18 September 2017

Itaconix plc

Unaudited interim results for the 6 month period to 30 June 2017

Progress in achieving commercial milestones and building relationships with key industry players

Itaconix plc (AIM: ITX) a leading innovator in sustainable specialty polymers ("Itaconix", the "Company" or the "Group"), today announces its unaudited interim results for the 6 month period to 30 June 2017.

Business Highlights (including after the period end)

- *Croda* - exclusive global supply and joint marketing agreement signed in January to commercialise the odour removal additive Itaconix® ZINADOR™ 22L ("ZINADOR") in household, municipal, animal and industrial applications
- *AkzoNobel* – JDA signed in January to collaborate on commercialisation of itaconic acid technology in specific applications:
    - In July, application agreement signed to develop new products for use in the coatings and construction industries
    - In September, application agreement signed to evaluate and develop new chelates based on Itaconix® DSP™ and Itaconix® CHT™ in consumer and industrial detergent and cleaner applications, under AkzoNobel's Dissolvine® brand
- *RevCare™ NE:*
    - Direct relationships established with a number of the global cosmetics houses
    - Distribution arrangements set up in USA, Germany, France, Italy, Spain, Poland, South Korea and Japan
    - First consumer hair styling product containing RevCare™ NE launched in Italy

The business also continues to work with other non-disclosed industry players, including funded collaborations, to develop new ingredients for a range of applications in its key markets of personal and consumer health care, homecare and industrial products.

Operational and Financial Highlights - Continuing Operations

- From 1 March the business was re-launched as a specialty chemicals group and the Company's name was changed to Itaconix plc, reflecting its core product platform of novel bio-based polymers from itaconic acid
- Organisational and operational efficiencies were implemented in May. The resultant cost base savings are expected to be at least £1m per annum from 2018
- Cash, cash equivalents and short term investments of £5.4m at 30 June 2017 (30 June 2016: £6.1m, 31 December 2016: £8.8m)
- Revenue from specialty chemicals sales increased to £0.3m (30 June 2016: nil) and gross profit improved to £0.1m (30 June 2016: nil)
- The loss before taxation for the period was unchanged at £2.5m (30 June 2016: £2.5m), as was the loss after taxation at £2.2m (30 June 2016: £2.2m)
- R&D tax credits were £0.3m (30 June 2016: £0.2m).

Outlook

The re-launch of the business as Itaconix plc, focused on a specialty chemicals portfolio (primarily the itaconic acid bio-based specialty polymer platform) signals a new phase for the Group. The Board believes there is good reason to be positive about the outlook for the business. Revenues and gross profit for the period have matched reported full year 2016, and the cost base has been restructured and stabilised. The implementation of the Group's strategy is starting to be reflected in financial performance, and our objective is to continue to drive product revenue starts and growth.

For further information please contact:

Itaconix	**+44 (0) 1244 283 500**
Kevin Matthews / Rob Cridland	
N+1 Singer	**+44 (0) 207 496 3000**
Richard Lindley / Liz Yong (Corporate Finance)	
Nick Owen (Corporate Broking)	
Hudson Sandler	
Charlie Jack / Emily Dillon	**+44 (0) 207 796 4133**

The half-yearly report and this announcement will be available shortly on the Company's website: www.itaconix.com

Cautionary Statement

Information in this announcement is based upon unaudited management accounts and, in addition, some of the statements made are forward looking. Such statements are based on current expectations at the date of this announcement and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward looking statements. The Company and its directors undertake no obligation to update or revise forward looking statements to reflect any change in expectations or any change in events, conditions or circumstances.

Chief Executive's Statement

Business Overview

Following the acquisition and successful integration of Itaconix Corporation and the completion of the divestment of the nicotine gum business in 2016, the Group was re-launched in March 2017 under the name Itaconix plc. As a pure-play specialty chemicals business, the Group is now focused on supplying high performance, cost effective and sustainable ingredients that are key components of the consumer and industrial products made by its customers in the personal and consumer health care, homecare and industrial sectors.

Itaconix's strategy is to use its expertise in the design and manufacture of high performance polymers to develop ingredients that offer cost competitive performance improvements to its customers' products. The majority of Itaconix's products are bio-based, being derived from itaconic acid which in turn is derived from corn starch. Therefore, these products are sustainably sourced and help our customers improve the sustainability of their own consumer products. Itaconix is a leading innovator in sustainable specialty polymers from itaconic acid, combining the versatile chemistry of itaconic acid with breakthrough manufacturing economics based on a patented process.

Increasing consumer expectations, regulatory changes and environmental best practice are resulting in major consumer product companies seeking to improve product performance whilst replacing petrochemical ingredients with sustainable alternatives. This trend is widespread, with notable examples being Unilever, P&G and L'Oreal, and many of the major specialty chemicals companies have signed up to an initiative called "Together for Sustainability". We believe that Itaconix is strategically well aligned with this long term trend and positioned to play a significant future role in the redesign of many supply chains to improve the environmental sustainability of consumer products.

We have a portfolio of functional ingredients that are starting to be used in a range of consumer products including laundry detergents, auto dish wash (ADW) tablets, odour management products and hair styling. Itaconix also uses its specialty polymers to encapsulate and protect sensitive or unstable active ingredients that can be used in everyday products; examples include bleach actives used in laundry and ADW, and fragrances.

