VICTREX plc
HALF-YEARLY FINANCIAL REPORT 2009

With 30 years of experience, Victrex is a global manufacturer of innovative, high performance thermoplastic polymers. The Victrex Polymer Solutions division ('VPS') is responsible for VICTREX® PEEK™ polymer business in our major industrial markets including transport, energy and electronics. The Invibio® Biomaterials Solutions division ('Invibio') provides specialist solutions for medical device manufacturers.

VPS

VICTREX PEEK has a unique combination of chemical, wear, electrical, hydrolysis and temperature resistance, as well as excellent dimensional, mechanical and chemical stability combined with inherent purity and low flammability.

End users specify VICTREX PEEK to reduce systems costs, improve part performance, exploit greater design freedom and create a differentiated application.

As part of the division's commitment to ongoing product development, VPS is focused on bringing customers new material solutions and has a wide range of products in its portfolio from high flow and high purity grades to films and coatings.

INVIBIO

Invibio is the provider of biocompatible PEEK based polymers to medical device manufacturers. Invibio offers an unparalleled combination of research and technology, technical support, medical device market expertise and a network of industry resources to help clients develop the best possible solutions, and to bring those solutions to market quickly.

OUR OPERATIONS

The Group's headquarters are in the UK where its manufacturing facilities are based. This is complemented by a global network of sales, distribution and technical centres that serve more than 30 countries worldwide. Our team of dedicated market-development, sales and technical support professionals work with customers around the world offering assistance in new application development, product performance data and processing support.

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FINANCIAL HIGHLIGHTS

GROUP

> GROUP SALES VOLUME DOWN 40% TO 772 TONNES (2008: 1,294 TONNES)

> GROUP EARNINGS PER SHARE DOWN 63% TO 8.8p (2008: 23.7p)
>
> > UNDERLYING EPS DOWN 25%*

> INTERIM DIVIDEND MAINTAINED AT 5.2p

> CASH OF £14.2m AS AT 31 MARCH 2009 AND NO DEBT (2008: NET CASH £6.6m)

INVIBIO

> INVIBIO REVENUE UP 51% TO £17.6m (2008: £11.7m)
>
> > UNDERLYING REVENUE UP 42%*

> INVIBIO OPERATING PROFIT UP 47% TO £10.4m (2008: £7.1m)
>
> > UNDERLYING OPERATING PROFIT UP 40%*

VPS

> VPS REVENUE DOWN 48% TO £29.7m (2008: £56.9m)
>
> > UNDERLYING REVENUE DOWN 37%*

> VPS OPERATING PROFIT DOWN 98% TO £0.5m (2008: £20.5m)
>
> > UNDERLYING OPERATING PROFIT DOWN 45%*

* at constant exchange rates and excluding one-off costs

INTERIM MANAGEMENT REPORT

At our Annual General Meeting in February, we announced the strategic reorganisation of our business into two divisions: Invibio, our biomaterials business and VICTREX PEEK, now known as Victrex Polymer Solutions ('VPS'). Our half year results and reporting now reflect this divisional split.

As expected, and as previously reported, Victrex faced a mixed first half. We have continued to see strong progress in Invibio, offset by lower volumes in VPS as demand in our major industrial markets remained weak.

Group results

At 772 tonnes, first half sales volume was 40% down on the previous first half (1,294 tonnes) because of reduced demand in our major end user industrial markets, particularly automotive and electronics.

As a result of the significant reduction in sales volume, we have had to buy out surplus forward exchange contracts at a cost of £9.0m for the first half. These contracts were entered into prior to the downturn and in compliance with our currency hedging policy. This adverse impact, which is reflected in reduced revenue, has been partially offset by an improvement in underlying effective exchange rates as remaining sales start to benefit from weaker sterling.

Accordingly, although Group revenue declined by 31% to £47.4m, underlying revenue (at constant exchange rates) was down 24%.

