



9 May 2023

**Victrex plc – Interim Results 2023**

**‘Price, revenue & gross margin up; PBT lower on volumes, cost inflation & targeted investment’**

Victrex plc is an innovative world leader in high performance polymer solutions, delivering sustainable products which enable environmental and societal benefit. This announcement covers interim results (unaudited) for the 6 months ended 31 March 2023.

	<b>H1 2023</b>	H1 2022	% change (reported)	% change (constant currency <sup>1</sup> )
Group sales volume	<b>1,941 tonnes</b>	2,264 tonnes	-14%	N/A
Group revenue	<b>£162.2m</b>	£160.1m	+1%	-5%
Gross profit	<b>£86.7m</b>	£85.0m	+2%	-2%
Gross margin	<b>53.5%</b>	53.1%	+40bps	N/A
Underlying PBT <sup>1</sup>	<b>£42.5m</b>	£48.2m	-12%	-15%
Reported PBT	<b>£39.1m</b>	£43.6m	-10%	-14%
Underlying EPS <sup>1</sup>	<b>41.9p</b>	47.8p	-12%	N/A
EPS	<b>38.8p</b>	43.5p	-11%	N/A
Dividend per share	<b>13.42p</b>	13.42p	flat	N/A

**Highlights:**

- **Strong pricing performance, with revenue +1%, despite softer volumes**
  - H1 Group revenue up 1% at £162.2m (H1 2022: £160.1m), supported by FX
  - Average selling prices (ASP) up 18% at £84/kg, delivered by strong pricing actions, mix & FX
  - H1 Group sales volume down 14%; driven by macro weakness in Electronics, Energy & Industrial and Value Added Resellers (VAR), despite good growth in Aerospace & Automotive
  - Record half in Medical; revenue up 17%, driven by new applications, mega-programmes, FX
- **GM up to 53.5%; underlying PBT down on softer volumes, inflation & targeted investment**
  - Gross margin up 410 bps vs H2 2022 & up 40 bps vs H1 2022
  - Underlying profit before tax (PBT) down 12% at £42.5m & down 15% in constant FX
  - Reported PBT £39.1m
  - Targeted investment in Medical acceleration & China start-up
- **Growing ‘mega-programme’ commercialisation – sales from new products up to 7%<sup>2</sup>**
  - **Medical:**
    - Trauma plates: exceeding demand, on track for c£1m revenue & new Asia partner
    - PEEK Knee: strong progress in Maxx clinical trial, 35 patients implanted, 2 post two years; Aesculap (B Braun) collaboration in place
  - **Industrial:**
    - Further E-mobility business; on track for >£3m annualised revenues
    - Supporting TechnipFMC for significant Brazil opportunity (Magma composite pipe)
- **Cash generation underpinning investments; China commissioning on-plan**
  - H1 2023 available cash<sup>1</sup> £34.4m, post-payment of FY 2022 dividend
  - China facility commissioning; commercial start-up on plan for 2023
  - Operating cashflow impacted by inventory, in line with guidance
  - Interim dividend of 13.42p/share, in line with prior year

<sup>1</sup> Alternative performance measures are defined in note 17

<sup>2</sup> Other internal metrics are defined below

**Commenting on the Group's interim results, Jakob Sigurdsson, Chief Executive of Victrex, said:**

"Our first half performance was driven by strong pricing, an improved sales mix and currency, with revenue up 1%, despite a softer macro-economic environment, resulting in weaker volumes, compared to a record FY 2022.

"Several end markets delivered good growth, including in Aerospace and Automotive, although this was not able to offset softness in Electronics, Energy & Industrial, and VAR. In Medical, we saw a record half yearly performance and our growth opportunities are increasing. Prioritising targeted investment in Medical is already delivering good results.

**Price & margin ahead**

"Average selling prices, at £84/kg, were ahead of our expectations as we recover energy & raw material cost inflation. This, together with energy costs being lower than our guidance, helped to improve Group gross margin to 53.5%, compared to the second half of FY 2022 at 49.4%. On a full year basis, we expect gross margin will now be ahead of expectations and the prior year.

**PBT down 12% on softer volumes, cost inflation and targeted investment**

"In line with our guidance of a double-digit increase in overhead investment to underpin growth programmes, alongside higher wage inflation and targeted cost of living support for employees, underlying profit before tax (PBT) was down 12%. Whilst we will remain cost focused through the remainder of the year, we have added targeted overhead investment, primarily to support Medical and several of our key mega-programmes as they move closer to inflection points and require investment for customer scale-up. We also saw additional people and start-up costs for our new China facility, ahead of commercial operations starting later this year.

**Growing commercialisation in mega-programme portfolio**

"Our mega-programme portfolio is making good progress in delivering additional milestones, with sales from new products – which includes our mega-programmes – tracking at 7% of revenue for the full year (FY 2022: 6% of revenue). During the first half, we saw further new business wins in E-mobility and the opportunity for over £3m revenue this year; additional revenues to support our Aerospace Structures programme and collaborations with several other OEMs now; excellent progress in Trauma, including a new China manufacturing partner and growth in the US, and anticipated commercial revenue above £1m this year; and the PEEK Knee trial moving towards the post clinical stage. We are also supporting TechnipFMC as they bid to use new composite pipe technology based on PEEK, in Brazilian oil & gas fields.

**Outlook – well positioned for macro-economic recovery**

"The Group has seen some improvement in monthly run-rates since the turn of the calendar year, though these remain variable by end market. Consequently, compared to a record FY 2022, full year volumes are still tracking to be down by a double-digit percentage. Victrex remains well positioned for when the macro-economic outlook turns more favourable in several Industrial end markets. Medical is expected to continue its strong performance.

"On a full year basis, pricing, sales mix, easing energy inflation and currency remain supportive. Gross margin is also expected to be modestly ahead of the prior year. Delivering a PBT performance in line with FY 2022 and current expectations assumes a step up in demand during the latter part of the second half, driven by macro-economic conditions. Victrex remains well placed for the medium to long term, with a strong core business, growing commercialisation in our mega-programmes, a highly cash generative business model, and strong ESG credentials."

## About Victrex:

Victrex is an innovative world leader in high performance polymer solutions, focused on the strategic markets of automotive, aerospace, energy & industrial, electronics and medical. Every day, millions of people use products and applications which contain our sustainable materials – from smartphones, aeroplanes and cars to energy production 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, enable environmental and societal benefits, and drive value for our shareholders. Find out more at [www.victrexplc.com](http://www.victrexplc.com)

*A presentation for investors and analysts will be held at 9.00am (UK time) this morning via a dial-in facility, which can be accessed by registering on the following link:*

<https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=4670842&linkSecurityString=bc37ea7fa>

*The presentation will be available to download from 8.30am (GMT) today on Victrex's website at [www.victrexplc.com](http://www.victrexplc.com) under the Investors/Reports & Presentations section.*

## Victrex plc:

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

Ian Melling, 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 2023

**'Price, revenue & gross margin up; PBT lower on volumes, cost inflation & targeted investment'**

### Operating review

#### Revenue up 1%

During the first half, the Group delivered revenue of £162.2m, which was up 1% (H1 2022: £160.1m), despite weaker sales volume. This reflects strong pricing and a good performance in several end markets, including in Medical, which delivered a record half yearly performance, resulting in an improved sales mix for the Group.

In constant currency<sup>1</sup> Group revenue was 5% down on the prior year.

#### H1 volume down 14% on weaker macro-economic environment

Group sales volume of 1,941 tonnes was 14% down on the prior year (H1 2022: 2,264 tonnes), below our expectations at the start of the year. This reflected weaker end-markets in Electronics, Energy & Industrial and VAR, offset by an improvement in Automotive and continuing recovery in Aerospace. Victrex typically sees a strong bounce back once end-markets improve and we remain well positioned for an upturn in the global economic environment. However, volumes continue to track down double-digit on a full year basis, compared to the record volumes of FY 2022.

#### Q2 revenue & volume

Q2 revenue of £83.3m (Q2 2022: £85.5m) was 3% lower than the prior year – a strong comparative – despite monthly run rates starting to improve after the first quarter, but with a slower recovery than expected. Q2 sales volume of 992 tonnes was down 20% on the prior year (Q2 2022: 1,239 tonnes), reflecting several end markets remaining weak.

#### Record half in Medical; Industrial weaker in some end markets

Medical revenues were £32.5m, up 17% on the prior year (H1 2022: £27.8m), and 6% ahead in constant currency<sup>1</sup>. We saw continuing strong growth in Asia (revenues +32%), as well as growth in all other regions.

Growth within Medical remains broad-based, with Spine revenue up 15% and non-Spine up 19%. After successfully broadening the applications PEEK is used in, non-Spine is now an increasingly important part of our Medical division. Key applications include Cardio, with over 250,000 heart pumps using PEEK last year, further growth in Trauma, particularly Cranio Maxillo Facial (CMF) skull plates; and good growth in Arthroscopy. Non-Spine now represents 52% of Medical revenues (H1 2022: 51%).