Currently, we estimate that our product range is addressing global markets with an estimated aggregate turnover of $1.4bn pa, but as a small growing company we recognise the challenge of effectively accessing these markets in a timely fashion. To address this, Itaconix is actively building collaborative partnerships with leading industry players such as AkzoNobel, Croda and Solvay, with the aim of accelerating market adoption of Itaconix's products.

In October 2016 we set out a series of milestones that we expected to achieve in 2017, with the overarching intention to secure partnership deals and revenue starts; in effect establishing channels to market and first sales of products. Whilst some of these milestones have been delayed compared to our initial expectations, we are pleased with overall progress. The table below provides a summary to date.

	Product	Milestones in next 12 months (from Oct 2016)	2017 milestone status to date
1	Itaconix® DSP™,CHT™	Revenue growth in 2017. Adoption in ADW by major private label house or equivalent	H1 revenue mainly based on Itaconix® DSP™. AkzoNobel Chelates Application Agreement
2	RevCare NE ™	Appointment of distributors First sales and revenue growth in 2017	Distributors appointed in multiple jurisdictions. First sales with use in first consumer product.
3	Itaconix® ZINADOR™	Sign commercial partner Revenue growth in homecare and industrial	Croda Supply and Joint Marketing Agreement. First sales to Croda, product launched globally
4	Licences (Royalty)	First revenues from Solvay PAP licence Secure new licences	Solvay notified ITX of first Eureco™ RP103 sales in H2
5	RevCoat Bond ™	Appointment of distributors Sign-up lead customer and revenue growth in 2017	-
6	Itaconix® TSI™, XDP™	Sign-up lead customer, first sales	AkzoNobel Performance Additives Application Agreement
7	RevCap FE™	Sign two lead customers Revenue growth	-

As a specialty chemicals business, Itaconix expects to earn gross margins of around 40% once market access is secured. For the first time, we are pleased to report actual sales revenue in the period at gross margins in excess of 40%. We have also realigned our cost base to support the commercialisation of our existing product portfolio, refocusing more of our product development resource on supporting our customers and delivering commercial goals.

Although we have made a meaningful start, the most significant commercial challenge facing the business remains getting our products to their respective markets to generate revenue as quickly as practicable. We believe that the business will continue to deliver further milestones this year and, given the developments and changes made in 2017 to date, will be well positioned for further revenue growth in 2018.

Milestone Details

Including developments after the period end, management is pleased to report that Itaconix has continued to deliver on its strategic milestones:

Itaconix® DSP™, CHT™ - AkzoNobel – Chelates Application Agreement - after the period end on 5 September 2017, Itaconix announced the signing of a second application agreement with AkzoNobel's Specialty Chemicals unit to evaluate and develop innovative bio-based chelates for use in the consumer and industrial detergents and cleaners markets, to be marketed under AkzoNobel's Dissolvine® brand. AkzoNobel is a world leader in chelation products and bio-based chelates such as Itaconix® DSP™ and CHT™ show promise for use in laundry detergents, bathroom cleaners and other consumer and commercial cleaning products, and are replacements for phosphates which are being phased out due to environmental concerns.

RevCare™ NE - during the period, distribution relationships have been established in the USA, Germany, France, Italy, Spain, Poland and the key Asian markets of South Korea and Japan. In parallel Itaconix has developed direct relationships with a number of the global cosmetics houses. We currently have in excess of 50 active evaluations ongoing with customers, and the product has already been adopted for use in a hair-styling product in Italy; the first consumer product containing RevCare™ NE.

Itaconix ® ZINADOR™ - Croda – as announced on 23 January 2017, Itaconix signed an exclusive global supply and joint marketing agreement with Croda in respect of its polymer-based odour removal additive ZINADOR. Using its patented itaconic acid polymer technology, Itaconix is delivering a major cost-effective breakthrough to a global odour neutralisation industry that is seeking new high performance solutions. As a 100% bio-based product that is readily soluble in water and does not leave any residual materials, ZINADOR meets key unmet customer needs in the growing consumer and industrial markets for odour control. Under the terms of the agreement, the parties are working together to grow and supply worldwide demand for ZINADOR. Itaconix is producing ZINADOR for Croda, which is marketing and selling ZINADOR in household, municipal, animal and industrial applications, subject to certain terms and conditions. Itaconix will continue providing its technical and marketing expertise to jointly expand applications and geographic opportunities for ZINADOR with Croda. We have already satisfied the first order from Croda following their global launch of ZINADOR in H1 2017.

Licences – Solvay – Solvay has notified us that it has made its first sales of the encapsulated specialty PAP bleach product Eureco™ RP103, manufactured using technology Itaconix licensed to it in 2014. We would expect these sales to translate into a small royalty income from H2 2017.

Itaconix® TSI™, XDP™ - AkzoNobel – JDA and Performance Additives Application Agreement – as announced on 27 January 2017, Itaconix signed a joint development agreement with AkzoNobel to advance commercial collaborations in certain applications for its itaconic acid polymer technology platform. The agreement establishes a broad operating framework for the parties to jointly identify, develop and commercialise new polymers using Itaconix's patented technology. After the period end on 26 July 2017, Itaconix announced the signing of its first application area agreement with AkzoNobel's Performance Additives unit, developing applications for Itaconix bio-based polymers to be used in the coatings and construction industries, representing large and important markets for the Group's future product portfolio.

