28 October 2020

Itaconix plc ("Itaconix" or the "Company")
Half year results for the period ended 30 June 2020

Sustainable Products Drive Major Revenue Growth

Itaconix (LSE: ITX) (OTCQB: ITXXF), a leading innovator in sustainable specialty polymers, is pleased to announce its unaudited interim results for the six months ended 30 June 2020 ("2020").

A copy of the Interim Report & Accounts is available for download on Itaconix's website at www.itaconix.com.

Financial Highlights

Financial results for the first half of 2020 show the increasing uptake by major brands of the Company's sustainable products as key ingredients in everyday consumer goods and the significant progress made towards profitability from higher volumes across both home and personal care applications.

- First half revenues of $1.1 million were 80% higher than the first half of 2019 and 59% higher than the second half of 2019. First half revenues also represent 84% of revenues for the full year of 2019.
- Gross profits were $0.4 million, representing an increase of 129% over the first half of 2019 and 47% over the second half of 2019.
- Gross profit margin was 37% compared to 35% for the full year of 2019, remaining in line with Company expectations for a specialty ingredient company.
- Adjusted EBITDA[1] was a loss of $0.6 million, compared to a loss of $1.2 million for the same period in 2019 and a loss of $1.2 million for the second half of 2019, reflecting the continued trajectory towards achieving break-even profitability from increasing revenues.
- Gross operating loss of $0.8 million, representing a decrease of 43% from losses of $1.4 million in both the first and second half of 2019.
- Cash and Cash Equivalents as at 30 June 2020 was $0.5 million, compared to $0.8 million as at 31 December 2019.
- In May 2020, Itaconix Corporation received a US Government Paycheck Protection Program Loan for $0.2m to support the business through the Covid-19 pandemic.
- In July 2020, the Company completed an equity raise with gross proceeds of $2.2 million to fund operating costs and working capital needs as revenues advance toward break-even profitability.

Operational Highlights

The acceleration in revenues is the result of the continued broadening of the customer base and advancement in customer projects in the Company's major application areas:

- Revenues increased across all of the Company's home and personal care polymers.
- Although demand for household cleaning has surged during the Covid-19 pandemic, major new revenues came from new customer products entering the market with new levels of performance, cost and sustainability.
- We introduced our new Itaconix® TSI™ 322 detergent polymer with use in two North American dishwashing detergent brands.

- The Company completed a supply agreement with New Wave Global Services Inc. ("New Wave"), a leading North American detergent supplier, on the pricing and supply of up to 1,000,000 lbs. of Itaconix detergent polymers through 2021. Volumes in the first half of 2020 exceeded management expectations.
- Demand for our ZINADOR™ odour removal polymer continues to expand into leading household brands and new regions through our collaboration with Croda.
- Revenues for our hairstyling polymer advanced through our collaboration with Nouryon.
- The Company announced its new BIO*Asterix™ line of functional additives and a joint development agreement for potential use by a leading innovator in biodegradable packaging.

Outlook

Itaconix has commercial momentum as current customer products succeed in the market and new customer products continue to progress to market in the next year. The expanding foundation of recurring revenues is creating a strong base for continued revenue growth toward the Company's goal of sustainable profitability in the coming years.

John R. Shaw, CEO of Itaconix, stated: "Major advancements in our customer pipeline allowed us to enter a new phase of commercial growth in the first half of 2020. Our customers are succeeding with new products that leverage the unique value and functionality of our sustainable ingredients. When consumers purchase these new products for their performance and cost, they also benefit the environment through a reduction in the depletion of natural resources, an increase in the use of safer chemicals, and a reduction in the release of chemicals."

[1] *Adjusted EBITDA is defined and reconciled to Operating loss in Note 4 of the Interim Report.*

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About Itaconix

Itaconix develops and produces bio-based functional ingredient that improve the safety, performance or sustainability of consumer and industrial products, with technology and market leadership positions in non-phosphate detergents, odour control, and hair styling.

www.itaconix.com

Chief Executive's Statement

Itaconix is building a growing, high-gross-margin, capital-efficient company around the use of our proprietary sustainable chemistries as high-value ingredients in everyday consumer products. Our near-term focus is to reach sustainable revenues and profitability through our current efforts in non-phosphate detergents, odour control, and hair styling.