Our Industrial division reported revenues of £129.7m, 2% down on the prior year (H1 2022: £132.3m) and 8% down in constant currency<sup>1</sup>, reflecting the end market weakness in Electronics, Energy & Industrial and VAR. Within Transport, sales volume was up 3%, as Automotive started to emerge from a period where car build rates have been challenged by the industry Semiconductor shortages. In Aerospace, we saw good revenue growth – volumes were up 9% and revenue up 19% – thanks to increased plane build, an improved sales mix and greater commercialisation of our composite business, particularly our low-melt PEEK (AE™250) and composite tape. This is being used on Airbus' demonstrator for next generation aircraft as part of the Clean Sky II programme, as well as through opportunities in the wider Aerospace supply chain. Forecast build rate increases by both of the key aerospace manufacturers over the coming years are expected to support continued improvement.

#### Average selling prices (ASP) up 18% at £84/kg; ahead of expectations, driven by price increases & FX

Recovery of the significant energy and raw material cost inflation is reflected in an improvement for our Average Selling Price (ASP) of £83.6/kg, which was up 18% (H1 2022: £70.7/kg). This was driven by the benefit of annualised price increases, surcharge pricing to customers, sales mix and currency. Structural price increases remain the main mechanism for price pass through. Surcharge pricing remains one of our options, linked to UK energy costs, as the Group broadened how it recovers cost inflation.

Overall cost inflation for FY 2023, based on current energy and raw material prices, is expected to be modestly lower than our previous guidance of around £20m, although we note the variability in forward energy costs.

## Growing commercialisation in mega-programme portfolio

Sales from new products revenue is on track to increase to 7% of Group revenue for FY 2023. During the first half, we saw further milestones as we work towards inflection points across a number of mega-programmes:

The **Magma** mega-programme is our composite pipe programme for the energy industry, including both traditional and new energy applications. The primary focus is supporting TechnipFMC to accelerate the significant opportunities for thermoplastic composite pipe in deepwater oil & gas fields in Brazil, with light-weighting, durability, and ease of manufacturing being key parts of the proposition. Following submissions last year for offshore packages in Brazil, TechnipFMC is targeting multiple fields in Brazil requiring alternative solutions. PEEK based Hybrid Flexible Pipe (HFP) is seen as a leading contender, with TechnipFMC constructing a new pipe extrusion facility in Brazil, incorporating Victrex's pipe extrusion know-how. The opportunity is across several pre-salt fields in Brazil, over a multi-year timeframe. We continue to closely collaborate with TechnipFMC as a strategic supply partner, with multi-year supply agreements in place and industry qualifications based on Victrex™ PEEK and our composite tape (Victrex supplies both the polymer resin and composite tape and holds the intellectual property for extrusion of the PEEK pipe).

In **Trauma**, commercial revenue is on track to deliver approximately £1m this year, and further expected growth in the coming years, thanks to our partnership with In2Bones and other customers for PEEK composite Trauma plates, where initial demand has exceeded In2Bones' own expectations, and is more than five times our original assumptions. Over 200 patients have now received implants utilising Victrex manufactured trauma plates. Studies show an enhanced union rate using PEEK composites rather than titanium based plates. Victrex manufactures the PEEK composite based trauma plates in-house, or via partners, based on the significant know-how built up over recent years. We will also be working with Paragon Medical, to toll manufacture in China, supporting a growing customer base globally.

Our **PEEK Knee** programme continues to show strong progress. The Maxx Orthopaedics clinical trial has now completed patient recruitment in India, with 35 patients having implants, including 10 who have successfully passed the primary end-point of 15-month clinical stage, with no remedial intervention required. Two patients have also passed the two year stage with no intervention, which is particularly encouraging. The focus for Maxx will be to work alongside our Medical team to look at the route to early commercialisation, utilising our New Product Development Centre established in Leeds, UK, during the first half. Our new collaboration with Aesculap (part of B Braun and a top 5 Knee company) was also formalised during the first half. Collaboration has been running for some time, including robotic testing at Aesculap, with the focus on trials and a pathway to commercialisation.

Knee remains potentially the most significant of our mega-programmes, with an addressable market of approximately \$1 billion, utilising PEEK as a replacement over Cobalt Chrome.

In our '**Aerospace Structures**' programme, the opportunity to increase PEEK content per plane at least 10-fold is becoming more real, with large scale demonstrator parts being exhibited and going through qualification programmes. Aerospace Structures links primarily to our development alliances via major OEMs, with prototype revenue via the world's first large scale PEEK test parts. We have also broadened the number of customers we are working with as part of this programme, including Tier 1 companies, reflecting the significant opportunity for light-weight and easily processed PEEK composite materials. Focus applications are for large primary and secondary Aerospace structures, such as wings and fuselage parts. Aerospace Structures also builds on Victrex's **Aerospace Composites** programme, with our AE™250 composite tape being integral to both of these opportunities.

After successfully growing revenue to more than £4m last year, **PEEK Gears** is focused on building revenue through both parts manufacture and polymer resin based sales, where a third party manufacturer would build the final component, based on Victrex design, development and know-how. PEEK Gears continue to have application uses across both traditional internal combustion engines (ICEs) and electric vehicles (EVs).

Good progress continues in our **E-mobility** mega-programme, with new business wins during the first half, specifically focused on wire coating applications for electric motors. We are on track to deliver revenue of over £3m this year, with better than expected progress. This mega-programme centres on Victrex XPI grade, which enables coatings of tightly wound electric wires for existing and primarily next generation high-voltage vehicles (800 volt batteries and applications). PEEK is being used in specific applications where durability, heat resistance and light-weighting are all key. The potential PEEK content per vehicle, including E-mobility applications, is

more than 100g (from approximately 10g today), as we focus on the high performance needs of next generation electric vehicles.

### **Innovation investment**

Victrex continues to invest behind our growth programmes, with the opportunity to accelerate some of our opportunities in Medical, meaning more investment in this business during FY 2023. This includes a modest investment in a New Product Development (NPD) Centre in Leeds, UK, to support new roles and capability. Given the phasing of R&D investment, this is not measured at the half year but is tracking at approximately 5% of revenues on a full year basis. Of R&D investment focused on individual projects, 89% of this is now aligned to programmes supporting sustainable products. Going forward, and on a full year basis, we will focus primarily on our total investment in sustainable products or programmes as a proportion of total R&D investment (rather than project-based investment).

### **Financial review**

#### **Gross profit up 2%**

Gross profit was up 2% at £86.7m (H1 2022: £85.0m), supported by currency. Energy costs, within the income statement, were still ahead of the prior year, but slightly lower than our expectations. Despite some easing of UK energy costs, raw materials continue to see modest inflation, compared to H1 2022.

#### **Gross margin up 410 bps sequentially**

First half Group gross margin of 53.5% was 410 basis points (bps) ahead of the second half of FY 2022 (H2 2022: 49.4%), supported by improved pricing and a better sales mix. On a year-on-year basis, Group gross margin of 53.5% was slightly ahead of the first half of FY 2022 (H1 2022: 53.1%).

Our focus continues to be on gross margin improvement, to a mid-to-high fifty percent level, whilst noting that sales mix and the expected increase in parts contribution to revenue, will play a key role over the coming years. On a full year basis, we anticipate Group gross margin will be ahead of the prior year, with further improvement in the second half.

Moving further downstream, through our Polymer & Parts strategy, seeks to deliver continued growth in our core polymer business, as well as drive an increasing contribution from our mega-programmes (parts). This creates the opportunity for additional revenue and profit streams over the medium to long term from selling a semi-finished or finished component or part, despite the higher unit cost of manufacture and slightly lower gross margin percentage in selected parts compared to polymer.

#### **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 2023, a loss of £6.2m (H1 2022: gain of £1.7m) has been recognised accordingly, largely from contracts where the deal rate obtained (placed up to 12 months in advance in accordance with the Group's hedging policy) was unfavourable to the average exchange rate prevailing at the date of the related hedged transactions, following the devaluation of Sterling during H2 2022. The corresponding spot rate benefit is largely seen in the revenue line.

#### **Currency tailwind**

H1 2023 saw a currency tailwind of approximately £3m at PBT level, with an expected full year tailwind of approximately £4m-£6m. At this early stage, currency for FY 2024 is tracking as a modest tailwind of a similar scale at PBT level, although we note ongoing volatility in currency markets.

Our hedging 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.

### **Operating overheads<sup>1</sup> up 21% driven by wage inflation and targeted investment**

Operating overheads<sup>1</sup>, which excludes exceptional items of £3.4m, increased to £44.1m (H1 2022: £36.4m) driven by higher wage inflation, targeted cost of living payments to support global employees at certain grades and targeted investments which commenced in H2 2022; primarily in Medical, and to support the commercial ramp up for our new China PEEK facility, which is expected to be operational during 2023.

For FY 2023, with wage inflation and some targeted innovation spend, in line with our prior guidance, we envisage a low double digit % increase in operating overheads.

### **Underlying PBT offset by higher targeted investment**

Despite gross profit being 2% ahead, supported by price increases and currency, underlying PBT of £42.5m was down 12% on the prior year (H1 2022: £48.2m). This was driven by higher targeted investment, in support of key long-term growth programmes, and higher wage inflation, including cost of living support.

Reported PBT reduced by 10% to £39.1m (H1 2022: £43.6m). This reflects exceptional items of £3.4m (H1 2022: £4.6m), representing the cost of implementing a new ERP software system. The implementation will be completed in 2024, with an anticipated total expensed cost of up to £20m.