Gross profit decreased by 29% to £31.7m (H1 2008: £44.5m). However, gross margin increased by 2 percentage points to 66.9%, largely as a result of the sales mix effect between Invibio and VPS.

Although sales, marketing and administrative expenses increased by 23% to £21.5m, £2.6m of this increase was due to the weakening of sterling in relation to costs incurred in foreign currency and £1.9m related to one-off costs of a streamlining exercise in VPS. Underlying expenses (at constant exchange rates and excluding one-off costs) decreased by 3%.

Group profit before tax decreased by 62% to £10.2m. Exchange rates (including the cost of buying out surplus forward exchange contracts) had a net adverse impact of £8.4m on profit before tax compared to the first half of 2008. Underlying profit at constant exchange rates and excluding one-off costs was £20.5m, a decrease of 25%. Basic earnings per share were down 63% at 8.8p. Underlying earnings per share at constant exchange rates and excluding one-off costs were down 25%.

Cash flow

We continued to generate cash from operations, albeit down at £10.3m in line with the reduction in operating profit. While the effective tax rate remained at 29%, tax paid only decreased to £7.4m (H1 2008: £9.0m) as a significant proportion of the payment related to the 2008 tax charge.

Capital expenditure for the period amounted to £4.3m (H1 2008: £16.0m). We continue to expect total capital expenditure for 2009 to amount to approximately £10m. This is being funded from the Group's cash resources.

Dividend payments for the period (comprising the 2008 final dividend) were £10.8m (H1 2008: £10.3m).

At 31 March 2009, the Group had cash of £14.2m and no debt compared with £6.6m net cash as at 31 March 2008 and £23.5m as at 30 September 2008. The Group has a committed bank facility of £40m, all of which was undrawn as at 31 March 2009. This facility expires in September 2012.

Dividend

While profit and cash flow are down on 2008, the Group remains in a strong cash position. Accordingly, the interim dividend will be maintained at last year's level of 5.2p per share. This will be paid on Tuesday 7 July 2009 to all shareholders on the register at the close of business on Friday 12 June 2009.

Invibio Biomaterials Solutions ('Invibio')

	Half year to 31 March 2009 £m	Half year to 31 March 2008 £m	% change
Revenue	**17.6**	11.7	+51%
Gross profit	**15.4**	10.3	+49%
Operating profit	**10.4**	7.1	+47%

Invibio had an excellent first half and generated record revenue, up 51% on the first half of last year. Underlying revenue (at constant exchange rates) was up 42%.

Sales, marketing and administrative expenses increased by £1.8m to £5.0m, primarily due to increased investment in resources to drive growth in this division. As a result, Invibio employee numbers will increase from 33 as at 30 September 2008 to approximately 45 following completion of the current recruitment programme. We anticipate further growth in commercial and technical roles to meet customer requirements.

Operating profit increased by 47%. Underlying operating profit (at constant exchange rates) amounted to £9.9m, an increase of 40%.

We have continued to make good progress in sales to spinal applications, both in fusion and increasingly in new, non-fusion areas. Other areas of increased revenue included arthroscopy and cranio-maxillo facial ('CMF'). Overall growth continues to be driven by successful commercialisation of new applications. Since the introduction of Invibio's principal biomaterial (PEEK-OPTIMA® polymer) ten years ago, more than two million devices containing PEEK-OPTIMA have been implanted in patients.

Invibio continues to invest in new technologies and developments for medical device manufacturers, as demonstrated by the introduction of MOTIS™ polymer during the American Academy of Orthopedic Surgeons' 2009 Annual Meeting. MOTIS polymer was developed to offer orthopaedic surgeons innovative new options for replacing metal, ceramic and polyethylene components in orthopaedic joint replacements.

Since the start of the new financial year, Invibio has entered into 20 additional PEEK-OPTIMA polymer long-term supply assurance agreements with implantable medical device manufacturers.