In addition to the milestones summarised above, the business also continues to work with other non-disclosed industry players, including funded collaborations, to develop new products in a range of applications in its key markets of personal and consumer health care, homecare and industrial products.

Organisational Enhancement

Change of name – as announced on 1 March 2017, the Company's name changed from Revolymer plc to Itaconix plc. In addition, the Company's UK operating company was renamed Itaconix (U.K.) Limited. These changes mark the re-launch of the Group as a specialty chemicals business based on polymers that deliver high performance, cost effective and sustainable ingredients for the products made by our customers in the personal and consumer health care, homecare and industrial sectors.

Operational update – as announced on 18 May 2017, Itaconix confirmed that following the acquisition and integration of Itaconix Corporation in the USA, it was implementing operational changes to the Group. Resources are now more focused on successfully executing the Group's strategy to launch and grow the sales of its products, primarily in the global personal care and homecare markets, including the development of application data that provides clear evidence of the material benefits of using Itaconix's products and how they can be best formulated into end consumer products. Given the Group's established product portfolio and evolving sales and marketing focus, its need for new product development has become more defined and targeted to customer requirements. Accordingly, it was appropriate to resize the R&D team, which is resulting in operational efficiencies. Whilst the full financial effect of these changes will not be achieved immediately, with the net cash impact only partially realised in 2017, the positive net cash impact is expected to be over £1m per annum from 2018.

Financial Overview

Continuing Operations

Cash, cash equivalents and short term investments on hand at the period end were £5.4m (30 June 2016: £6.1m, 31 December 2016: £8.8m).

Revenue for the period increased to £0.3m (30 June 2016: nil, 31 December 2016: £0.3m) and gross profit improved to £0.1m (30 June 2016: nil, 31 December 2016: £0.1m). Following the divestment of the nicotine gum business in 2016, this revenue and gross profit is for the first time from the sales of specialty chemicals products only, and performance for the first half of 2017 is the same as for reported full year 2016 after the mid year acquisition of Itaconix Corporation.

Administrative expenses for the period were £2.7m (30 June 2016: £2.5m, 31 December 2016: £5.3m). These included running the acquired US business that was not in the Group for the majority of the first half of 2016.

The loss before taxation for the period was unchanged at £2.5m (30 June 2016: £2.5m, 31 December 2016: £5.6m), as was the loss after taxation at £2.2m (30 June 2016: £2.2m, 31 December 2016: £5.1m), after R&D tax credits of £0.3m (30 June 2016: £0.2m, 31 December 2016: £0.5m). The investment in associate undertakings (i.e. the holding in Alkalon A/S, the acquirer in 2016 of the nicotine gum business) increased to £0.2m (30 June 2016: nil, 31 December 2016: £0.1m), reflecting a partial reversal of the impairment recognised in 2016 as a result of the improved financial position of the company, a pro rata participation in a DKK 3.5m capital raise, and equity accounting for Itaconix's share of a small profit in the period. The Group acquired a further 2% holding in the company at no additional cost following the delivery of certain commercial milestones during the period.

Discontinued Operations

The loss from discontinued operations (i.e. the nicotine gum business disposed of in 2016) was nil (30 June 2016: £0.4m, 31 December 2016: £0.6m), and the cash outflow from discontinued operations was nil (30 June 2016: £0.6m, 31 December 2016: £1.3m), as a result of the disposal of this loss making business in 2016.

Outlook

The re-launch of the business as Itaconix plc, focused on a specialty chemicals portfolio (primarily the itaconic acid bio-based polymer platform) signals a new phase for the Group. The Board believes there is good reason to be positive about the outlook for the business. Revenues and gross profit for the period have matched reported full year 2016, and the cost base has been restructured and stabilised. The implementation of the Group's strategy is starting to be reflected in financial performance, and our objective is to continue to drive product revenue starts and growth.

Condensed consolidated income statement and statement of comprehensive income

For the six months ended 30 June 2017

	Notes	*Unaudited 6 Months to 30 June 2017* £000	*Unaudited 6 Months to 30 June 2016 Restated* £000	*Audited Year to 31 December 2016* £000
Continuing operations				
Revenue	7	325	25	285
Cost of sales	5	(179)	(19)	(230)
Gross profit		146	6	55
Other operating income	5	2	11	38
Administrative expenses	5	(2,669)	(2,523)	(5,275)
Group operating loss	5	(2,521)	(2,506)	(5,182)
Finance income		-	35	51
Share of profit / (loss) of associate		26	-	(508)
Loss before tax from continuing operations		(2,495)	(2,471)	(5,639)
Taxation credit	6	276	232	531
Loss for the period from continuing operations		(2,219)	(2,239)	(5,108)
Loss after tax for the period from discontinued operations	8	-	(418)	(608)
Loss for the period		(2,219)	(2,657)	(5,716)
Other comprehensive income, net of income tax				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translated foreign operations		(425)	856	1,439
Total comprehensive loss for the period		(2,644)	(1,801)	(4,277)
Basic and diluted loss per share	14	2.8p	3.1p	8.2p
Basic and diluted loss per share from continuing operations	14	2.8p	2.3p	7.3p

The discontinued operations relate to the nicotine gum business, the divestment of which was completed on 31 October 2016.

The continuing operations relate to the specialty chemicals business of the Group, including Itaconix Corporation acquired on 20 June 2016.

