, would be required to manage intra-month cash flows. 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 indicate 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 year 2022 includes significant capital investment (£60m+) as major projects are completed in China and the UK. This could be reduced significantly by limiting expenditure to essential projects, deferring all other projects into 2023, with the exception of completing the manufacturing facilities in China which are committed and 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 dividend payable in 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.

Reverse stress testing was performed to identify the level that sales would need to drop by in order for the Group to run out of cash by the end of the going concern assessment period. Sales volumes would need to consistently drop materially below the low point in scenario 2 which is not considered plausible.

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 and faces a number of new challenges, 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, it continues to adopt the going concern basis for preparing the financial statements.

On publishing the Company financial statements here together with the consolidated financial statements, the Company is taking advantage of section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of the approved financial statements.

Unless a change has been required by adoption of new standards, the accounting policies set out in these notes have been applied consistently to all periods presented in these consolidated financial statements.

In preparing the financial statements of the Group we performed an assessment of the impact of climate change, with reference to the disclosures made in the Sustainability report. There has been no material impact on the financial statements for the current year from the Group's assessment of the impact of climate change, including estimates and judgements made, specifically in the impairment and going concern analyses. The specific considerations in respect to the viability of the Group are included in the viability statement on pages 40 and 41. The Group's analysis on the impact of climate change continues to evolve as more clarity on timings and targets emerges, with Victrex committed to reducing its carbon impact. A far more detailed assessment of the impact has commenced ahead of our 2022 strategy review as we look to adopt the TCFD requirements for the year ended 30 September 2022.

3. Significant accounting policies

The accounting policies applied by the Group in these financial statements are the same as those applied in the Group's published consolidated financial statements for the year ended 30 September 2020 except for the application of relevant new standards. None of the new standards have had a material impact on the Group's consolidated result or financial position.

4. Segment reporting

The Group's business is strategically organised as two business units: Industrial, which focuses on our Energy & Industrial, VAR, Automotive, Aerospace and Electronics markets; and Medical, which focuses on providing specialist solutions for medical device manufacturers.

	Year ended 30 September 2021			Year ended 30 September 2020		
	Industrial	Medical	Group	Industrial	Medical	Group
	£m	£m	£m	£m	£m	£m
Segment revenue	257.4	51.1	308.5	221.1	49.7	270.8
Internal revenue	(2.2)	-	(2.2)	(4.8)	-	(4.8)
Revenue from external sales	255.2	51.1	306.3	216.3	49.7	266.0
Segment gross profit	119.7	45.6	165.3	99.3	43.1	142.4
Sales, marketing and administrative expenses			(71.9)			(78.4)
Operating profit before exceptional items			92.6			76.0
Exceptional items			0.8			(12.0)
Operating profit			93.4			64.0
Net financing income			-			-
Share of loss of associate			(0.9)			(0.5)
Profit before tax and exceptional items			91.7			75.5
Exceptional items			0.8			(12.0)
Profit before tax			92.5			63.5
Income tax expense			(19.7)			(9.3)
Profit for the period			72.8			54.2
Profit for the period attributable to						
Owners of the Company			73.2			54.2
Non-controlling interest			(0.4)			-

5. 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.

	Year ended 30 September 2021 £m	Year ended 30 September 2020 £m
Included within sales, marketing and administrative expenses		
Restructuring costs	(0.8)	9.8
Acquisition related costs	-	2.2
Exceptional items before tax	(0.8)	12.0
Tax on exceptional items	-	(1.1)
Exceptional items	(0.8)	10.9

Acquisition and investment related costs

In the prior year, acquisition related costs comprised legal and other non-recurring costs the Group incurred directly in the course of acquisition and investment activity. These costs were largely non-deductible expenses for tax purposes.

Restructuring costs

During FY 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 30 September 2020 which reduced the Group's employee base by up to 100 roles, primarily through voluntary severance.

The credit in FY 2021 relates to more favourable settlements being reached than assumed when making the restructuring charge in FY 2020. These costs were treated as non-tax deductible in FY 2020 and the corresponding credit will be non-chargeable in FY 2021. The cash flow in the year associated with exceptional items was £1.9m (FY 2020: £9.3m).

6. Income tax expense

	Year ended 30 September 2021	Year ended 30 September 2020
	£m	£m
UK corporation tax	10.4	7.7
Overseas tax	1.7	1.0
Deferred tax	7.5	2.8
Tax adjustments relating to prior years	0.1	(2.2)
Total tax expense in income statement	19.7	9.3
Effective tax rate	21.3%	14.6%

In the Finance Bill 2021, the government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021. As a consequence, deferred tax assets/liabilities have been remeasured at the rate they are now expected to reverse. For UK assets/liabilities this is 25% for the majority of assets and liabilities (30 September 2020: 19%), being the UK tax rate effective from 1 April 2023. This has increased the tax charge for the period by £6.1m. For overseas assets/ liabilities the corresponding overseas tax rate has been applied.