Victrex Polymer Solutions ('VPS')

	Half year to 31 March 2009 £m	Half year to 31 March 2008 £m	% change
Revenue	**29.7**	56.9	–48%
Gross profit	**16.3**	34.2	–52%
Operating profit	**0.5**	20.5	–98%

VPS revenue fell by 48% compared with the first half of 2008, including the £9.0m adverse impact of buying out surplus forward exchange contracts which arose from the significant reduction in VPS sales volume. Underlying revenue (at constant exchange rates) was down 37%.

Although sales, marketing and administrative expenses increased by £2.1m to £15.8m, this included an additional cost of £2.4m due to the weakening of sterling in relation to costs incurred in foreign currency.

In addition, we have taken actions to streamline VPS while continuing to invest in new applications and growth areas. As previously announced, we have reduced polymer production levels and have also temporarily suspended BDF monomer production for a period of up to six months.

Group staff numbers (excluding Invibio employees) are being reduced, by a combination of leavers not being replaced and a limited redundancy programme, from 486 as at 30 September 2008 to approximately 440 following completion of this exercise, a reduction of just under 10%.

The total one-off cost of this streamlining exercise (reflected in VPS first half sales, marketing and administrative expenses) amounted to £1.9m. Ongoing cost savings are estimated to be £3.6m on an annualised basis. Underlying expenses (at constant exchange rates and excluding one-off costs) were reduced by 16%.

Operating profit decreased by 98%. However, underlying operating profit (at constant exchange rates excluding currency buy out and one-off streamlining costs) amounted to £11.2m, a decrease of 45%.

Major markets

Transport sales volume was 194 tonnes, down 46% on last year's first half of 356 tonnes, principally due to a significant decline in automotive sales in all regions. Aerospace sales were also down but not to the same extent.

Industrial sales volume was 323 tonnes, down 30% on last year's first half of 460 tonnes as oil and gas applications have proved more resilient to the economic downturn.

Electronics sales volume was 139 tonnes, down 54% on last year's first half of 303 tonnes, due to significantly reduced semicon sales and a smaller reduction in consumer electronics sales.

Development pipeline

In spite of the slowdown in sales in the first half we have continued to successfully commercialise new applications, with 267 new VICTREX PEEK polymer applications with an estimated mature annualised volume ('MAV') of 188 tonnes compared with 295 commercialised applications with an estimated MAV of 170 tonnes in the second half of 2008.

With regard to our ongoing development pipeline, as at 31 March 2009, we were working with customers on 2,876 developments (September 2008: 2,978) with an estimated MAV of 2,477 tonnes (September 2008: 2,910 tonnes) if all of the developments were successfully commercialised. As can be seen, we have maintained activity levels, albeit with reduced customer tonnage expectations largely as a result of the economic slowdown.

INTERIM MANAGEMENT REPORT CONTINUED

Risks and uncertainties

Victrex's business and share price may be affected by a number of risks, trends, factors and uncertainties, not all of which are in our control. The process Victrex has in place for identifying, assessing and managing risks is set out in the Corporate Governance Report in the Annual Report and Accounts 2008 on page 22.

The specific principal risks, trends, factors and uncertainties (which could impact the Group's revenues, profits and reputation), which were faced at the time of the last annual report, and relevant mitigating factors as currently identified by Victrex's risk management process, have not changed since the year end. Detailed explanations can be found in the Annual Report and Accounts 2008 on pages 10, 11 and 12. Broadly, these risks include technological change, operational disruption, insufficient capacity, product specifications, competitor activity and currency exposure.

During the period the Group has been impacted by the current economic climate and the measures taken in response, including streamlining the VPS division and reducing production levels, are summarised above. Other risks may also adversely affect the Group. Accordingly, actual results may differ materially from anticipated results because of a variety of risk factors, including: changes in interest and exchange rates; changes in global, political, economic, business, competitive and market forces; changes in raw material pricing and availability; changes to legislation and tax rates; future business combinations or disposals; relations with customers and customer credit risk; events affecting international security, including global health issues and terrorism; changes in regulatory environment, and the outcome of litigation.