Condensed consolidated statement of financial position

As at 30 June 2017

	Notes	*Unaudited As at 30 June 2017 £000*	*Unaudited As at 30 June 2016 Restated £000*	*Audited As at 31 December 2016 Restated £000*
Non-current assets				
Property, plant and equipment	9	1,129	563	803
Intangible assets	10	9,477	9,550	10,124
Investment in associate undertakings	13	237	-	145
		10,843	10,113	11,072
Current assets				
Inventories		253	544	210
Trade and other receivables		1,174	1,267	835
Investments	4	-	6,000	-
Cash and cash equivalents	4	5,379	97	8,789
		6,806	7,908	9,834
Total assets		17,649	18,021	20,906
Financed by				
Equity shareholders' funds				
Equity share capital		787	630	787
Equity share premium		28,603	23,221	28,588
Own shares reserve		(4)	(5)	(5)
Merger reserve		20,361	20,361	20,361
Share based payment reserve		6,329	6,143	6,220
Foreign translation reserve		1,014	856	1,439
Retained earnings		(45,155)	(39,877)	(42,936)
Total equity		11,935	11,329	14,454
Non-current liabilities				
Contingent consideration	12	3,317	3,177	3,414
Deferred tax liability		1,384	1,357	1,458
		4,701	4,534	4,872
Current liabilities				
Trade and other payables		1,013	2,158	1,580
Total liabilities		5,714	6,692	6,452
Total equity and liabilities		17,649	18,021	20,906

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2017

Consolidated statement of changes in equity

	Equity share capital	Equity share premium	Own shares reserve	Merger reserve	Share based payment reserve	Foreign translation Reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2016 (Audited)	567	23,220	(5)	17,626	6,084	-	(37,168)	10,324
Retained loss for the period	-	-	-	-	-	-	(2,657)	(2,657)
Other comprehensive income	-	-	-	-	-	856		856
Share issues	63		-	2,735	-	-	-	2,798
Transaction costs							(52)	(52)
Exercise of share options	-	1	-	-	-	-	-	1
Share based payments	-	-	-	-	59	-	-	59
Unaudited at 30 June 2016 (Restated)	630	23,221	(5)	20,361	6,143	856	(39,877)	11,329
Retained loss for the period	–	–	–	–	–	–	(3,059)	(3,059)
Other comprehensive income	–	–	–	–	–	583	–	583
Share issues	157	5,645	–	–	–	–	–	5,802
Transaction costs	–	(278)	–	–	–	–	–	(278)
Exercise of share options	–	–	–	–	–	–	–	–
Share based payments	–	–	–	–	77	–	–	77
Audited at 31 December 2016	787	28,588	(5)	20,361	6,220	1,439	(42,936)	14,454
Retained loss for the period	–	–	–	–	–	–	(2,219)	(2,219)
Other comprehensive income	–	–	–	–	–	(425)	–	(425)
Share issues	–	–	–	–	–	–	–	–
Transaction costs	–	–	–	–	–	–	–	–
Exercise of share options	–	15	1	–	–	–	–	16
Share based payments	–	–	–	–	109	–	–	109
Unaudited at 30 June 2017	**787**	**28,603**	**(4)**	**20,361**	**6,329**	**1,014**	**(45,155)**	**11,935**

The reserves described above have the purposes described below:

Own shares reserve

This reserve records the nominal value of shares purchased and held by the Employee Benefit Trust to satisfy the future exercise of options under the Group's share option schemes.

Merger reserve

This reserve arose as a result of a common control business combination on the formation of the Group.

Share based payment reserve

This reserve records the credit to equity in respect of the share based payment cost.

Foreign translation reserve

This reserve records the adjustment to equity in respect of the retranslation of foreign subsidiary's financial statements into a presentation currency.

Interim condensed consolidated statement of cash flows

For the six months ended 30 June 2017

	Unaudited 6 Months to 30 June 2017	*Unaudited 6 Months to 30 June 2016 Restated*	*Audited Year to 31 December 2016*
	£000	*£000*	*£000*
Cash flows from operating activities			
Operating loss	(2,521)	(2,506)	(5,182)
Adjustments for:			
Depreciation of property, plant and equipment	121	101	202
Amortisation and impairment	137	32	161
Revaluation of contingent consideration	77	–	–
Share option charge	109	59	136
(Gain) / loss on foreign exchange	(170)	396	627
Taxation	(4)	–	481
(Increase) in inventories	(43)	(150)	(60)
(Increase) / decrease in receivables	(58)	(14)	339
(Decrease) / increase in payables	(567)	447	(182)
Net cash (outflow) from continuing operating activities	(2,919)	(1,635)	(3,478)
Net cash (outflow) from discontinued operating activities	–	(644)	(1,250)
Net cash (outflow) from operating activities	(2,919)	(2,279)	(4,728)
Cash flows from investing activities			
Interest received	–	31	91
Funds withdrawn from term deposits	–	1,000	7,000
Acquisition of subsidiary undertaking	–	(2,043)	(2,043)
Investment in associate undertaking	(60)	–	–
Purchase of property, plant and equipment	(447)	(128)	(518)
Net cash (outflow) / inflow from investing activities	(507)	(1,140)	4,530
Cash flows from financing activities			
Cash received from issue of shares	16	2	5,525
Transaction costs paid on the issue of shares	–	–	(52)
Cash loaned to subsidiary undertaking	–	–	–
Net cash inflow from financing activities	16	2	5,473
Net (outflow) / inflow in cash and cash equivalents	(3,410)	(3,417)	5,275
Cash and cash equivalents at beginning of the period	8,789	3,514	3,514
Cash and cash equivalents at end of the period	5,379	97	8,789

Notes to the interim condensed consolidated financial statements

1. General information

These unaudited interim condensed financial statements of Itaconix plc (formerly Revolymer plc) for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the Board on 15 September 2017. 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.