### **Earnings per share down 11%**

Basic earnings per share (EPS) of 38.8p was 11% down on the prior year (H1 2022: 43.5p per share), reflecting the decline in PBT. Underlying EPS was down 12% at 41.9p (H1 2022: 47.8p).

### **Taxation**

The Group benefits from the reduced tax rate on profits taxed under the UK Government's Patent Box scheme, which incentivises innovation and consequently highly skilled Research & Development jobs within the UK. Net taxation received was £3.9m (H1 2022: tax paid of £5.6m) reflecting a UK tax refund for overpayment in prior years. The effective tax rate was 14.9% (H1 2022: 14.0%), in line with our mid-term guidance for an effective tax rate of approximately 12%-15%, subject to global taxation developments, which continue to be monitored.

### **Strong balance sheet**

Major customers recognise the value of our strong balance sheet, and our ability to invest and support security of supply. Net assets at 31 March 2023 totalled £488.6m (H1 2022: £470.6m).

### **Inventory up in line with guidance**

For FY 2023, we are ensuring raw material inventories can reach safety stock levels, to support security of supply for customers. Additionally, we have been building inventory to reflect planned engineering work required as part of our UK Asset Improvement programme. Total closing inventory was £117.3m (H1 2022: £79.8m), including the impact of higher energy and raw material costs. On a full year basis, we anticipate a continued elevated inventory position.

### **China commissioning on-plan**

Our investment in a new PEEK facility in China since FY 2020 has now resulted in us advancing through the commissioning phase, ahead of an expected start-up for producing commercial PEEK by the end of 2023, subject to qualification. The China facility, PVYX, will enable us to broaden our portfolio of PEEK grades, as well as target a number of key end markets, particularly Automotive, Electronics and VAR. Close collaboration with customers continues, in support of their own growth plans in China.

Growth investment remains the priority, with cash capital investment of £22.2m (H1 2022: £26.7m), of which a significant proportion was to support our China manufacturing investments, which will provide additional capability to support customers in China. Other investments include our UK Asset Improvement programme (we anticipate this will be approximately £15m in total, with some spend already completed; c£5m this year and a further £5m next year), with consideration also being given to future monomer capacity, in order to maintain a healthy security of supply position.

Investment to support process change aligned to our ESG goals (for example being able to access alternative fuels and adjustments needed to our manufacturing process) is also within our medium term plan.

Overall capital expenditure for FY 2023 is expected to be similar to FY 2022, at approximately £45m-£50m. Medium term capital expenditure is expected to reduce slightly from this level, once current investments

complete, to approximately 8-10% of revenues, to include ESG related capital investment in our manufacturing facilities.

### **Solid cash generation; lower on weaker demand environment**

Cash generated from operations was £17.1m (H1 2022: £37.3m), giving an operating cash conversion<sup>1</sup> of -4% (H1 2022: 22%). This was driven by increased inventory, as previously communicated.

Cash and other financial assets at 31 March 2023 was £38.4m (H1 2022: £45.8m). This lower cash position reflects weaker demand and high capital expenditure for completion of our China manufacturing investments. It also includes £4.0m ring-fenced in our China subsidiaries (H1 2022: £3.9m) and other financial assets of £0.1m, representing cash which was held in deposit accounts greater than three months in duration (H1 2022: £0.1m). In February 2023 we paid the 2022 full year final dividend of 46.14p/share at a cash cost of £40.1m.

### **Dividends**

The Board is proposing to maintain the interim dividend at 13.42p/share (H1 2022: 13.42p/share).

### **Capital allocation; share buybacks now an option, alongside special dividends**

Growth investment remains the focus for the Group, although we note the income attractions of Victrex, with a cash generative business model. We continue to review a number of potential investment opportunities, particularly in Medical as we see significant opportunities to enhance our portfolio. Following engagement with shareholders during the first half, share buybacks are now included as an option for future shareholder returns, alongside special dividends, within our capital allocation policy. Reflecting the liquidity of Victrex shares, and the priority of growth investment, any future buyback programme is not likely to exceed £25m.

### **Sustainability**

The Group continues to progress its Sustainability & ESG goals, with a notable highlight being a year-on-year improvement in our sustainable product revenues to 53%<sup>2</sup> (H1 2022: 43%). Later in the year we expect to be in a position to make our SBTi submission, aligning our goals with Science Based Targets.

### **Divisional appointments**

Following the previously announced retirement from the Board by Dr Martin Court – at the end of our financial year – the Group has made two appointments. Dr John Devine becomes Managing Director, Medical. John has over 24 years' experience with Victrex, specifically in the Medical division. Michael Koch will join Victrex as Managing Director, Sustainable Solutions (Industrial) having formerly been the CEO of Mitsubishi Chemicals Advanced Materials. Both appointments will be effective from October 1<sup>st</sup> 2023, enabling a smooth transition with Martin. These roles will sit below Board level, reporting to Jakob Sigurdsson, Chief Executive.

### **Outlook – well positioned for macro-economic recovery**

The Group has seen some improvement in monthly run-rates since the turn of the calendar year, though these remain variable by end market. Consequently, compared to a record FY 2022, full year volumes are still tracking to be down by a double-digit percentage. Victrex remains well positioned for when the macro-economic outlook turns more favourable in several Industrial end markets. Medical is expected to continue its strong performance.

On a full year basis, pricing, sales mix, easing energy inflation and currency remain supportive. Gross margin is also expected to be modestly ahead of the prior year. Delivering a PBT performance in line with FY 2022 and current expectations assumes a step up in demand during the latter part of the second half, driven by macro-economic conditions. Victrex remains well placed for the medium to long term, with a strong core business, growing commercialisation in our mega-programmes, a highly cash generative business model, and strong ESG credentials.

### **Jakob Sigurdsson**

Chief Executive, 9 May 2023

<sup>1</sup> Alternative performance measures are defined in note 17

<sup>2</sup> Other internal metrics are defined below



## DIVISIONAL REVIEW

### Industrial

	<b>6 Months Ended 31 Mar 2023 £m</b>	6 Months Ended 31 Mar 2022 £m	% Change (reported)	% Change (constant currency)
Revenue	<b>129.7</b>	132.3	-2%	-8%
Gross profit	<b>61.4</b>	60.9	+1%	-4%

Victrex's divisional performance is reported through Industrial and Medical. The Group continues to provide an end market-based summary of our performance and growth opportunities. Within Industrial, we have the end markets of Energy & Industrial, Value Added Resellers (VAR), Transport (Automotive & Aerospace) and Electronics.

A summary of all the mega-programmes and the strong progress made during the year, is covered earlier in this report.

#### **Industrial revenue down 2% on weaker end-markets**

The Industrial division saw revenue of £129.7m (H1 2022: £132.3m), down 2% on the prior year, with a decline across Electronics, Energy & Industrial and VAR, as these end markets remain weak. H1 performance also reflects a period of strong growth in the prior year, particularly in VAR, which saw several consecutive record quarters. Revenue in constant currency was down 8%. With a more favourable sales mix, the impact of foreign currency exchange and energy costs within the income statement increased (but were slightly better than our expectations), gross margin was up 130bps to 47.3% (H1 2022: 46.0%).

#### **Energy & Industrial**

Energy & Industrial saw sales volume of 328 tonnes, which was down 21% on the prior year (H1 2022: 413 tonnes), primarily reflecting the weaker performance in Industrial, which is currently a more challenging end market. Industrial is driven by global activity levels and capital goods equipment, which was weaker during the period.

In Energy, Victrex™ PEEK has a long-standing track record of durability and performance benefit in many demanding Oil & Gas applications, where the reliability of PEEK can mean less intervention or downtime, thereby supporting efficiency of operation. We are now also seeing increasing revenues from wind applications, with PEEK now being used in specific applications in wind turbines. Elsewhere in the new energy space, we continue to assess applications in Hydrogen, where PEEK's inert nature and durability could have a strong play. Energy volumes were down 6%, due to lower activity levels.

#### **Value Added Resellers (VAR)**

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. VAR is often a good barometer of the general health of the supply chain, with VAR customers processing high volumes of PEEK into stock shapes, or compounds.

After a strong period of growth and a strong comparative, the first half saw a more muted performance, leading to a 21% decline in VAR volumes, to 768 tonnes (H1 2022: 970 tonnes). We remain well placed for when the global economic environment improves, with VAR typically seeing a strong bounce back.

#### **Transport (Automotive & Aerospace)**

Across core and new applications within Aerospace and Automotive, Victrex is well placed, particularly for the growing demand for composite materials. We continue to have a strong alignment to the CO2 reduction megatrend, with our materials offering lightweighting, durability, comfort, dielectric properties and heat resistance. As well as long standing core business within Automotive & Aerospace across a range of application areas, we also made good progress in our Transport related mega-programmes of PEEK Gears, E-mobility, Aerospace Composites and Aerospace Structures.

Overall Transport sales volume grew by 3% to 463 tonnes (H1 2022: 451 tonnes), with Aerospace up 9% and Automotive up 1%.

### **Automotive**

In Automotive, we saw a steady improvement after a challenging FY 2022, as the Automotive industry experienced semiconductor chip shortages. Our core applications include braking systems, bushings & bearings and transmission equipment, with increasing opportunities and new business wins in electric vehicles, supporting a growing E-mobility business.