Outlook

Trading

April sales volume, at 110 tonnes, has picked up after the fall off in March. Current month order levels are running at a similar level to the same time in April. As previously indicated, for planning purposes, we have assumed that volume will remain at similar levels to the average for the second quarter. Should volume be higher than the second quarter run rate, we will benefit positively from our operational gearing. Furthermore, the underlying growth drivers remain in place across our end use markets and our development pipeline of potential new applications is holding up well.

Invibio continues to show strong sales performance and development potential. Accordingly, we expect Invibio second half revenue to be maintained at a broadly similar level to the strong first half with further sales growth expected in 2010.

Currency impact and gross margin

As previously reported, trading results for 2009 have been impacted by the cost of buying out surplus currency cover. Based on planned sales volume, hedging already in place and spot exchange rates as at 8 May 2009, we currently estimate the following average rates will apply for the second half:

	Half year to 31 March 2009 Actual*	Half year to 30 September 2009 Estimate*
US Dollar	2.05	1.87
Euro	1.38	1.26
Yen	210	200

* Excluding adverse impact from buy out of surplus forward exchange contracts of £9.0m for the first half and £2.3m estimated for the second half.

As a result of these improved rates and materially reduced currency buy out costs, we expect to see a further significant increase in effective sterling average selling price in the second half. However, this will be offset by higher effective fixed production costs per tonne arising principally from reduced production. We therefore expect second half Group gross margin to be approximately 5% points lower than the first half.

Looking ahead to 2010, based on current spot rates and hedging already in place, we expect to see an additional significant increase in effective sterling average selling price, albeit partially offset by further increases in effective fixed production costs per tonne.

The Company's second interim management statement, covering the period from 1 April 2009, will be issued on Thursday 6 August 2009.

Anita Frew
Chairman
18 May 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited six months ended 31 March 2009 £000	Unaudited six months ended 31 March 2009 £000	Unaudited six months ended 31 March 2008 £000	Unaudited six months ended 31 March 2008 £000	Audited year ended 30 September 2008 £000	Audited year ended 30 September 2008 £000
Revenue	5		**47,361**		68,508		141,117
Cost of sales			**(15,680)**		(24,027)		(49,495)
Gross profit	5		**31,681**		44,481		91,622
Sales, marketing and administrative expenses			**(21,511)**		(17,504)		(37,041)
Operating profit	5		**10,170**		26,977		54,581
Financial income		**86**		331		577	
Financial expenses		**(23)**		(89)		(127)	
Net financing income			**63**		242		450
Profit before tax			**10,233**		27,219		55,031
Income tax expense	6		**(2,968)**		(7,893)		(15,959)
Profit for the period attributable to equity shareholders of the parent			**7,265**		19,326		39,072
Earnings per share							
Basic	7		**8.8p**		23.7p		47.8p
Diluted	7		**8.8p**		23.5p		47.4p
Dividends							
Year ended 30 September 2007:							
Final dividend paid March 2008 at 12.6p per share			**–**		10,273		10,273
Year ended 30 September 2008:							
Interim dividend paid July 2008 at 5.2p per share			**–**		–		4,260
Final dividend paid February 2009 at 13.1p per share			**10,795**		–		–
	10		**10,795**		10,273		14,533