The figures shown above for the six months ended 30 June 2017 and 30 June 2016, and for the year ended 31 December 2016, are not statutory accounts. A copy of the statutory accounts for each financial year has been delivered to the Registrar of Companies. The auditor reported on those statutory accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain an adverse statement under sections 498 (2) or 498 (3) of the Companies Act 2006.

Sections of this interim report, including but not limited to the Interim Management Report, may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of the Group. These have been made by the directors in good faith using information available up to the date on which they approved this report. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Group and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual future financial conditions, business performance, results or developments to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. Nothing in this document should be construed as a profit forecast.

This half-yearly financial report is also available on the Group's website at www.itaconix.com.

2. Accounting policies

The unaudited condensed financial statements are presented in accordance with the requirements of International Accounting Standard 34 – 'Interim Financial Reporting'.

The Group prepares its annual financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union. Except as noted below, the condensed financial statements have been prepared on the basis of the accounting policies and methods of computation set out in the Annual Report and Accounts of the Group for the year ended 31 December 2016, which are expected to be used in the preparation of the financial statements of the Group for the year ending 31 December 2017.

The interim condensed consolidated financial statements are presented in sterling 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 intangible assets and contingent consideration which has been measured at fair value.

New accounting standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017, where applicable. The Group does not early adopt other standards, interpretations or amendments that have been issued but are not yet effective. In the six months ended 30 June 2017, no new accounting standards were adopted.

Going concern

The financial statements have been prepared on a going concern basis which the Directors, having undertaken appropriate investigation as summarised below, believe continues to be appropriate.

The Group made a loss for the period of £2,219k (30 June 2016 restated: £2,657k) (year ended 31 December 2016: £5,716k), had Net Current Assets at the period end of £5,793k (30 June 2016 restated: £5,750k) (year ended 31 December 2016: £8,254k) and a Net Cash Outflow from Operating Activities of £2,919k (30 June 2016: £2,279k) (year ended 31 December 2016: £4,728). Primarily, the Group meets its day to day working capital requirements through existing cash resources and had on hand cash, cash equivalents and short term deposits at the balance sheet date of £5,379k (30 June 2016: £6,097k) (31 December 2016: £8,789).

Itaconix plc has been a loss making business in each year of its existence to date. Whilst it expects to deliver its business plan of becoming a profitable specialty chemicals company in the medium term, it currently relies on its shareholders to fund the business. Uncertainties that are specific to Itaconix's business model include that revenue and profit growth is dependent on its products being incorporated into its customers' products, and the rate at which this occurs is inherently difficult to predict.

Trading and cash flow forecasts modelling a number of scenarios were prepared for the period through to the end of 2020. The forecasts reflect the status of the Group's current activities and varying levels of achievement against the Board approved strategic plan for the business, which is informed by the intent of the Board to successfully develop its operations and move to being cash generative by 2020.

These forecasts indicate that the Group has sufficient financial resources to continue to fund the business, based on the current scope of operations and meet its liabilities as they fall due, for at least 12 months from the date of this report. The Board recognises that it is probable that there will be a need for further fundraising before the end of 2018 to enable the Group to continue as a going concern and to finance its growth plans, but anticipates that this will be completed based on the Group delivering commercial progress (namely product launches and revenue growth) in the intervening period, and taking into account recent successful fundraisings.

On this basis, the Directors consider that, at this time, there are no material uncertainties that might cast doubt upon the appropriateness of the continuing application of the going concern basis of preparation.

Discontinued operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the group statement of profit or loss.

All other Notes to the financial statements include amounts from continuing operations, unless otherwise mentioned.

Intangible assets

Intangible assets are carried at either cost less any accumulated amortisation and any accumulated impairment losses. The treatment methods for each type of intangible fixed asset are:

Goodwill	Cost subject to annual impairment review
Intellectual property acquired	Amortisation

Amortisation is calculated to write off the depreciable amount of an intangible asset with a finite useful life on a systematic basis over such life. Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The rates of amortisation currently applied are:

Intellectual property arising on consolidation of Itaconix Corporation	13 years*

*: based on the estimated life of the overall intellectual property portfolio acquired

3. Risks and uncertainties

Itaconix plc's approach to managing the risks and uncertainties of its business was reported in the Annual Report and Financial Statements for the year ended 31 December 2016 and is unchanged.

4. Cash, cash equivalents and investments

	Unaudited As at 30 June 2017	*Unaudited As at 30 June 2016*	*Audited As at 31 December 2016*
	£000	*£000*	*£000*
Term deposits maturing within one year	–	6,000	–
Cash at bank and in hand	5,379	97	8,789
	5,379	6,097	8,789

5. Operating Loss

For the purpose of comparison with prior periods the table below shows the calculation of operating loss and share based payment charges separately identified.