In PEEK Gears, 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 typical PEEK Gear offers the potential of approximately 20 grams per application.

In E-mobility, we secured further new business wins focused on the higher voltage motors (800 volts), with an opportunity to grow revenues over £3m this year. Several applications are based on our Aptiv™ film or PEEK XPI grade used for wire coatings, where the inert nature, high strength, durability and processability are key benefits. Tough performance requirements make the choice of material even more critical and PEEK is well placed.

### **Aerospace**

Whilst Aerospace volumes were up 9%, revenue was up 19%, reflecting a mix shift within this business, particularly in Aptiv™ film and also our AE™250 low-melt PEEK grade (and use as composite tape). Recent build rate increases on key models containing Victrex™ PEEK offer support for continued improvement as the industry moves beyond the effects of the pandemic.

We are also set to see an uptick in business in China, as our qualifications with COMAC start to yield growing revenue.

The ability to support CO2 reduction through PEEK materials which are typically 60% lighter than metals also remains strong, with our assessment that over 53 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.

### **Electronics**

After a strong period for the global Semiconductor sector, this end market saw a dip during the first half. Volumes were down 13% at 291 tonnes (H1 2022: 335 tonnes).

We continue to have a broad range of PEEK applications in this end market, including Semiconductor, 5G applications, cloud computing and core applications like CMP rings (for Semiconductor) and other extended application areas. Our Aptiv™ film business and small space acoustic applications remain well positioned, though consumer devices was an area most impacted in the first half.

Home appliances has been an area of growth in recent years and our impeller application business in high-end brands are also performing well across a number of product areas, including vacuum cleaners and hairdryers. These applications, with lighter materials and enhanced durability, also offer the opportunity for improved energy efficiency.

### **Regional trends**

With a more challenging global macro-economic environment, regional performance in Europe and North America was adversely affected.

Overall by region. Europe was down 14%, at 1,023 tonnes (H1 2022: 1,193 tonnes), driven by declines in VAR primarily. North America was down 23% at 360 tonnes (H1 2022: 465 tonnes), principally driven by Energy & Industrial. Asia-Pacific was down 8% at 558 tonnes (H1 2022: 606 tonnes), as we saw declines in Electronics and VAR.

## Medical

	<b>6 Months Ended 31 Mar 2023 £m</b>	6 Months Ended 31 Mar 2022 £m	% Change (reported)	% Change (constant currency)
Revenue	<b>32.5</b>	27.8	+17%	+6%
Gross profit	<b>25.3</b>	24.1	+5%	+1%

We continue to see a good performance in Medical, driven by further recovery of elective surgeries and new application growth. Revenue in Medical was up 17% at £32.5m (H1 2022: £27.8m). In constant currency, Medical revenue was up 6%.

Gross profit was £25.3m (H1 2022: £24.1m) and gross margin was down 890bps at 77.7% (H1 2022: 86.6%) primarily reflecting currency and the impact of hedging (the corresponding currency benefit was seen in revenue). We also continued to see faster growth in Non-Spine. Geographically, Asia-Pacific revenues were up 32% year on year, with Medical revenues in the US up 10% and Europe up 15%.

A summary of the Medical based mega-programmes is covered in the operating review above.

### Medical strategy

Our Medical aspirations are for our solutions to treat a patient every 15-20 seconds by 2027 (from approximately 25-30 seconds now) and the Group is prioritising targeted investment in Medical, including a New Product Development Centre of Excellence in Leeds, UK, which opened during the period. This facility will support customer scale up in Trauma and Knee, aligned to major medical device companies, as well as working closely with academia. It is one of the key overhead investment items in FY 2023, as we build additional capability and skills in this area, with approximately 25 new roles initially.

We already have Medical manufacturing capability and innovation for our parts businesses in the UK, though in Trauma, we are establishing manufacturing partners, particularly in Asia, whilst retaining the design and development know-how. We continue to make good progress in being able to address what Medical device customers require, whilst developing new products to enable a full suite of solutions. An example is in Knee where the PEEK Knee is progressing through a clinical trial, yet opportunities within a cementless knee replacement are becoming more in focus.

### Spine and non-Spine

Current revenue split shows 48% of divisional revenue from Spine and 52% non-Spine. The next generation Spine products will be key in maintaining PEEK's position in this segment, including the opportunity for Porous PEEK, where a spinal cage can support bone-in growth as well as bone-on growth. Whilst we continue to innovate and develop new products for Spine, partly through our investment in Bond 3D, usage of 3D printed titanium cages continues to rise, largely in the US. PEEK remains strong in Asia and Europe. 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, with annualised revenues being a approximately £2m and good opportunities globally, and in Asia particularly.

Non-spine applications such as Cranio Maxilo Facial (CMF), Arthroscopy & Sports Medicine and Drug Delivery devices continue to perform well, as well as emerging or incremental opportunities in Cardio, where PEEK is now used in applications within an artificial heart. Last year, over 250,000 patients benefited from PEEK being used in heart pumps, containing implantable grade PEEK.

**Other internal metrics:**

In addition to the Alternative performance measures defined in note 17 there are a number of other internal metrics, which are used by the Board in evaluating performance, and are referenced in this report, but do not meet the definition for an APM. The measures are as follows:

- 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 2015 as a percentage of total Group sales.
- Sustainable revenues as a % of total revenues is calculated as the % of revenue earned from sustainable products, which are defined as those which offer a quantifiable environmental or societal benefit. These are primarily in automotive and aerospace (supporting CO2 reduction) but also in energy and industrial and electronics (e.g. wind energy applications, or those which support energy efficiency) and medical, supporting better patient outcomes.

## Consolidated Income Statement

		<b>Unaudited</b> <b>Six months ended</b> <b>31 March 2023</b>	Unaudited Six months ended 31 March 2022	Audited Year ended 30 September 2022
	Note	£m	£m	£m
<b>Revenue</b>	4	<b>162.2</b>	160.1	341.0
(Losses)/ gains on foreign currency net hedging		<b>(6.2)</b>	1.7	(2.8)
Cost of sales		<b>(69.3)</b>	(76.8)	(163.7)
<b>Gross profit</b>	4	<b>86.7</b>	85.0	174.5
Sales, marketing and administrative expenses		<b>(47.5)</b>	(41.0)	(86.0)
<b>Operating profit before exceptional items</b>		<b>42.6</b>	48.6	96.4
Exceptional items	5	<b>(3.4)</b>	(4.6)	(7.9)
<b>Operating profit</b>		<b>39.2</b>	44.0	88.5
Finance income		<b>0.7</b>	0.2	0.5
Finance costs		<b>(0.2)</b>	(0.1)	(0.3)
Share of loss of associate		<b>(0.6)</b>	(0.5)	(1.0)
<b>Profit before tax and exceptional items</b>		<b>42.5</b>	48.2	95.6
Exceptional items	5	<b>(3.4)</b>	(4.6)	(7.9)
<b>Profit before tax</b>		<b>39.1</b>	43.6	87.7
Income tax expense	6	<b>(5.8)</b>	(6.1)	(12.2)
<b>Profit for the period</b>		<b>33.3</b>	37.5	75.5
Attributable to:				
Owners of the Company		<b>33.7</b>	37.8	76.2
Non-controlling interests		<b>(0.4)</b>	(0.3)	(0.7)
<b>Earnings per share</b>				
Basic	7	<b>38.8p</b>	43.5p	87.6p
Diluted	7	<b>38.5p</b>	43.3p	87.3p
<b>Dividends per ordinary share</b>				
Interim		<b>13.42p</b>	13.42p	13.42p
Final		-	-	46.14p
		<b>13.42p</b>	13.42p	59.56p

An interim dividend of 13.42p per share will be paid on 3 July 2023 to shareholders on the register at the close of business on 26 May 2023. This dividend will be recognised in the period in which it is approved.

## Consolidated Statement of Comprehensive Income

	<b>Unaudited</b> <b>Six months ended</b> <b>31 March 2023</b> <b>£m</b>	Unaudited Six months ended 31 March 2022 £m	Audited Year ended 30 September 2022 £m
Profit for the period/year	<b>33.3</b>	37.5	75.5
<b>Items that will not be reclassified to profit or loss</b>			
Defined benefit pension schemes' actuarial (losses)/gains	<b>(4.7)</b>	3.8	0.2
Income tax on items that will not be reclassified to the profit or loss	<b>1.1</b>	(0.9)	(0.1)
	<b>(3.6)</b>	2.9	0.1
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation differences for foreign operations	<b>(7.8)</b>	1.4	11.1
Effective portion of changes in fair value of cash flow hedges	<b>9.4</b>	2.5	(19.7)
Net change in fair value of cash flow hedges transferred to profit or loss	<b>6.2</b>	(1.7)	2.8
Income tax on items that may be reclassified to the profit or loss	<b>(2.9)</b>	(0.2)	3.2
	<b>4.9</b>	2.0	(2.6)
<b>Total other comprehensive income/(expense) for the period/year</b>	<b>1.3</b>	4.9	(2.5)
<b>Total comprehensive income for the period/year</b>	<b>34.6</b>	42.4	73.0
Total comprehensive income for the period/year attributable to:			
Owners of the Company	<b>35.0</b>	42.7	73.7
Non-controlling interests	<b>(0.4)</b>	(0.3)	(0.7)