An interim dividend of 5.2p per share will be paid on 7 July 2009 to shareholders on the register at the close of business on 12 June 2009. This dividend will be recognised in the period in which it is approved.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 31 March 2009 £000	Unaudited 31 March 2008 £000	Audited 30 September 2008 £000
Assets				
Non-current assets				
Property, plant and equipment		**130,879**	125,291	129,909
Intangible assets		**10,568**	11,178	10,873
Deferred tax assets		**10,631**	8,154	8,078
		152,078	144,623	148,860
Current assets				
Inventories		**42,122**	28,211	31,675
Current income tax assets		**1,066**	1,152	244
Trade and other receivables		**14,823**	18,346	18,195
Derivative financial instruments	8	**666**	948	855
Cash and cash equivalents		**14,223**	10,605	23,532
		72,900	59,262	74,501
Total assets		**224,978**	203,885	223,361
Liabilities				
Non-current liabilities				
Deferred tax liabilities		**(15,256)**	(13,611)	(14,651)
Retirement benefit obligations		**(5,923)**	(5,582)	(6,378)
		(21,179)	(19,193)	(21,029)
Current liabilities				
Derivative financial instruments	8	**(23,848)**	(12,461)	(10,455)
Short-term borrowings		**–**	(4,040)	–
Current income tax liabilities		**(5,377)**	(10,165)	(8,263)
Trade and other payables		**(15,866)**	(12,893)	(16,820)
		(45,091)	(39,559)	(35,538)
Total liabilities		**(66,270)**	(58,752)	(56,567)
Net assets		**158,708**	145,133	166,794
Equity				
Share capital		**830**	825	829
Share premium		**20,915**	19,171	20,723
Translation reserve		**4,059**	(404)	470
Hedging reserve		**(10,945)**	(7,441)	(5,570)
Retained earnings		**143,849**	132,982	150,342
Total equity attributable to equity shareholders of the parent	10	**158,708**	145,133	166,794

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited six months ended 31 March 2009 £000	Unaudited six months ended 31 March 2008 £000	Audited year ended 30 September 2008 £000
Cash flows from operating activities				
Cash generated from operations	11	**10,324**	27,505	61,858
Interest and similar charges paid		**(22)**	(120)	(176)
Interest received		**86**	331	577
Tax paid		**(7,360)**	(8,995)	(15,703)
Net cash flow from operating activities		**3,028**	18,721	46,556
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(4,347)**	(15,976)	(25,014)
Net cash flow from investing activities		**(4,347)**	(15,976)	(25,014)
Cash flows from financing activities				
Issue of ordinary shares exercised under option		**1**	3	7
Premium on issue of ordinary shares exercised under option		**192**	1,023	2,575
Purchase of own shares held		**(977)**	(858)	(858)
Decrease in short-term borrowings		**–**	–	(4,207)
Dividends paid		**(10,795)**	(10,273)	(14,533)
Net cash flow from financing activities		**(11,579)**	(10,105)	(17,016)
Net (decrease)/increase in cash and cash equivalents		**(12,898)**	(7,360)	4,526
Exchange differences on net investment translation of foreign operations		**3,589**	845	1,886
Cash and cash equivalents at beginning of period		**23,532**	17,120	17,120
Cash and cash equivalents at end of period		**14,223**	10,605	23,532

Components of net cash

	Unaudited 31 March 2009 £000	Unaudited 31 March 2008 £000	Audited 30 September 2008 £000
Cash and cash equivalents	**14,223**	10,605	23,532
Short-term borrowings	**–**	(4,040)	–
Net cash	**14,223**	6,565	23,532

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Note	Unaudited six months ended 31 March 2009 £000	Unaudited six months ended 31 March 2008 £000	Audited year ended 30 September 2008 £000
Net change in fair value of cash flow hedges:				
Transferred to equity		**(24,310)**	(1,639)	(14,509)
Transferred to income statement		**16,845**	(8,749)	6,719
Exchange differences on net investment translation of foreign operations		**3,589**	224	1,098
Actuarial (losses)/gains on defined benefit plans		**(1,907)**	1,823	867
Tax on items taken directly to or transferred from equity		**1,263**	2,002	3,238
Net expense recognised directly in equity		**(4,520)**	(6,339)	(2,587)
Profit for the period		**7,265**	19,326	39,072
Total recognised income and expense for the period attributable to equity shareholders of the parent	10	**2,745**	12,987	36,485

NOTES TO THE HALF-YEARLY FINANCIAL REPORT

1. Reporting entity

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

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

These condensed consolidated interim financial statements as at and for the six months ended 31 March 2009 comprise the Company and its subsidiaries (together referred to as the 'Group').