	Unaudited 6 Months to 30 June 2017	*Unaudited 6 Months to 30 June 2016 Restated*	*Audited Year to 31 December 2016*
	£000	*£000*	*£000*
Revenue	325	25	285
Cost of sales	(179)	(19)	(230)
Gross profit	146	6	55
Other operating income	2	11	38
Administrative expenses before non-cash gain on foreign exchange and share-based payments (charges)	(2,730)	(2,068)	(4,463)
Gain / (loss) on foreign exchange	170	(396)	(676)
Share-based payments (charge)	(109)	(59)	(136)
Operating loss	(2,521)	(2,506)	(5,182)

6. Taxation

During the six months ended 30 June 2017, the Group had a taxation credit of £276k, being a provision for the current period tax credit of £240k less a payment of US tax for £4k and an under provision for the year ended 31 December 2016 of £40k (30 June 2016: £232k) (year ended 31 December 2016: £531k).

7. Segmental analysis

Revenue by business segment:

The revenue information above is derived from the continuing operations and excludes the Nicotine Gum segment that was disposed in 2016 (see Note 8).

The segmental information for the six months ended 30 June 2016 has been restated as a result of the Nicotine Gum segment becoming a discontinued operation.

The Group therefore has one segment, the Specialty Chemicals 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.

Six months ended 30 June 2017	*Specialty Chemicals*	*Unaudited 6 months to 30 June 2017*
	£000	*£000*
Revenue		
Sale of goods	325	325
Segment revenue	**325**	**325**
Results		
Depreciation & amortisation	258	258
Segment loss	**(2,495)**	**(2,495)**
Operating assets	**17,412**	**17,412**
Operating liabilities	**5,714**	**5,714**
Other disclosure:		
Capital expenditure*	447	447

Six months ended 30 June 2016 - Restated	*Specialty Chemicals*	*Unaudited 6 months to 30 June 2016 Restated*
	£000	*£000*
Revenue		
Sale of goods	25	25
Segment revenue	**25**	**25**
Results		
Depreciation & amortisation	100	100
Segment loss	**(2,471)**	**(2,471)**
Operating assets	**18,021**	**18,021**
Operating liabilities	**6,692**	**6,692**
Other disclosure:		
Capital expenditure*	328	328

Year ended 31 December 2016	*Specialty Chemicals*	*Audited Year to 31 December 2016*
	£000	*£000*
Revenue		
Sale of goods	285	285
Segment revenue	**285**	**285**
Results		
Depreciation & amortisation	202	202
Segment loss	**(5,639)**	**(5,639)**
Operating assets	**20,761**	**20,761**
Operating liabilities	**6,452**	**6,452**
Other disclosure:		
Capital expenditure*	699	699

The differences between the segment losses above and operating losses in note 5 are accounted for by finance income and share of profit/(loss) of associate.

The operating assets exclude the investment in the associate undertaking.

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

Geographical information

	Revenue from external customers			***Non-current assets***		
	Unaudited	*Unaudited*	*Audited*	*Unaudited*	*Unaudited*	*Audited*
	Six Months to 30 June 2017	*Six Months to 30 June 2016*	*Year to 31 December 2016*	*Six Months to 30 June 2017*	*Six Months to 30 June 2016*	*Year to 31 December 2016*
		Restated			*Restated*	
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Europe	149	21	140	467	363	419
United States	176	4	145	10,376	9,750	10,653
	325	25	285	10,843	10,113	11,072

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

Non-current assets for this purpose consist of property plant and equipment, investment in associate undertaking, intangible assets and goodwill.

8. Discontinued operations

In 2016, the Group divested its nicotine gum business to Alkalon A/S, a Danish company. Results for this business are accordingly only reported in the 2016 comparison columns below:

	Unaudited 6 Months to 30 June 2017	Unaudited 6 Months to 30 June 2016 Restated	Audited Year to 31 December 2016
	£000	£000	£000
Revenue	–	554	1,127
Cost of sales	–	(499)	(948)
Gross profit	–	55	179
Administrative expenses	–	(473)	(787)
Impairment loss recognised on the re-measurement to fair value less costs to sell	–	–	–
(Loss) before tax from discontinued operations	–	(418)	(608)
Tax benefit: Related to current pre-tax loss	–	–	–
Tax benefit: Related to re-measurement to fair value less costs to sell (deferred tax)	–	–	–
(Loss) for the period from discontinued operations	–	(418)	(608)
Administrative expenses are stated after charging:			
Depreciation	–	4	8

The net cash flows incurred by the Nicotine Gum segment are as follows:

	Unaudited 6 Months to 30 June 2017	Unaudited 6 Months to 30 June 2016 Restated	Audited Year to 31 December 2016
	£000	£000	£000
Operating	–	(644)	(1,250)
Investing	–	–	–
Financing	–	–	–
Net cash outflow	–	(644)	(1,250)

Earnings per share:

	Unaudited 6 Months to 30 June 2017	Unaudited 6 Months to 30 June 2016 Restated	Audited Year to 31 December 2016
	£000	£000	£000
Basic loss for the year from discontinued operations	–	(0.8p)	(0.9p)
Diluted loss for the year from discontinued operations	–	(0.8p)	(0.9p)

9. Property, plant and equipment

During the six months ended 30 June 2017, the Company acquired plant and equipment with a cost of £447k, (30 June 2016: £328k) (year ended 31 December 2016: £699k).