Commercial Progress

We entered a new stage of revenue growth in the first half of 2020 as important customer projects began to convert into new order volumes. Our polymers are delivered based on purchase orders received from customers to blend and produce home and personal care products. While we have some agreements with larger customers on purchasing terms, order volumes are based on the underlying demand for customers' end-products. As our customers launch and succeed in the market with new consumer products based on our bio-based polymers, our monthly revenues are increasing in size and reliability from a growing base of recurring orders. We expect these dynamics to continue as additional customer projects in our pipeline convert into new order volumes.

In January, we announced the introduction of Itaconix® TSI™ 322 as our latest advance in high-performing detergent polymers. Itaconix® TSI™ 322 is the result of our ongoing engagement with current and potential customers on a new generation of non-phosphate dishwashing detergents to meet changing consumer buying behaviour. The key formulation breakthrough with Itaconix® TSI™ 322 is the ability to deliver excellent performance while replacing multiple ingredients to achieve cost savings and more sustainable and compact detergent products.

In January, we also announced that the US Patent and Trademark Office issued a new patent to the Company for the composition of detergents containing Itaconix's novel bio-based polymers. This new patent provides the Company with an additional layer of intellectual property protection for the unique value of Itaconix polymers in non-phosphate dishwasher detergents. In addition, the new patent extends the Company's proprietary position in key detergent compositions to 2037.

Also in January, we announced the delivery of the first order of ZINADOR™ 35L to Croda. The Company had previously announced an expansion of its global supply agreement in odour control products with Croda to include both ZINADOR™ 22L and 35L. The new ZINADOR™ 35L is a more concentrated version of Itaconix's proprietary polymeric complex that delivers performance and cost advantages in detergent and industrial applications.

In February, we extended our commercial relationship with New Wave Global Services Inc. ("New Wave"), a leading North American detergent supplier, with a licensing agreement for a new dishwashing detergent formulation and a supply agreement to support the growth in the Company's polymer volumes used in New Wave products. The new dishwashing formulation is based on the competitive advantages available with Itaconix® TSI™ 322. Roll-out into New Wave's customer base began in the first half of 2020. The supply agreement provides New Wave with certainty on the pricing and supply of up to 1,000,000 lbs. of the Company's detergent polymers as New Wave volumes increase from both existing and new customers.

In February, we announced our BIO*Asterix™ line of functional additives based on a new range of bio-based chemistries derived from itaconic acid. The Company developed the new BIO*Asterix™ additives over the past three years for a wide range of potential uses, ranging from biodegradable plastics to decorative paints. The Company plans to launch its new product line in stages over the next few years.

I believe the demonstrated value that our polymers provide as key ingredients in everyday consumer products underpin our progress and will generate continued demand growth to create a sizable specialty ingredients company.

Financial Performance

Our financial results for the first half of 2020 show both the increasing uptake of our products and the favourable operating structure we have created to achieve profitability as revenues grow:

First half revenues of $1.1 million were 80% higher than the first half of 2019 and 59% higher than the second half of 2019. First half revenues also represent 84% of revenues for the full year of 2019.

Gross profits were $0.4 million, representing an increase of 129% over the first half of 2019 and 47% over the second half of 2019.

Gross profit margin was 37%, compared to 29% for the first half of 2019 and 35% for the full year of 2019.

Adjusted EBITDA (see note 4 to the financial information) was a loss of $0.6 million, compared to a loss of $1.2 million for the same period in 2019 and a loss of $1.2 million for the second half of 2019, reflecting the continued improvement in the Company's profitability from increasing revenues.

Gross operating profit was a loss of $0.8 million, representing a decrease of 43% from losses of $1.4 million in both the first and second half of 2019.

Financial Resources

We ended the first half of 2020 with the announcement of an equity fundraise to strengthen our balance sheet and support our continued operations.