7. Earnings per share

	Year ended 30 September 2021	Year ended 30 September 2020
Earnings per share		
– basic	84.3p	62.6p
– diluted	84.0p	62.5p
Profit for the financial period attributable to the owners of the company (£m)	73.2	54.2
Weighted average number of shares used		
– basic	86,704,789	86,470,079
– diluted	87,045,353	86,630,437

8. Investment in associated undertakings

Bond 3D High Performance Technology BV (“Bond”)

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 holds an investment of €14.7m/£12.9m (24.5%) in Bond at 30 September 2021 (30 September 2020: same). As the Group is considered to have significant influence in Bond the investment continues to be accounted for as an associate, using the equity method.

Further cash injections into Bond during the year have been in the form of convertible loans; to a value of (€4.7m/£3.8m); these are held as financial assets held at fair value through profit and loss (see note 9 below).

The Group's share of the loss of Bond in FY 2021 is £0.9m (FY 2020 loss of £0.5m).

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

At 30 Sept 2021, financial assets held at fair value through profit and loss relate to:

- Investment in Surface Generation Limited at £3.5m (FY 2020 £3.5m)
- Investment in Magma Global Limited at £5.4m (FY 2020 £4.5m). In October 2021 the Group sold its investment in Magma to TechnipFMC and recognised a gain on the investment of £0.9m. A transaction in the equity of an investment is a positive indication of its fair value and accordingly has been used as the basis to increase the fair value of the investment at 30 September 2021.
- Convertible loans in Bond at £3.8m. See also note 8 above.

10. Retirement benefits

During FY 2021, the Group separated the German defined benefit pension scheme from the UK defined benefit pension scheme, separately disclosing the net liability in the German pension scheme on the balance sheet. In the past the German scheme has been combined with the UK scheme due to its size. During the current year the insurance policies which comprise the assets of the German scheme started to mature. At this point, under German law, having received permission from the beneficiary, the company can elect to assume the benefit of these assets for use in the business and leave the scheme unfunded – making the pension payments from company cash flow. As a result the net liability of the scheme has increased, and will continue to do so during the year ended 30 September 2022 as the remaining assets are transferred to the company. Options will then be available to review buying out the pension liability.

11. Derivative financial instruments

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

	As at 30 September 2021		As at 30 September 2020	
	Notional contract amount	Carrying amount and fair value	Notional contract amount	Carrying amount and fair value
	£m	£m	£m	£m
Current assets	61.2	2.9	82.3	2.9
Current liabilities	106.9	(1.9)	81.8	(3.3)
	168.1	1.0	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. Fair value gains on foreign currency contracts of £4.9m has been recognised in the period (FY2020 – losses of £1.5m).

12. Other financial assets

At 30 September 2021 the Group had £37.5m of cash on 95-day deposit (30 September 2020: nil). This is included in the Available Cash metric (see APM's above).

13. Non-controlling interest

During FY 2020 the Group established a new subsidiary company, Panjin VYX High Performance Materials Co. Ltd ('PVYX').

PVYX is a limited liability company set up for the purpose of the manufacture of PAEK polymer powder and granules, based in mainland China. The Group continues to hold a 75% equity interest with the remaining 25% held by Yingkou Xingfu Chemical Co. Ltd ('YX'). Consistent with prior year, 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.

The first tranche of investment of £8.6m in this company was made by the Group via Victrex Hong Kong Limited, in March 2020. During FY 2021, the Group has made further cash injections in to PVYX, totalling £24.5m, split in the form of loans £22.0m and further equity investment of £2.5m. YX made a loan to PVYX of £5.6m during the year. The loan is denominated in Chinese Renminbi and had a sterling value of £5.9m at 30 September 2021.

To 30 September 2021 the subsidiary incurred a loss of £1.4m, of which £0.4m is attributable to the non-controlling interest.

No borrowing costs in relation to the long term loan were capitalised during the period.

14. Exchange rates

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

	Year ended 30 September 2021		Year ended 30 September 2020	
	Average	Closing	Average	Closing
US Dollar	1.36	1.34	1.27	1.30
Euro	1.14	1.18	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.

15. Reconciliation of profit to cash generated from operations

	Audited Year ended 30 September 2021 £m	Audited Year ended 30 September 2020 £m
Profit after tax for the period	72.8	54.2
Income tax expense	19.7	9.3
Share of loss of associate	0.9	0.5
Net financing income	-	-
Operating profit	93.4	64.0
Adjustments for:		
Depreciation	18.5	17.9
Amortisation	3.4	2.8
Loss on disposal of property plant and equipment	0.8	0.2
Decrease/(increase) in inventories	26.0	(7.5)
(Increase)/decrease in trade and other receivables	(18.3)	11.7
Increase in trade and other payables	11.9	0.6
Equity-settled share-based payment transactions	1.4	0.5
Gains on derivatives recognised in income statement that have not yet settled	(0.5)	(2.2)
Gain on financial asset held at fair value	(0.9)	-
Retirement benefit obligations charge less contributions	(0.2)	(1.4)
Cash generated from operations	135.5	86.6

Forward-looking Statements

Sections of this 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 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.

Shareholder information:

Victrex's Annual Reports and Half-yearly Financial Reports are available on request from the Company's Registered Office or to download from our corporate website, www.victrexplc.com

Financial calendar:

Ex-dividend date	27 January 2022
Record date#	28 January 2022
AGM	11 February 2022
Payment of final dividend	18 February 2022
Announcement of half-year results	May 2022
Payment of interim dividend	July 2022

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

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