## Consolidated Balance Sheet

	Note	Unaudited 31 March 2023 £m	Unaudited 31 March 2022 £m	Audited 30 September 2022 £m
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		348.5	323.4	347.2
Intangible assets		19.4	21.6	20.2
Investment in associated undertaking	8	9.8	10.9	10.4
Financial assets held at fair value through profit and loss	9	11.3	8.8	10.1
Deferred tax assets		10.3	7.5	7.2
Retirement benefit asset		10.6	18.7	14.9
		<b>409.9</b>	<b>390.9</b>	<b>410.0</b>
<b>Current assets</b>				
Inventories		117.3	79.8	86.8
Current income tax assets		0.3	3.9	7.9
Trade and other receivables		65.8	64.7	68.1
Derivative financial instruments	11	1.4	3.0	-
Other financial assets	12	0.1	0.1	10.1
Cash and cash equivalents		38.3	45.7	58.7
		<b>223.2</b>	<b>197.2</b>	<b>231.6</b>
<b>Total assets</b>		<b>633.1</b>	<b>588.1</b>	<b>641.6</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities		(36.0)	(34.4)	(34.3)
Borrowings	10	(30.1)	(15.3)	(21.6)
Long-term lease liabilities		(9.5)	(7.3)	(7.8)
Retirement benefit obligation		(2.6)	(2.9)	(2.7)
		<b>(78.2)</b>	<b>(59.9)</b>	<b>(66.4)</b>
<b>Current liabilities</b>				
Derivative financial instruments	11	(4.0)	(2.4)	(19.9)
Borrowings	10	(2.8)	(0.3)	(0.9)
Current income tax liabilities		(6.8)	(2.0)	(2.3)
Trade and other payables		(51.1)	(51.2)	(59.7)
Current lease liabilities		(1.6)	(1.7)	(1.8)
		<b>(66.3)</b>	<b>(57.6)</b>	<b>(84.6)</b>
<b>Total liabilities</b>		<b>(144.5)</b>	<b>(117.5)</b>	<b>(151.0)</b>
<b>Net assets</b>		<b>488.6</b>	<b>470.6</b>	<b>490.6</b>
<b>Equity</b>				
Share capital		0.9	0.9	0.9
Share premium		61.8	61.2	61.5
Translation reserve		5.0	3.1	12.8
Hedging reserve		(0.9)	0.7	(13.6)
Retained earnings		419.5	402.5	427.2
Equity attributable to owners of the Company		<b>486.3</b>	<b>468.4</b>	<b>488.8</b>
Non-controlling interest	13	2.3	2.2	1.8
Total equity		<b>488.6</b>	<b>470.6</b>	<b>490.6</b>

## Consolidated Cash Flow Statement

		Unaudited Six months ended 31 March 2023	Unaudited Six months ended 31 March 2022	Audited Year ended 30 September 2022
	Note	£m	£m	£m
<b>Cash flows from operating activities</b>				
Cash generated from operations	15	17.1	37.3	90.7
Interest received		0.6	0.1	0.3
Interest paid		-	-	(0.4)
Net income tax received/ (paid)		3.9	(5.6)	(10.6)
<b>Net cash flow from operating activities</b>		<b>21.6</b>	<b>31.8</b>	<b>80.0</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment and intangible assets		(22.2)	(26.7)	(45.5)
Proceeds from disposal of financial asset held at fair value through profit and loss		-	4.5	4.2
Withdrawal of cash invested for greater than three months		10.0	37.4	27.4
Cash received from non-controlling interest		0.9	-	-
Loan to associated undertaking	8	(1.1)	(1.4)	(2.3)
<b>Net cash flow from investing activities</b>		<b>(12.4)</b>	<b>13.8</b>	<b>(16.2)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary shares exercised under option		0.3	0.1	0.4
Bank borrowings received	10	11.5	9.3	14.5
Bank borrowings repaid	10	(0.7)	-	-
Interest paid on bank borrowings		(0.4)	-	-
Loan received from non-controlling interest		1.7	-	-
Repayment of lease liabilities		(1.0)	(1.1)	(2.1)
Dividends paid		(40.1)	(83.5)	(95.2)
<b>Net cash flow from financing activities</b>		<b>(28.7)</b>	<b>(75.2)</b>	<b>(82.4)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(19.5)</b>	<b>(29.6)</b>	<b>(18.6)</b>
Effect of exchange rate fluctuations on cash held		(0.9)	0.4	2.4
Cash and cash equivalents at beginning of period/year		58.7	74.9	74.9
<b>Cash and cash equivalents at end of period/year</b>		<b>38.3</b>	<b>45.7</b>	<b>58.7</b>



## 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
<b>Equity at 1 October 2022 (audited)</b>	<b>0.9</b>	<b>61.5</b>	<b>12.8</b>	<b>(13.6)</b>	<b>427.2</b>	<b>488.8</b>	<b>1.8</b>	<b>490.6</b>
<b>Total comprehensive income for the period</b>								
Profit for the period attributable to the parent	-	-	-	-	33.7	33.7	-	33.7
Loss for the period attributable to non-controlling interest	-	-	-	-	-	-	(0.4)	(0.4)
<b>Other comprehensive (expense)/income</b>								
Currency translation differences for foreign operations	-	-	(7.8)	-	-	(7.8)	-	(7.8)
Effective portion of changes in fair value of cash flow hedges	-	-	-	9.4	-	9.4	-	9.4
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	6.2	-	6.2	-	6.2
Defined benefit pension schemes' actuarial losses	-	-	-	-	(4.7)	(4.7)	-	(4.7)
Tax on other comprehensive (expense)/income	-	-	-	(2.9)	1.2	(1.7)	-	(1.7)
<b>Total other comprehensive (expense)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(7.8)</b>	<b>12.7</b>	<b>(3.5)</b>	<b>1.4</b>	<b>-</b>	<b>1.4</b>
<b>Total comprehensive (expense)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(7.8)</b>	<b>12.7</b>	<b>30.2</b>	<b>35.1</b>	<b>(0.4)</b>	<b>34.7</b>
<b>Contributions by and distributions to owners of the Company</b>								
Adjustment arising from additional investment by non-controlling interest	-	-	-	-	-	-	0.9	0.9
Share options exercised	-	0.3	-	-	-	0.3	-	0.3
Equity-settled share-based payment transactions	-	-	-	-	2.2	2.2	-	2.2
Dividends to shareholders	-	-	-	-	(40.1)	(40.1)	-	(40.1)
<b>Equity at 31 March 2023 (unaudited)</b>	<b>0.9</b>	<b>61.8</b>	<b>5.0</b>	<b>(0.9)</b>	<b>419.5</b>	<b>486.3</b>	<b>2.3</b>	<b>488.6</b>

	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
<b>Equity at 1 October 2021 (audited)</b>	<b>0.9</b>	<b>61.1</b>	<b>1.7</b>	<b>0.1</b>	<b>445.4</b>	<b>509.2</b>	<b>2.5</b>	<b>511.7</b>
<b>Total comprehensive income for the period</b>								
Profit for the period attributable to the parent	-	-	-	-	37.8	37.8	-	37.8
Loss for the period attributable to non-controlling interest	-	-	-	-	-	-	(0.3)	(0.3)
<b>Other comprehensive income/(expense)</b>								
Currency translation differences for foreign operations	-	-	1.4	-	-	1.4	-	1.4
Effective portion of changes in fair value of cash flow hedges	-	-	-	2.5	-	2.5	-	2.5
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	(1.7)	-	(1.7)	-	(1.7)
Defined benefit pension schemes' actuarial gains	-	-	-	-	3.8	3.8	-	3.8
Tax on other comprehensive income/(expense)	-	-	-	(0.2)	(0.9)	(1.1)	-	(1.1)
<b>Total other comprehensive income for the period</b>	-	-	1.4	0.6	2.9	4.9	-	4.9
<b>Total comprehensive income/(expense) for the period</b>	-	-	1.4	0.6	40.7	42.7	(0.3)	42.4
<b>Contributions by and distributions to owners of the Company</b>								
Share options exercised	-	0.1	-	-	-	0.1	-	0.1
Equity-settled share-based payment transactions	-	-	-	-	0.8	0.8	-	0.8
Tax on equity-settled share-based payments transactions	-	-	-	-	(0.9)	(0.9)	-	(0.9)
Dividends to shareholders	-	-	-	-	(83.5)	(83.5)	-	(83.5)
<b>Equity at 31 March 2022 (unaudited)</b>	<b>0.9</b>	<b>61.2</b>	<b>3.1</b>	<b>0.7</b>	<b>402.5</b>	<b>468.4</b>	<b>2.2</b>	<b>470.6</b>