In March, we announced our efforts to extend the Company's cash runway and conserve available working capital after an equity fundraise was postponed due to uncertainty in the financial markets caused by the Covd-19 pandemic.

In May, we announced that a combination of revenue growth, cost reduction efforts, working capital measures, and government funding programs had extended the Company's cash runway.

In July, we received the required shareholder approvals and completed the equity fundraise. I greatly appreciate the strong support we received from both existing and new shareholders for our progress and development plans.

Covid-19 Pandemic

Major new revenues from a steady stream of new customer products entering the market have allowed us to continue to operate and grow as an essential business throughout the Covid-19 pandemic while addressing several risks.

Most importantly, we are monitoring the safety and health of our employees. We have aligned our operations with government recommendations to limit exposure to Covid-19. We have also eliminated travel while putting new efforts in place to regularly engage with customers and vendors.

Although demand for household cleaning has surged during the Covid-19 pandemic, we believe that the majority of our new revenues come from new customer products that are capturing long-term market share based on new levels of performance, cost and sustainability. I expect our current and new customer projects to continue to advance under the major scenarios for the Covid-19 pandemic.

As detailed above, we successfully managed our operations through a period of funding constraints and now have the working capital to meet the needs of our near-term revenue growth.

We continue to assess risks and potential issues in our supply chain and are taking measures to assure the reliable supply of raw materials from our vendors and delivery of our products to our customers.

Outlook

Itaconix is at a new stage of long-term revenue growth and value creation. The expanding customer base for our current products is generating recurring revenues and financial performance that places us on a discernible path to achieve our near-term goal of sustained revenue growth to reach profitability. We have a pipeline of active customer projects to reach beyond this goal and look firmly to the future with continued optimism.

John R. Shaw
Chief Executive Officer

27 October 2020

Condensed consolidated income statement and statement of comprehensive income

For the six months ended 30 June 2020

	Notes	*Unaudited 6 Months to 30 June 2020*	*Unaudited 6 Months to 30 June 2019 (restated)*	*Audited Year to 31 December 2019*
	Notes	*$000*	*$000*	*$000*
Revenue	5	1,086	604	1,288
Cost of sales		(683)	(428)	(838)
Gross profit		403	176	450
Other operating income		71	27	62
Administrative expenses		(1,287)	(1,638)	(3,390)
Group operating loss		(813)	(1,435)	(2,878)
Finance income		-	-	1
Exceptional (expense) / income on movement of contingent consideration	6	-	(816)	1,474
Gain on sale of equity interest in associate		-	84	84
Share of profit of associate		-	(38)	(38)
Loss before tax		(813)	(2,205)	(1,357)
Taxation (expense) credit		(1)	(7)	(1)
Loss for the period / year		(814)	(2,212)	(1,358)
Other comprehensive income, net of income tax				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translated foreign operations		110	189	48
Total comprehensive loss for the period / year		(704)	(2,023)	(1,310)
Basic and diluted loss per share	7	(0.3p)	(0.7p)	(0.5p)

Condensed consolidated statement of financial position

As at 30 June 2020

	Notes	*Unaudited As at 30 June 2020*	*Audited As at 31 December 2019*
		$000	*$000*
Non-current assets			
Property, plant and equipment		588	701
Right-of-use asset		822	920
		1,410	1,621
Current assets			
Inventories		706	504
Trade and other receivables		290	331
Cash and cash equivalents	3	459	765
		1,455	1,600
Total assets		2,865	3,221
Financed by			
Equity shareholders' funds			
Equity share capital		3,677	3,677
Equity share premium		46,135	46,135
Own shares reserve		(5)	(5)
Merger reserve		31,343	31,343
Share based payment reserve		10,324	10,317
Foreign translation reserve		(109)	(219)
Retained losses		(93,058)	(92,245)
Total deficit		(1,693)	(997)
Non-current liabilities			
Contingent consideration	6	2,274	2,441
Long-term lease liability		576	750
		2,850	3,191
Current liabilities			
Trade and other payables		1,385	707
Short-term lease liability		323	320
		1,708	1,027
Total liabilities		4,558	4,218
Total equity and liabilities		2,865	3,221