The comparative figures for the financial year ended 30 September 2008 are extracted from the Company's statutory accounts for that year. Those accounts have been reported on by the Company's auditor, filed with the Registrar of Companies and are available on request from the Company's registered office or to download from www.victrex.com. The auditor's report on those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain any statement under sections 237(2) or (3) of the Companies Act 1985.

These condensed consolidated interim financial statements are unaudited, but have been reviewed by KPMG Audit Plc and their report is set out on page 15.

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ('IAS') 34 – Interim Financial Reporting as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 September 2008.

This Half-yearly Financial Report was approved by the Board of Directors on 18 May 2009.

3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied in the Company's published consolidated financial statements for the year ended 30 September 2008 except for the application of relevant new standards.

Of the new standards, amendments to standards and interpretations which are mandatory for the first time for the year ending 30 September 2009, the only relevant one is IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, which is effective for accounting periods commencing on or after 1 January 2008. Whilst the Group is currently assessing the impact, the application of IFRIC 14 is not expected to have a significant impact on the balance sheets or consolidated income statement.

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

4. Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 September 2008.

NOTES TO THE HALF-YEARLY FINANCIAL REPORT CONTINUED

5. Segment reporting

In the six months ended 31 March 2009, the Group's business was strategically reorganised into two divisions: Invibio and Victrex Polymer Solutions. Consequently, in compliance with IAS 14 - Segmental Reporting, the business will now report divisional information as the primary analysis and geographical information as the secondary analysis.

Primary divisional segments

Results

	Unaudited six months ended 31 March 2009			Unaudited six months ended 31 March 2008			Audited year ended 30 September 2008		
	Victrex Polymer Solutions £000	Invibio Biomaterials Solutions £000	Group £000	Victrex Polymer Solutions £000	Invibio Biomaterials Solutions £000	Group £000	Victrex Polymer Solutions £000	Invibio Biomaterials Solutions £000	Group £000
Total segment sales	**32,028**	**17,630**	**49,658**	56,864	11,650	68,514	117,502	24,900	142,402
Less inter-segment sales	**(2,297)**	**–**	**(2,297)**	(6)	–	(6)	(1,285)	–	(1,285)
Revenue from external sales	**29,731**	**17,630**	**47,361**	56,858	11,650	68,508	116,217	24,900	141,117
Segment gross profit	**16,291**	**15,390**	**31,681**	34,155	10,326	44,481	69,722	21,900	91,622
Sales, marketing and administrative expenses	**(15,812)**	**(5,015)**	**(20,827)**	(13,704)	(3,251)	(16,955)	(28,618)	(7,404)	(36,022)
Segment operating profit	**479**	**10,375**	**10,854**	20,451	7,075	27,526	41,104	14,496	55,600
Unallocated central costs			**(684)**			(549)			(1,019)
Operating profit			**10,170**			26,977			54,581
Net financing income			**63**			242			450
Profit before tax			**10,233**			27,219			55,031
Income tax expense			**(2,968)**			(7,893)			(15,959)
Profit for the period attributable to equity shareholders of the parent			**7,265**			19,326			39,072

Other information

Segment assets	**208,629**	**16,349**	**224,978**	191,950	11,935	203,885	210,193	13,168	223,361
Segment liabilities	**62,023**	**4,247**	**66,270**	51,981	6,771	58,752	52,706	3,861	56,567
Capital expenditure	**4,145**	**106**	**4,251**	15,364	105	15,469	23,365	356	23,721
Depreciation	**3,873**	**108**	**3,981**	3,065	106	3,171	6,786	213	6,999
Amortisation	**305**	**–**	**305**	306	–	306	610	–	610

Secondary geographical segments

	Unaudited six months ended 31 March 2009* £000	Unaudited six months ended 31 March 2008 £000	Audited year ended 30 September 2008 £000
Sales			
Europe	**22,018**	34,239	68,748
USA	**23,015**	23,974	50,717
Asia-Pacific	**2,328**	10,295	21,652
	47,361	68,508	141,117

* Includes the adverse impact from buy out of surplus forward exchange contracts.