	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
<b>Equity at 1 October 2021 (audited)</b>	<b>0.9</b>	<b>61.1</b>	<b>1.7</b>	<b>0.1</b>	<b>445.4</b>	<b>509.2</b>	<b>2.5</b>	<b>511.7</b>
<b>Total comprehensive income for the year</b>								
Profit for the year attributable to the parent	-	-	-	-	76.2	76.2	-	76.2
Loss for the year attributable to non-controlling interest	-	-	-	-	-	-	(0.7)	(0.7)
<b>Other comprehensive income/(expense)</b>								
Currency translation differences for foreign operations	-	-	11.1	-	-	11.1	-	11.1
Effective portion of changes in fair value of cash flow hedges	-	-	-	(19.7)	-	(19.7)	-	(19.7)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	2.8	-	2.8	-	2.8
Defined benefit pension schemes' actuarial gains	-	-	-	-	0.2	0.2	-	0.2
Tax on other comprehensive income/(expense)	-	-	-	3.2	(0.1)	3.1	-	3.1
<b>Total other comprehensive income/(expense) for the year</b>	-	-	11.1	(13.7)	0.1	(2.5)	-	(2.5)
<b>Total comprehensive income/(expense) for the year</b>	-	-	11.1	(13.7)	76.3	73.7	(0.7)	73.0
<b>Contributions by and distributions to owners of the Company</b>								
Share options exercised	-	0.4	-	-	-	0.4	-	0.4
Equity-settled share-based payment transactions	-	-	-	-	1.8	1.8	-	1.8
Tax on equity-settled share-based payment transactions	-	-	-	-	(1.1)	(1.1)	-	(1.1)
Dividends to shareholders	-	-	-	-	(95.2)	(95.2)	-	(95.2)
<b>Equity at 30 September 2022 (audited)</b>	<b>0.9</b>	<b>61.5</b>	<b>12.8</b>	<b>(13.6)</b>	<b>427.2</b>	<b>488.8</b>	<b>1.8</b>	<b>490.6</b>

## Notes to the Financial Report

### 1. Reporting entity

Victrex plc (the 'Company') is a public company, which is limited by shares and is listed on the London Stock Exchange. This Company is 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.

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 2023 comprise those of the Company and its subsidiaries (together referred to as the 'Group').

The comparative figures for the financial year ended 30 September 2022 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](http://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.

This Half-yearly Financial Report was approved for issue by the Board of Directors on 9 May 2023.

### 2. Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 March 2023 has been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with Group's 2022 Annual Report and Financial Statements, which has been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted International Accounting Standards, and any public announcements made by Victrex Plc during the interim reporting period.

#### Climate change

The Group's assessment of the impact of climate change was detailed on page 146 of the Group's 2022 Annual Report and Financial Statements, a copy of which is available on the Group's website [www.victrexplc.com](http://www.victrexplc.com). This review was made in line with the requirements of the Task Force on Climate Related Financial Disclosures (TCFD) and with specific consideration of the disclosures made in the Sustainability report in the Annual Report. This specifically incorporated the impact of the physical risks of climate change, transitional risks including the potential impact of government and regulatory actions as well as the Group's stated Net Zero 2030 (Scope 1 & 2 emissions) target. From the work undertaken at that time, the Directors concluded that there had been no material impact on the financial statements for the year ending 30 September 2022 from the potential impact of climate change. Whilst the Group's analysis on the impact of climate change continues to evolve, the Directors are not aware of any changes in circumstance or situation, particularly in the areas reviewed, that would change the outcome of this assessment at this time, and therefore the same conclusion continues to be appropriate for the period ending 31 March 2023.

#### Risks and uncertainties

The principal risks and uncertainties which could impact the Group's long-term performance remain those detailed on pages 36 to 40 of the Group's 2022 Annual Report and Financial Statements, a copy of which is available on the Group's website [www.victrexplc.com](http://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 critical and other areas of judgements and key sources of estimation uncertainty made by management in applying the Group's accounting policies were the same as those that applied to the consolidated financial statements for the Group's 2022 Annual Report and Financial Statements, detailed on page 148, except for the carrying value of the investment in associate and the fair value of convertible loans, both relating to the Group's interest in Bond 3D High Performance Technology BV. These two areas were considered "other areas of judgement and sources of estimation uncertainty" in the preparation of the Group's 2022 Annual Report and Financial Statements and have been reclassified as areas of "critical judgement and key source of estimation uncertainty" in line with IAS 1. Further details on the ongoing investments in Bond are included in note 8.

### 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 for the year ended 30 September 2022. This assessment has paid particular attention to the impact of the current global economic challenges on the aforementioned forecasts.

The company maintains a strong balance sheet providing assurance to key stakeholders, including customers, suppliers and employees. The combined cash and other financial assets balance at 31 March 2023 was £38.4m, having reduced from £68.8m at 30 September 2022 following payment of the regular dividend of £40.1m in February 2023. Of the £38.4m, £4.0m 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 £34.4m, approximately 71% is held in the UK where the company incurs the majority of its expenditure. All funds are held on instant access. The Group has drawn debt of £24.7m in its Chinese subsidiaries (with a total facility of c.£45m available until December 2026) and has unutilised UK banking facilities of £40m through to October 2024, of which £20m is committed and immediately available and £20m is available subject to lender approval.

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 as forward-looking industry forecasts. For example, forecast aircraft build rates from the two major manufacturers for Aerospace and World Semiconductor Trade Statistics semiconductor market forecasts for Electronics through to 2024 and Needham and IQVIA forecasts for Medical procedures.

The assessment of going concern included conducting scenario analysis on the aforementioned forecast which, given current economic forecasts and sales trends through the first half of the financial year ended 30 September 2023, focused on the Group's ability to sustain a period of falling demand. In assessing the severity of the scenario analysis the scale of the impact experienced during previous economic downturns has been used, including the differing impacts on Industrial versus Medical segments.

Using the IBP data and reference points from previous downturns 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 2024. The impact of climate change and the Group's Net Zero 2030 goal for its own operations (Scope 1 & 2 emissions) has been considered as part of this assessment. Any impact on revenue over the shorter going concern period, either positive or negative, is likely to be insignificant, with the greater risk being that of higher carbon taxes. Whilst the gas and electricity prices have eased since the peaks seen in the second half of 2022, prices remain significantly above historic comparatives. The current elevated price of gas and electricity included in the 24-month forecast, reflecting current supply side uncertainty, and the government focus on limiting the impact of the current economic slowdown means that additional carbon taxes over the going concern period are considered unlikely and therefore no additional costs have been included in either the base forecast or the scenarios noted below.

**Scenario 1** – the global economy contracts with sales volumes reducing by 30% from the level seen prior to the commencement of falling demand, considered to be c.4,700 tonnes, to approximately 280 tonnes per month, from May 2023 for a period of 6 months taking the period of lower demand to approximately 12 months before a partial recovery to c.350 tonnes per month for the remainder of the going concern period. Medical revenue remains unchanged from the past 12 months run rate, with the economic situation historically having minimal impact on this segment.

**Scenario 2** – in line with scenario 1, c.280 tonnes per month from May 2023, however, the lower demand continues for a further 12 months, i.e. throughout the going concern period, taking the total period of lower demand to approximately 18 months, a period of contraction in excess of that seen during the financial crisis which impacted across 2008 and 2009 (and lasted approximately 12 months). This would give an annual volume of c.3,400 tonnes, a level not seen since 2015. In this scenario Medical revenue is reduced by 10% during the second six months to reflect a limited impact from a longer lasting slowdown. 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 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 indicating that the £20m uncommitted 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 capital investment over the next 12 months is approximately £50m 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 later into 2024, with the exception of completing the manufacturing facilities in China which will continue as planned;
- Reduction in discretionary overheads - costs would be limited to prioritise and support customer related activity;
- Reduction in inventory levels – inventory has been increased to provide additional security whilst global supply chains remain stretched and to manage the business risk through the planned maintenance outages over the next 12 months. The inventory level could be reduced to provide additional cash resources; and
- Deferral/cancellation of dividends – the dividends payable in February 2024 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 current economic uncertainty with a number of global economies close to/in recession and the war in Ukraine continuing, 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.

### 3. Significant accounting policies

The accounting policies applied by the Group in these condensed financial statements are the same as those applied in the Group's 2022 Annual Report and Financial Statements 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, Transport and Electronics markets; and Medical, which focuses on providing specialist solutions for medical device manufacturers.

	Unaudited			Unaudited			Audited		
	Six months ended 31 March 2023			Six months ended 31 March 2022			Year ended 30 September 2022		
	Industrial	Medical	Group	Industrial	Medical	Group	Industrial	Medical	Group
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Segment revenue	135.0	32.5	167.5	133.2	27.8	161.0	285.8	58.3	344.1
Internal revenue	(5.3)	-	(5.3)	(0.9)	-	(0.9)	(3.1)	-	(3.1)
<b>Revenue from external sales</b>	<b>129.7</b>	<b>32.5</b>	<b>162.2</b>	<b>132.3</b>	<b>27.8</b>	<b>160.1</b>	<b>282.7</b>	<b>58.3</b>	<b>341.0</b>
<b>Segment gross profit</b>	<b>61.4</b>	<b>25.3</b>	<b>86.7</b>	<b>60.9</b>	<b>24.1</b>	<b>85.0</b>	<b>124.8</b>	<b>49.7</b>	<b>174.5</b>

## 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.

	<b>Unaudited</b> <b>Six months ended</b> <b>31 March 2023</b> <b>£m</b>	Unaudited Six months ended 31 March 2022 £m	Audited Year ended 30 September 2022 £m
<b>Included within sales, marketing and administrative expenses</b>			
Implementation of SaaS ERP system	<b>3.4</b>	4.6	7.9
<b>Exceptional items before tax</b>	<b>3.4</b>	4.6	7.9
Tax on exceptional items	<b>(0.7)</b>	(0.9)	(1.5)
<b>Exceptional items after tax</b>	<b>2.7</b>	3.7	6.4

### Implementation of SaaS ERP system

During FY 2022 the Group commenced a multi-year implementation of a new cloud-based ERP system. The Group forecasts to spend up to £20m on the implementation, including process redesign, customisation and configuration of the system, change management and training, which will deliver benefits to both customer interactions and internal business processes.