Interim condensed consolidated statement of cash flows

For the six months ended 30 June 2020

	Unaudited 6 Months to 30 June 2020	*Unaudited 6 Months to 30 June 2019 (restated)*
	$000	*$000*
Cash flows from operating activities		
Operating loss	(813)	(2,205)
Adjustments for:		
Finance expense	–	2
Depreciation of property, plant and equipment	108	109
Depreciation of right-of-use asset	99	106
Gain on disposal of equipment	(15)	(13)
Gain on sale of investment in associate	–	(84)
Share of loss from associate	–	38
Recovery of loan to associate	–	(29)
Share option charge	8	15
Revaluation of deferred consideration	–	816
(Gain) / loss on foreign exchange	(57)	189
Taxation	(1)	(7)
Increase in inventories	(202)	(161)
Decrease in receivables	40	300
Increase in payables	496	70
Net cash (outflow) from operating activities	(337)	(854)
Cash flows from investing activities		
Investment in associate undertaking, net of transaction costs	–	211
Repayment of the loan to associate	–	57
Interest paid on loan to associates	–	6
Proceeds from sale of property, plant and equipment	20	40
Purchase of property, plant and equipment	–	(32)
Net cash inflow from investing activities	20	282
Cash flows from financing activities		
Proceeds from government secured debt	183	-
Lease payments	(183)	(108)
Interest expense on lease payments	11	9
Net cash (outflow) from financing activities	11	(99)
Net (outflow) in cash and cash equivalents	(306)	(671)
Cash and cash equivalents at beginning of the period	765	2,655
Cash and cash equivalents at end of the period	459	1,984

Notes to the interim condensed consolidated financial statements

1. General information

These unaudited interim condensed financial statements of Itaconix plc for the six months ended 30 June 2020 were approved for issue in accordance with a resolution of the Board on 27 October 2020. Itaconix plc is a public limited company incorporated in the United Kingdom whose shares are traded on the AIM Market of the London Stock Exchange.

This half-yearly financial report is also available on the Group's website at https://itaconix.com/investor/reports-documents/.

2. Accounting policies

These interim consolidated financial statements have been prepared using accounting policies based on International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board ("IASB") as adopted for use in the EU. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 31 December 2019 ('2019') Annual Report. The financial information for the half years ended 30 June 2020 and 30 June 2019 does not constitute statutory accounts within the meaning of Section 434 (3) of the Companies Act 2006 and both periods are unaudited.

The annual financial statements of Itaconix Plc ('the Group') are prepared in accordance with IFRS as adopted by the European Union. The comparative financial information for the year ended 31 December 2019 included within this report does not constitute the full statutory Annual Report for that period. The statutory Annual Report and Financial Statements for 2019 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 December 2019 was unqualified, did draw attention to a matter by way of emphasis, being going concern, and did not contain a statement under 498(2) - (3) of the Companies Act 2006.

The interim condensed consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand ($'000) except when otherwise indicated. The interim condensed consolidated financial statements are prepared on the historical cost basis except for contingent consideration which have been measured at fair value.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 31 December 2019 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2020 and will be adopted in the 2020 financial statements. There are deemed to be no new and amended standards and/or interpretations that will apply for the first time in the next annual financial statements that are expected to have a material impact on the Group.

Reporting Currency

As noted in the Group's 2019 Annual Report, the Board decided to change the reporting currency for the year end 31 December 2019 to US Dollars (USD). The Board therefore believes that USD financial reporting provides a reliable and more relevant presentation of the Group's financial position, funding and treasury functions, financial performance, and its cash flows. Coupled with the evolution of the business, the Group's shareholder base is now largely comprised of foreign investors to whom financial reporting in GBP is of limited relevance. Internally, the Board also bases its performance evaluation and many investment decisions on USD financial information. As a result of this updated accounting policy, the comparative information for the period ended 30 June 2019, has been restated in USD.