10. Intangible assets

Group	Goodwill	Customer Relationships	Intellectual Property	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2016 (Audited)	-	-	-	-
Acquisitions through business combinations	5,662	29	3,031	8,722
Foreign exchange movements	530	3	327	860
Unaudited at 30 June 2016 (Restated)	6,192	32	3,358	9,582
Additions	–	–	–	–
Foreign exchange movements	461	(3)	251	709
Audited at 31 December 2016	6,653	29	3,609	10,291
Additions	–	–	–	–
Foreign exchange movements	(339)	–	(184)	(523)
Unaudited at 30 June 2017	**6,314**	**29**	**3,425**	**9,768**
Amortisation and impairment				
Unaudited at 30 June 2016 (Restated)	–	32	–	32
Amortisation for the period	–	–	132	132
Impairment charge	–	–	–	–
Foreign exchange movements	–	(3)	6	3
Audited at 31 December 2016	–	29	138	167
Amortisation for the period	–	–	134	134
Impairment charge	–	–	–	–
Foreign exchange movements	–	–	(10)	(10)
Unaudited at 30 June 2017	–	**29**	**262**	**291**
Net book value				
Unaudited at 30 June 2017	**6,314**	**–**	**3,163**	**9,477**
Audited at 31 December 2016	6,653	–	3,471	10,124
Unaudited at 30 June 2016 (Restated)	6,192	–	3,358	9,550

At each reportable period end there is a requirement to investigate whether there are any indicators of, or triggers for, potential impairment of the value of intangible assets. As a result of actual H1 2017 revenue falling short of management expectations, management concluded that a review for impairment of the value of the intangible assets was required.

The fair value of net assets (NAV) as at 30 June 2017 of the relevant CGU, namely the itaconic acid derived product (ITADP) business acquired in June 2016, was compared to the enterprise value (EV) of the CGU as at 30 June 2017, as estimated using DCF techniques in a manner consistent with the EV assessment made for the full year 2016 audit and annual report, but based on updated management forecasts as of July 2017. Any shortfall in the EV compared to the NAV would form the basis of goodwill impairment, whilst no impairment would be indicated to the extent that the EV was equal to or greater than NAV. At the interims review stage, management noted that there is no requirement to disclose sensitivity analysis.

The EV was estimated using updated management forecasts that reflect (i) actual revenue shortfalls in H1 2017 compared to management expectations, and (ii) a reduced cost base implemented in Q2 2017 compared to management expectations.

Consideration has also been given as to whether the discount rate of 12.4% used at the 2016 year end remains appropriate:

- There were no business related factors that have increased the risk since the previous valuation (note the impact of the change in annual sales to a more back end loaded profile in the window to 2020 is already captured in the DCF valuation methodology)
- There were no macro market or economic factors that have increased the risk since the previous valuation
- Management has re-run its discount rate estimation as at 30 June 2017 and concluded a slightly increased weighted average cost of capital (WACC) of 12.6% is required.

Accordingly a discount rate of 12.6% has been used in the updated analysis.

Using this approach management has calculated an estimated EV of $12.6m and NAV of $11.95m, and accordingly no goodwill impairment was indicated.

The NAV includes the investment that was made in the US manufacturing plant since acquisition and is accordingly >$1m greater than the previous assessment.

The acquired intellectual property has been amortised over the average life of the portfolio acquired (13 years). Management has investigated whether there were any circumstances requiring impairment over and above this amortisation, and concluded that there are no business, market or economic grounds for further impairment in the relatively short intervening period since the previous valuation.

Overall therefore, management concluded that, having performed reviews for potential impairment:

- Intellectual property remains correctly valued after straight line amortisation over 13 years.
- Currently there are not grounds for impairment of goodwill.

11. Restatement of prior period comparatives

IFRS 3 requires fair values and liabilities acquired to be finalised within 12 months of the acquisition date. All fair value adjustments are required to be recorded with effect from the date of acquisition and consequently result in the restatement of previously reported financial results. During the second half of 2016, the Group finalised the fair values of the Itaconix Corporation business acquired in June 2016 and this has resulted in a restatement of the income statement and other statement of comprehensive income and the statement of financial position comparatives for the period to 30 June 2016. These amendments relate to the intangible assets identified out of the purchase price allocation process which were intellectual property and customer relationships, the deferred tax liability recognised (in respect of intangible assets acquired), the valuation of the contingent consideration and the balance required to reconcile from the net tangible assets to the fair value of the purchase price was goodwill.

Further amendments relate to the impairment of the customer relationships to nil and the transfer of the foreign exchange differences arising on the net assets acquired between the date of acquisition and the period end to other comprehensive income. The impact of these adjustments was to increase the previously reported loss before tax and the statutory loss for the period by £889k (of which foreign exchange differences were the majority at £856k).

12. Contingent consideration

At 31 December 2016 the contingent consideration to the former shareholders of Itaconix Corporation was valued at £3.4m ($4.21m), and it is necessary to review this valuation at the 2017 interim period end in light of updated management expectations of the drivers of this consideration (namely sales of ITADP) in the period 2017 to 2020.

Management prepared an updated forecast of sales of ITADP to the end of 2020 based on its current knowledge and reasonable expectations and these were used to revalue the contingent consideration, using the same methodology as adopted at the 2016 year end and in line with the contractual mechanism agreed with the former shareholders of Itaconix Corporation.

Consideration has been given as to whether the discount rate of 10.2% remains appropriate. Management are not aware of any grounds to change the rate and accordingly 10.2% has been used.

Management noted that at the interims stage there is no requirement for sensitivity analysis of this valuation.