The new ERP system does not meet the criteria for capitalisation (as the majority of costs relating to past systems have), in line with the IFRS Interpretations Committee's decision clarifying how arrangements in respect of cloud based software as a service (SaaS) systems should be accounted for. Accordingly, the cost is expensed rather than capitalised and amortised. Given the size of the project and its impact on the reported profit-based metrics, the fact the system is evergreen and thus this level and nature of cost will not happen again, it meets the Group's criteria to be presented as exceptional. The ERP system is expected to be completed in 2024.

The cash outflow in the period associated with exceptional items was £2.7m (H1 2022: £2.5m outflow; FY 2022: £5.6m outflow).

## 6. Income tax expense

Taxation of profit before tax in respect of the six months ended 31 March 2023 has been provided at the estimated effective rates chargeable for the full year in the respective jurisdiction.

	<b>Unaudited</b> <b>Six months ended</b> <b>31 March 2023</b> <b>£m</b>	Unaudited Six months ended 31 March 2022 £m	Audited Year ended 30 September 2022 £m
UK corporation tax	<b>4.8</b>	3.2	9.0
Overseas tax	<b>1.4</b>	0.8	2.4
Deferred tax excluding rate change	<b>(0.4)</b>	1.5	1.7
Deferred tax rate change	-	0.6	(0.9)
<b>Total tax expense in income statement</b>	<b>5.8</b>	6.1	12.2
Effective tax rate	<b>14.9%</b>	14.0%	13.9%

Deferred tax assets/liabilities have been recognised at the rate they are expected to reverse. For UK assets/liabilities this is 25% for the majority of assets and liabilities (31 March 2022: 25%; 30 September 2022: 25%), being the UK tax rate effective from 1 April 2023. For overseas assets/liabilities the corresponding overseas tax rate has been applied.

## 7. Earnings per share

		<b>Unaudited</b> <b>Six months ended</b> <b>31 March 2023</b>	Unaudited Six months ended 31 March 2022	Audited Year ended 30 September 2022
<b>Earnings per share</b>	– basic	<b>38.8p</b>	43.5p	87.6p
	– diluted	<b>38.5p</b>	43.3p	87.3p
<b>Profit for the financial period attributable to the owners of the Company (£m)</b>		<b>33.7</b>	37.8	76.2
<b>Weighted average number of shares</b>	– basic	<b>86,929,783</b>	86,889,310	86,897,353
	– diluted	<b>87,619,038</b>	87,308,262	87,239,312

## 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’s investment in the ordinary share capital of Bond at 31 March 2023 is €14.7m/£12.9m (24.5%) at cost (30 September 2022: same), with a carrying value of £9.8m (30 September 2022: £10.4m) which includes the impact of the Group’s share of losses since investment. 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. The Group’s share of the loss of Bond in HY 2023 is £0.6m (H1 2022 loss of £0.5m; FY 2022 loss of £1.0m).

In addition to the Associate Investment in Bond the Group holds convertible loans which are classified as financial assets held at fair value through profit and loss (see note 9). In line with the agreed programme of further investments into Bond by Victrex and another investor, LaLune, Bond issued further convertible loans of €2.0m in the six months ended 31 March 2023, of which €1.2m /£1.1m was issued to Victrex. The loans are convertible into ordinary shares of the entity, at the Group’s option, or are to be repaid by Bond on or before the end of the five year agreed term. The convertible loans carry preferential treatment on an exit of the business with repayment before equity investors receive a return.

The convertible loan balance is €8.8m /£7.8m at 31 March 2023 of which €2.0m /£1.8m is interest free, €0.3m /£0.2m is accruing interest at 3%, and the remainder is accruing interest at a rate of 6% per annum.

During April 2023, after the period end, the final €1.0m of convertible loans were issued under the existing convertible loan agreement of, of which €0.6m was issued to Victrex.

The Bond strategic plans shows that further investment is required to support development and early stage sales through to achieving net cash generation. In the current economic environment and recent tightening of finance for early stage businesses following the disruption in the US banking sector the Directors of Bond do not consider it an optimal time to raise new external finance which reflects the value of the business. As a result the Directors of Bond have sought further funding from existing shareholders, a request which has been accepted by Victrex and one other investor, LaLune, who between them will provide a further €5.0m (Victrex’s share being €3.1m), contingent on delivery of key milestones over the next 12 months. This additional funding is forecast to provide sufficient resource to sustain Bond for the next 12 months at which point further funding will be required. It is anticipated that the delivery of the aforementioned milestones and an improved fund-raising environment during 2024 will improve the probability of attracting the new external finance required.

The Directors are satisfied that there is no objective evidence of impairment of the net investment in associate at this time, having considered the loss events detailed in IAS 28 Investments in Associates and Joint Ventures, and that the criteria to use cost (the initial fair value) as the best estimate for fair value of the convertible loan notes, given the wide range of possible outcomes, a range in which the cost represents the best estimate within the range, continue to be met. However, it is recognised that there is an increase in the risk of a material change to the carrying values of both the investment in associate and convertible loans in the next 12 months given the need to raise further funds to see the company through to cash generation which in turn is contingent on delivery of key milestones and an improvement in the availability of external investors. As such the carrying value of the investment in associate and the fair value of convertible loans have been reclassified as critical judgements and key sources of estimation uncertainty (see note 1).



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

At 31 March 2023, financial assets held at fair value through profit and loss relate to:

- Investment in Surface Generation Limited at £3.5m (H1 2022: £3.5m; FY 2022: £3.5m)
- Convertible loans in Bond at £7.8m (H1 2022: £5.3m; FY 2022: £6.6m). See also note 8 above.

## 10. Borrowings

	<b>Unaudited</b> <b>Six months ended</b> <b>31 March 2023</b> <b>£m</b>	Unaudited Six months ended 31 March 2022 <b>£m</b>	Audited Year ended 30 September 2022 <b>£m</b>
<b>Due within one year</b>			
Bank loans	2.8	0.3	0.9
<b>Total due within one year</b>	<b>2.8</b>	<b>0.3</b>	<b>0.9</b>
<b>Due after one year</b>			
Bank loans	21.9	9.1	14.8
Loan payable to Non-controlling interest	8.2	6.2	6.8
<b>Total due after one year</b>	<b>30.1</b>	<b>15.3</b>	<b>21.6</b>

### Bank loans

RMB 12 million (£1.4m) of the amount due within one year relates to the working capital facility in China, which comprises RMB 50 million of the Group's total facility of RMB 300 million facility. The drawdowns under the working capital facility are required to be repaid at least annually from the point of each drawdown, after which the balance can be redrawn. Interest is charged at the one-year Loan Prime Rate of People's Republic of China +50bps and is charged to the income statement, included within Finance costs. The remaining RMB 199 million / £24.6m is repayable in line with an agreed schedule up to December 2026. Interest is charged at the five-year Loan Prime Rate of People's Republic of China, which has been 4.3% in the six months ended 31 March 2023. The purpose of the loan is funding the construction of a manufacturing facility in China, with the interest payable capitalised as part of qualifying capital expenditure within Property, Plant and Equipment. During the period, interest of £0.4m has been capitalised accordingly.

### Loan payable to Non-controlling interest

During the period, in line with the shareholder loan agreement, a loan of RMB 15 million (£1.7m) was received from the Non-controlling interest in Panjin VYX High Performance Materials Co. Ltd, Yingkou Xingfu Chemical Co. Ltd ('YX'). This is the second instalment, with the first instalment of RMB 50 million (£5.6m) being received in FY 2021. Both instalments are unsecured, denominated in Chinese Renminbi, and had a combined sterling value of £8.2m at 31 March 2023. The first instalment is repayable on 30 September 2026, with the second instalment repayable on 30 September 2027, or such date as may be mutually agreed by YX and Victrex Hong Kong Limited. Interest is charged at 4% per annum. Interest payable on the loan payable is rolled up into the value of the loan, until repayment occurs. The purpose of the loan is funding the construction of a manufacturing facility in China, with the interest payable capitalised as part of qualifying capital expenditure within Property, Plant and Equipment. During the period, interest of £0.1m has been capitalised accordingly.

## 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 2023		Unaudited As at 31 March 2022		Audited As at 30 September 2022	
	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	66.8	1.4	106.2	3.0	-	-
Current liabilities	119.3	(4.0)	80.6	(2.4)	197.5	(19.9)
	186.1	(2.6)	186.8	0.6	197.5	(19.9)

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. Fair value losses on foreign currency contracts of £6.2m has been recognised in the period (H1 2022 – gains of £1.7m; FY 2022 – losses of £2.8m).

## 12. Other financial assets

At 31 March 2023 the Group had £0.1m of cash which was held in deposit accounts greater than three months in duration (31 March 2022: £0.1m; 30 September 2022: £10.1m). This is included in the Available Cash metric (see Alternative performance measures in note 17).