Going concern

This Interim Report has been prepared on the assumption that the business is a going concern. In reaching their assessment, the Directors have considered a period extending at least 12 months from the date of approval of this half-yearly financial report. This assessment has included consideration of the forecast performance of the business for the foreseeable future and the cash available to the Group. As such, the Directors have concluded that there exists a material uncertainty which may cast doubt as to the Group's ability to continue as a going concern. However, taking account of the Group's working capital at the date of this report, the Group's current revenue growth, and current shareholder approval to raise capital if needed, the Directors believe the Group will continue as a going concern for the foreseeable future. The interim financial statements do not include the adjustments that would be required if the Group were unable to continue as a going concern.

Risks and uncertainties

The principal risks and uncertainties facing the Group remain broadly consistent with the Principal Risks and Uncertainties reported in Itaconix plc's 31 December 2019 Annual Report. Since the 2019 Annual Report, the Board have been monitoring and mitigating the effects of the following international events on the Group's business:

Covid-19

In March 2020, the World Health Organisation declared a global pandemic due to the spread of Covid-19. The pandemic has restricted people's movements globally and caused economic disruption and uncertainty to supply chain and customer stability. The impact of Covid-19 has been considered as part of the Group's going concern assessment with a focus on the impact on the Group's revenues, working capital and non-current assets. Management have considered the impact a non-adjusting balance sheet event.

Throughout the Covid-19 pandemic, the Group has maintained operations as an essential business. Extraordinary efforts to conserve available cash were taken in March 2020 to manage the Group's working capital. In addition, new funding, via an equity raise (see Note 8), was sourced in July 2020. While some customer formulation activities have slowed, the surge in demand for household detergents has significantly increased order volumes for the Group's detergent polymers. Effective customer engagement has continued without travel through adaptation and innovation in customer communication and engagement.

Brexit

The United Kingdom ('UK') formally left the European Union ('EU') on 30 January 2020. The UK is now in a transition period, being an intermediary arrangement covering matters like trade and border arrangements, citizens' rights and jurisdiction on matters including dispute resolution. The transition period is currently due to end on 31 December 2020 and negotiations are ongoing to determine and conclude a formal agreement. The Directors are closely monitoring the situation and currently deem that the effects of Brexit will not have a significant impact on the Group's operations given that the Group operates predominantly outside the UK.

3. Cash and cash equivalents

	Unaudited As at 30 June 2020	*Audited As at 31 December 2019*
	$000	*$000*
Cash at bank and in hand	459	765
	459	765

4. Reconciliation of Operating Loss to Adjusted EBITDA

The detail below shows the reconciliation of operating loss to earnings before exceptional expense/(income), gain on sale of equity interest in associate, share of profit of associate, interest, taxes, depreciation and amortization (Adjusted EBITDA).

	Unaudited 6 Months to 30 June 2020	*Unaudited 6 Months to 30 June 2019 (restated)*	*Audited Year to 31 December 2019*
	$000	*$000*	*$000*
Loss for the period	(814)	(2,212)	(1,358)
Exceptional expense (income) on movement of contingent consideration	-	816	(1,474)
Gain on sale of equity interest in associate	-	(84)	(84)
Share of profit of associate	-	38	38
Interest	-	(1)	(1)
Taxes	1	7	1
Depreciation	207	215	421
Adjusted EBITDA	(606)	(1,221)	(2,457)

5. Segmental analysis

Revenue by business segment:

The Group has one segment, the Specialty Ingredients segment, which designs and manufactures proprietary specialty polymers to meet customers' needs in the personal and consumer health care, homecare and industrial sectors. This segment makes up the continuing operations above.

Net assets of the Group are attributable solely to the UK and US.

	Unaudited 6 months to 30 June 2020 $000	*Unaudited 6 months to 30 June 2019 $000 (restated)*	*Audited Year to 31 December 2019 $000*
Revenue			
Sale of goods	1,086	604	1,288
Segment revenue	**1,086**	**604**	**1,288**
Results			
Depreciation & amortisation	207	215	421
Segment loss	**(822)**	**(1,435)**	**(2,878)**
Operating assets	**2,865**	**5,089**	**3,221**
Operating liabilities	**4,558**	**6,930**	**4,218**
Other disclosure:			
Capital expenditure*	Nil	32	39

*Capital expenditure consists of additions of property, plant and equipment, and intangible assets including assets from the acquisition of subsidiaries.