6. Taxation

Taxation of profit before tax in respect of the six months ended 31 March 2009 has been provided at the estimated effective rates chargeable for the full year in the respective jurisdiction.

	Unaudited six months ended 31 March 2009 £000	Unaudited six months ended 31 March 2008 £000	Audited year ended 30 September 2008 £000
UK corporation taxation	**2,760**	6,094	9,197
Overseas taxation	**872**	1,233	3,846
Deferred taxation	**(664)**	566	2,916
	2,968	7,893	15,959

7. Earnings per share

	Unaudited six months ended 31 March 2009	Unaudited six months ended 31 March 2008	Audited year ended 30 September 2008
Earnings per share – basic	**8.8p**	23.7p	47.8p
– diluted	**8.8p**	23.5p	47.4p
Profit for the financial period	**£7,265,000**	£19,326,000	£39,072,000
Weighted average number of shares used – basic	**82,244,501**	81,501,608	81,701,581
– diluted	**82,567,070**	82,098,094	82,355,303

8. Derivative financial instruments

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

	Unaudited 31 March 2009		Unaudited 31 March 2008		Audited 30 September 2008	
	Notional contract amount £000	Carrying amount and fair value £000	Notional contract amount £000	Carrying amount and fair value £000	Notional contract amount £000	Carrying amount and fair value £000
Current assets	**(483)**	**666**	5,176	948	22,594	855
Current liabilities	**96,817**	**(23,848)**	134,664	(12,461)	111,966	(10,455)
	96,334	**(23,182)**	139,840	(11,513)	134,560	(9,600)

The fair values have been calculated by applying (where relevant), for equivalent maturity profiles, the rate at which forward currency contracts with the same principal amounts could be acquired at the balance sheet date.

NOTES TO THE HALF-YEARLY FINANCIAL REPORT CONTINUED

The following table indicates the periods in which cash flows associated with the maturity date of the forward foreign exchange contracts are expected to occur:

	Unaudited 31 March 2009 Expected cash flows £000	6 months or less £000	6 to 12 months £000	12 to 18 months £000	Unaudited 31 March 2008 Expected cash flows £000	6 months or less £000	6 to 12 months £000	12 to 18 months £000
Forward exchange contracts								
Assets	**(483)**	**(7,080)**	**2,875**	**3,722**	5,176	4,364	812	–
Liabilities	**96,817**	**46,770**	**39,879**	**10,168**	134,664	52,450	54,309	27,905
	96,334	**39,690**	**42,754**	**13,890**	139,840	56,814	55,121	27,905

	Audited 30 September 2008 Expected cash flows £000	6 months or less £000	6 to 12 months £000	12 to 18 months £000
Forward exchange contracts				
Assets	22,594	(13,724)	19,646	16,672
Liabilities	111,966	62,796	39,448	9,722
	134,560	49,072	59,094	26,394

9. Exchange rates

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

	Unaudited six months ended 31 March 2009 Average*	Closing	Unaudited six months ended 31 March 2008 Average	Closing	Audited year ended 30 September 2008 Average	Closing
US Dollar	**2.05**	**1.43**	1.98	1.99	1.99	1.78
Euro	**1.38**	**1.08**	1.47	1.25	1.47	1.27
Yen	**210**	**142**	226	198	229	189

* Excluding adverse impact from buy out of surplus forward exchange contracts.