## 13. Non-controlling interest

The non-controlling interest recognised relates to the Group's subsidiary company, Panjin VYX High Performance Materials Co. Ltd ('PVYX'), where the Group continues to hold a 75% equity interest with the remaining 25% held by Yingkou Xingfu Chemical Co. Ltd ('YX'). 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 income statement and balance sheet of PVYX are fully consolidated with the share owned by YX represented by a non-controlling interest.

During the six months ended 31 March 2023 YX made further cash injections in to PVYX, totalling RMB 22.5 million / £2.6m, split RMB 15 million / £1.7m in the form of loans (see note 10) and further equity investment of RMB 7.5 million / £0.9m.

In the six months to 31 March 2023 the subsidiary incurred a loss of £1.6m (H1 2022: loss of £1.2m; FY 2022: loss of £2.9m), of which £0.4m (H1 2022: £0.3m; FY 2022: £0.7m) is attributable to the non-controlling interest. Total non-controlling interest as at 31 March 2023 is £2.3m (H1 2022: £2.2m; FY 2022: £1.8m).

## 14. 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 2023		Unaudited Six months ended 31 March 2022		Audited Year ended 30 September 2022	
	Average spot	Closing	Average	Closing	Average	Closing
	US Dollar	1.16	1.24	1.36	1.33	1.30
Euro	1.14	1.13	1.19	1.20	1.16	1.13

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, to the point where transferred to profit or loss, 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

	Unaudited Six months ended 31 March 2023 £m	Unaudited Six months ended 31 March 2022 £m	Audited Year ended 30 September 2022 £m
Profit after tax for the period/year	33.3	37.5	75.5
Income tax expense	5.8	6.1	12.2
Share of post-tax loss of associate	0.6	0.5	1.0
Net finance income	(0.6)	(0.2)	(0.4)
Interest on lease liabilities	0.1	0.1	0.2
Operating profit	39.2	44.0	88.5
Adjustments for:			
Depreciation	9.7	9.6	19.0
Amortisation	0.8	1.4	2.6
Loss on disposal of non-current assets	-	2.1	2.4
Equity-settled share-based payment transactions	2.2	0.8	1.8
(Gains)/losses on derivatives recognised in income statement that have not yet settled	(1.7)	1.2	4.0
Gain on financial asset held at fair value	-	-	(0.3)
Increase in inventories	(32.6)	(9.7)	(13.4)
Decrease/(Increase) in trade and other receivables	0.5	(14.7)	(16.9)
(Decrease)/increase in trade and other payables	(0.6)	2.5	2.8
Retirement benefit obligations charge less contributions	(0.4)	0.1	0.2
<b>Cash generated from operations</b>	<b>17.1</b>	<b>37.3</b>	<b>90.7</b>

## 16. Related party transaction

### Identity of related parties

The Group's related parties are as disclosed in the Group's 2022 Annual Report and Financial Statements. There were no changes in the related parties in the six months ended 31 March 2023.

Bond, in which the Group has a 24.5% shareholding (H1 2022: 24.5%; FY 2022: 24.5%) is an associated company. The transactions with Bond in the six months ending 31 March 2023 are outlined in note 8, which includes additional tranches of convertible loans, and the share of loss recognised.

### Transactions with key management personnel

On 12 December 2022 under the 2019 Long Term Incentive Plan ('LTIP'), 69,135, 33,075 and 31,127 share option awards were granted to J O Sigurdsson, I C Melling and M L Court respectively at an option price of nil p per share when the market price was £15.92p per share. Furthermore, on the 12 December 2022 under the Victrex 2017 Deferred Bonus Plan ("Deferred Bonus Plan") 17,904, 1,957 and 8,024 share options were granted to J O Sigurdsson, I C Melling and M L Court respectively at an option price of nil p per share when the market price was £15.92p per share.

## 17. Alternative performance measures

We use alternative performance measures (APMs) 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 H1 2023 are £3.4m, details are disclosed in note 5;

	<b>Unaudited Six months ended 31 March 2023</b>	Unaudited Six months ended 31 March 2022	Audited Year ended 30 September 2022
	<b>£m</b>	£m	£m
Operating profit	<b>39.2</b>	44.0	88.5
Exceptional items	<b>3.4</b>	4.6	7.9
Underlying operating profit	<b>42.6</b>	48.6	96.4

- 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;

	<b>Unaudited Six months ended 31 March 2023</b>	Unaudited Six months ended 31 March 2022	Audited Year ended 30 September 2022
	<b>£m</b>	£m	£m
Profit before tax	<b>39.1</b>	43.6	87.7
Exceptional items	<b>3.4</b>	4.6	7.9
Underlying profit before tax	<b>42.5</b>	48.2	95.6

- 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 2023) weighted average spot rates to prior year (HY 2022) transactions;

Group	<b>Unaudited Six months ended 31 March 2023</b>	Unaudited Six months ended 31 March 2022	% change
	<b>£m</b>	£m	
At reported currency	<b>162.2</b>	160.1	1%
Impact of FX translation	-	11.3	
Revenue at constant currency	<b>162.2</b>	171.4	-5%

Industrial	<b>Unaudited Six months ended 31 March 2023</b>	Unaudited Six months ended 31 March 2022	% change
	<b>£m</b>	£m	
At reported currency	<b>129.7</b>	132.3	-2%
Impact of FX translation	-	8.5	
Revenue at constant currency	<b>129.7</b>	140.8	-8%

Medical	<b>Unaudited Six months ended 31 March 2023</b>	Unaudited Six months ended 31 March 2022	% change
	<b>£m</b>	£m	
At reported currency	<b>32.5</b>	27.8	17%
Impact of FX translation	-	2.8	
Revenue at constant currency	<b>32.5</b>	30.6	6%

- 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 flow is operating profit before exceptional items adjusted for depreciation, amortisation and loss on disposal, working capital movements and capital expenditure;
- Operating cash conversion is operating cash flow / operating profit before exceptional items;

	<b>Unaudited</b> <b>Six months ended</b> <b>31 March 2023</b>	Unaudited Six months ended 31 March 2022	Audited Year ended 30 September 2022
	<b>£m</b>	£m	£m
Underlying operating profit (as defined above)	<b>42.6</b>	48.6	96.4
Depreciation, amortisation and loss on disposal	<b>10.5</b>	10.9	24.0
Change in working capital	<b>(32.7)</b>	(21.9)	(27.5)
Capital expenditure	<b>(22.2)</b>	(26.7)	(45.5)
Operating cash flow	<b>(1.8)</b>	10.9	47.4
Operating cash conversion	<b>-4%</b>	22%	49%

- 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 deposit accounts greater than three months in duration) less cash ring-fenced in the Group's Chinese subsidiaries which is not available to the wider group;

	<b>Unaudited</b> <b>Six months ended</b> <b>31 March 2023</b>	Unaudited Six months ended 31 March 2022	Audited Year ended 30 September 2022
	<b>£m</b>	£m	£m
Cash and cash equivalents	<b>38.3</b>	45.7	58.7
Cash ring-fenced in Chinese subsidiaries	<b>(4.0)</b>	(3.9)	(2.8)
Other financial assets	<b>0.1</b>	0.1	10.1
Available cash	<b>34.4</b>	41.9	66.0

- 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; and

	<b>Unaudited</b> <b>Six months ended</b> <b>31 March 2023</b>	Unaudited Six months ended 31 March 2022	Audited Year ended 30 September 2022
	<b>£m</b>	£m	£m
Profit after tax attributable to owners of the Company	<b>33.7</b>	37.8	76.2
Exceptional items	<b>3.4</b>	4.6	7.9
Tax on exceptional items	<b>(0.7)</b>	(0.9)	(1.5)
Profit after tax before exceptional items net of tax	<b>36.4</b>	41.5	82.6
Weighted average number of shares	<b>86,929,783</b>	86,889,310	86,897,353
Underlying EPS (pence)	<b>41.9</b>	47.8	95.0

- Operating overheads is made up of sales, marketing and administrative expenses (including research and development expenditure) 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.

	<b>Unaudited</b> <b>Six months ended</b> <b>31 March 2023</b>	Unaudited Six months ended 31 March 2022	Audited Year ended 30 September 2022
	<b>£m</b>	£m	£m
Sales, marketing and administrative expenses	<b>47.5</b>	41.0	86.0
Exceptional items	<b>(3.4)</b>	(4.6)	(7.9)
Underlying operating profit	<b>44.1</b>	36.4	78.1

## 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 UK 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 2022, there have been no changes in the directorate.

Dr Martin Court, Chief Commercial Officer and an Executive Director, has notified the Board of his intention to retire from Victrex. Martin will retire from the Board after the September 2023 Board meeting and will remain with the Company until 31 December 2023, in order to support a smooth transition.

The Directors of Victrex plc are detailed on our Group website [www.victrexplc.com](http://www.victrexplc.com).

By order of the Board

**Jakob Sigurdsson**  
Chief Executive  
9 May 2023

**Ian Melling**  
Chief Financial Officer  
9 May 2023

## 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.

### 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](http://www.victrexplc.com)

### Financial calendar:

Record date#	26 May 2023
Payment of interim dividend	3 July 2023

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

Victrex plc  
Registered in England  
Number 2793780

Tel: +44 (0) 1253 897700  
[www.victrexplc.com](http://www.victrexplc.com)  
ir@victrex.com