Geographical information

	Revenues			Net assets	
	Unaudited Six Months to 30 June 2020	*Unaudited Six Months to 30 June 2019 (restated)*	*Audited Year to 31 December 2019*	*Unaudited Six Months to 30 June 2020*	*Audited Year to 31 December 2019*
	$000	*$000*	*$000*	*$000*	*$000*
Europe	93	125	160	(1,836)	(2,195)
North America	993	479	1,128	499	1,198
	1,086	604	1,288	(1,337)	(997)

The revenue information above is based on the location of the customer.

6. Contingent consideration

	$'000
As at 31 December 2019 (Audited)	2,441
Movement in fair value and discounting unwind	–
Movement in foreign exchange	(167)
As at 30 June 2020 (Unaudited)	2,274

During 2018, in conjunction with the fund raise, a restructuring of the contingent consideration was executed. The contingent consideration was restructured into two components:

- A one-time issue of 15 million new Itaconix plc shares to the Sellers.
- The continuation of the previous contingent consideration mechanism (i.e. up to $6m in shares), but with the window of time for potential achievement expanded to the end of 2023 (from the end of 2020) and including all the revenues of the Group (which are primarily from products based on the acquired technology in any event).

It should also be noted that the second component summarised above is intended to serve as an incentive programme for the two members of management (John Shaw and Yvon Durant) who are also Sellers and are entitled to 63% of the total contingent consideration. Accordingly, they are not eligible for any cash bonus or other share incentive programme until the end of 2020. Simultaneously, the merger agreement with the former shareholders of Itaconix Corporation and related agreements were amended to remove various restrictive clauses, including minimum funding requirements and employment terms.

Based on the share price at the execution of the restructuring agreement in 2018, the 15m shares had a value of £0.3m which was expensed immediately.

In respect of 2020, the deferred consideration was valued using a discounted cash flow-based assessment of the expected sales of the relevant products extracted from the latest Board approved forecasts, consistent with the approach in prior years. A discount rate of 11.2% was used. The valuation includes elements which are unobservable and which have a significant impact on the fair value. Accordingly, contingent consideration is classified as Level 3 fair value measurement.

The value of the adjusted contingent component using the latest Board approved forecasts and assumptions as above is $2.3m (31 December 2019 - $2.4m)

As a result of the changed revenue forecasts, earn out period, and discount rate from the original value assessments, the contingent consideration at 31 December 2019 was reduced to $2.4m. Sensitivity analysis was also performed, summarised as follows:

- If the sales in the period 2020 to 2022 were reduced by $1.0m, the fair value would be reduced by approximately $0.4m
- A 1% increase in the discount rate would reduce the fair value by $55k

Since the forecasts used were a conservative base case, the computed fair value was deemed appropriate.

7. Weighted-average number of ordinary shares

	Unaudited 6 Months to 30 June 2020	*Unaudited 6 Months to 30 June 2019*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share ('000)	269,130	269,130

8. Events after the reporting period

In July 2020, the Group successfully raised gross proceeds of $2.2 million (£1.8 million) via an oversubscribed placing and subscription from existing and new investors at the Issue Price of 1.1 pence ($0.01375) per share. A total of 163,318,182 new Ordinary Shares were placed. The net proceeds of the Placing and Subscription are expected to provide sufficient funding for the Company until at least the end of 2021 during which the Company expects to make significant progress towards its strategic objective.

Subsequent to the reporting period, the Group surrendered its leased building in Deeside, United Kingdom on 3 September 2020. The Group is now released from future rent and building related expenses.

9. Cautionary statement

This document contains certain forward-looking statements relating to Itaconix plc ('the Company'). The Company considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Company to differ materially from those contained in any forward-looking statement. These statements are made by the Directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.