Management concluded that, on the basis of the analysis summarised above, the contingent consideration was valued at £3.3m ($4.31m), compared to £3.4m ($4.21m) at 31 December 2016.

13. Investment in associate undertakings

The Group acquired a 15% equity interest in Alkalon A/S (Alkalon) on 31 October 2016. Alkalon is a Danish speciality pharma company focused on developing and commercialising medicated chewing gum formulations. It is a private entity not listed on any public exchange and there is only one share class in issue (ordinary shares) so that all shareholders hold the same class of share with the same rights attached (i.e. there are no restrictions specific to the Group's holding). The Group's interest in Alkalon is accounted for using the equity method in the consolidated financial statements. The acquisition is considered to be a long term investment. The fair value of the investment at the period end was arrived at as described below.

	£'000
Fair value of Alkalon investment at 31 December 2016	145
Increase in investment at 18 May 2017	60
Reversal of previously recognised impairment loss	22
Share of profit of equity-accounted investees, net of tax	4
Gain on foreign exchange	6
Fair value of Alkalon investment at 30 June 2017	237

On 4 May 2017 SEED Capital, a 40% shareholder in Alkalon, sold its holding, with the consent of the other shareholders, to Metropolitan Capital Partners (MCP), a more active investor. Shortly after this on 18 May 2017, Alkalon received a DKK3.5m equity injection pro rata from its existing shareholders (i.e. a purchase of a further 525,000 shares for £60k by Itaconix), and a DKK2.5m shareholder loan (again pro rata) was also completed on 2 June 2017. MCP also provided additional management support to the CEO, and a well qualified financial consultant was retained following the departure of the previous finance resource. As at 30 June 2017, in the view of management the business was better funded, organised and resourced than at the end of 2016. A partial reversal of the previously recognised impairment loss was recorded to the amount of £22k in relation to certain commercial milestones being achieved, for which Itaconix was issued additional equity taking its interest to 17.4% (after allowing for the May 2017 capital injection).

Management has reviewed the carrying value of the investment as at 30 June 2017 and, given the factors noted above, considers that the partial reversal of the impairment recorded in the year ended 31 December 2016 is appropriate.

Name	**Principal activity**	**Place of incorporation and operation**	**Proportion of ownership interest**
Alkalon A/S (from 31 October 2016)	Trading Danish associate of Itaconix (U.K.) Ltd	Denmark	15%
Alkalon A/S (from 22 June 2017)	Trading Danish associate of Itaconix (U.K.) Ltd	Denmark	17%

14. Loss per share

	Unaudited 6 Months to 30 June 2017	Unaudited 6 Months to 30 June 2016 Restated	Audited Year to 31 December 2016
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share ('000)	78,712	57,878	69,738

15. Share based payments

The charge for share based payments for the period to 30 June 2017 was £109k (30 June 2016: charge 59k) (31 December 2016: charge 136k). During the six months to 30 June 2017 4,512,460 options (30 June 2016: nil) (31 December 2016: 3,317,997) were granted under the Revolymer LTIP 2012 scheme as either approved options (under the HMRC approved EMI scheme) or unapproved options.

16. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Remuneration of key management personnel

The remuneration of the directors, who are considered to be the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	Unaudited Six Months to 30 June 2017 £000	Unaudited Six Months to 30 June 2016 Restated £000	Audited Year to 31 December 2016 £000
Wages and salaries	319	338	783
Directors' fees invoiced by third parties	8	8	15
Post-employment benefits	21	21	42
Equity settled share based payment expense	43	25	50
	391	392	890

Other related party transactions

The Company was invoiced during the period by IP2IPO Limited, a company of which Mr M Townend is a director, for consultancy fees and other expenses in respect of Mr Townend's services. Mr M Townend is a related party by virtue of his position as a director of the Company.

The Group invoiced Alkalon for the expenses of a common director Robin Cridland, for attending the board meetings of Alkalon in the period. The Group also acted as an agent for Alkalon in its conduct of the nicotine gum business following completion of the divestment, pending the novation and assignment of key nicotine gum contracts in favour of Alkalon. At the date of this report, all such novations and assignments have been completed. Alkalon is an associate company of the Group.

	Receipts from related parties	*Payments to related parties*	*Amounts due to related parties*	*Amounts due from related parties*
	£000	*£000*	*£000*	*£000*
6 months to 30 June 2017				
IP2IPO Services Limited	–	8	4	–
Alkalon	2	–	8	44
6 months to 30 June 2016 (Restated)				
IP2IPO Services Limited	–	8	4	–
Year to 31 December 2016				
IP2IPO Services Limited	–	15	4	–
Alkalon	34	–	–	17

A short term loan of DKK 375,000 was made to Alkalon during the period. The loan is due for repayment within 12 months and carries interest at a rate of 4.5% per annum.

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. There have been no write-offs of related party balances during the period and there are no provisions against any related party balances. The terms and conditions of related party transactions are consistent with those for other debtors and creditors.

17. Events after the reporting period

These have been reported separately in other parts of this report and relate to commercial transactions.

INDEPENDENT REVIEW REPORT TO ITACONIX PLC

Introduction

We have been engaged by Itaconix plc (previously called Revolymer plc) (the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the Condensed Consolidated Income Statement and Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the notes 1 to 17 to the interim financial statements. 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 guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

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 International Accounting Standards 34, "Interim Financial Reporting," as adopted by the European Union.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting," as adopted by the European Union.

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 United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP

Manchester

18 September 2017