10. Changes in equity

	Unaudited six months ended 31 March 2009 £000	Unaudited six months ended 31 March 2008 £000	Audited year ended 30 September 2008 £000
Equity at beginning of period	**166,794**	141,483	141,483
Total recognised income and expense	**2,745**	12,987	36,485
Share options exercised	**193**	1,026	2,582
Equity-settled share-based payment transactions	**748**	768	1,635
Purchase of own shares held	**(977)**	(858)	(858)
Dividends to shareholders	**(10,795)**	(10,273)	(14,533)
Equity at end of period	**158,708**	145,133	166,794

11. Reconciliation of profit to cash generated from operations

	Unaudited six months ended 31 March 2009 £000	Unaudited six months ended 31 March 2008 £000	Audited year ended 30 September 2008 £000
Profit after tax for the period	**7,265**	19,326	39,072
Income tax expense	**2,968**	7,893	15,959
Net financing income	**(63)**	(242)	(450)
Operating profit	**10,170**	26,977	54,581
Adjustments for:			
Depreciation	**4,178**	3,191	7,064
Amortisation	**305**	306	610
Increase in inventories	**(10,447)**	(344)	(3,808)
Decrease/(increase) in trade and other receivables	**3,372**	(2,459)	(2,308)
(Decrease)/increase in trade and other payables	**(1,755)**	(3,026)	1,466
Equity-settled share-based payment transactions	**747**	768	1,635
Changes in fair value of derivative financial instruments	**6,116**	1,797	2,483
Retirement benefit obligations charge less contributions	**(2,362)**	295	135
Cash generated from operations	**10,324**	27,505	61,858

12. Related party transactions

The Group's related parties are as disclosed in the Annual Report and Accounts 2008. There were no material differences in related parties or related party transactions in the six months ended 31 March 2009 except for transactions with key management personnel, of which the most significant were as follows:

- On 12 December 2008, under the 1999 Long Term Incentive Plan ('LTIP'), D R Hummel, M W Peacock, B V Souder and T J Walker exercised 153,774, 100,899, 41,289 and 41,743 share options respectively at an option price of nil p per share when the market price was 444p per share and,
- On 16 February 2009, under the 2009 LTIP, 92,818, 50,484 and 43,478 share option awards were granted to D R Hummel, M W Peacock and T J Walker respectively at an option price of nil p per share.

RESPONSIBILITY STATEMENT OF THE DIRECTORS

The Directors confirm that to the best of our knowledge:

- The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union;
- The Interim Management Report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules of the Financial Services Authority, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements and a description of the principal risks and uncertainties for the remaining six months of the year and,

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules of the Financial Services Authority, being:

    i. related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period and,

    ii. any changes in the related party transactions described in the last Annual Report that have done so.

The Directors of Victrex plc are detailed on page 16 of the Victrex plc Annual Report and Accounts 2008. Since that time the Commercial Director left the Group on 31 March 2009 and this role no longer exists.

By order of the Board

Michael Peacock
Finance Director
18 May 2009

FORWARD-LOOKING STATEMENTS

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

INDEPENDENT REVIEW REPORT TO VICTREX PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the Half-yearly Financial Report for the six months ended 31 March 2009 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Recognised Income and Expense, Condensed Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the Half-yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules (the 'DTR') of the UK's Financial Services Authority (the 'UK FSA'). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The Half-yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-yearly Financial Report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this Half-yearly Financial Report has been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half-yearly Financial Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-yearly Financial Report for the six months ended 31 March 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Nicola Quayle

Nicola Quayle
For and on behalf of
KPMG Audit Plc,
18 May 2009

SHAREHOLDER INFORMATION

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

Financial calendar

Ex dividend date for interim dividend	10 June 2009
Record date for interim dividend*	12 June 2009
Payment of interim dividend	7 July 2009
2009 year end	30 September 2009
Announcement of 2009 full year results	December 2009
Annual General Meeting	February 2010
Payment of final dividend	February 2010

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

Victrex plc

Registered in England
Number 2793780

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

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

Victrex plc
Victrex Technology Centre, Hillhouse International,
Thornton Cleveleys, Lancashire, FY5 4QD, United Kingdom
Tel: +44 (0) 1253 897700 Fax: +44 (0) 1253 897701
Web: www.victrex.com