10 September 2019

Itaconix plc
Unaudited interim results for the 6 month period to 30 June 2019

Commercial Base and Momentum for Long Term Growth

Itaconix plc (AIM: ITX) a leading innovator in sustainable specialty polymers ("Itaconix" or the "Company"), today announces its unaudited interim results for the six-month period to 30 June 2019.

Highlights

- Total revenues for the six-month period were 78% higher than the first half of 2018 and 23% higher than the second half of 2018. First half revenues also represent 72% of revenues for the previous full year.
    - Growth was broadly based across the Company's non-phosphate detergent, odour control, and hair styling polymers.
    - Use of our second generation Itaconix® CHT™ 122 detergent polymer expanded further in new North American retail accounts based on the non-phosphate automatic dish detergent formula licensed to New Wave, as announced in December 2018.
    - Use of Itaconix® CHT™ 122 also expanded into Europe, with the first use in a non-phosphate detergent announced in May.
    - 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 significantly with both new customers and repeat orders from existing customers.
- Gross profits increased by 157% over the first half of 2018 and by 32% over the second half of 2018.
- Administrative expenses decreased by 52% compared to the first half of 2018 and by 18% compared to the second half of 2018.
- Unaudited Adjusted EBITDA[1] was a loss of £1.0 million, compared to a loss of £2.5 million for the same period in 2018 and a loss of £1.4 million for the second half of 2018, reflecting the success of the Company's efforts to reduce the overall cost base while growing revenues.
- Net cash as at 30 June 2019 was £1.5 million, compared to £2.1 million as at 31 December 2018.
- Important commercial milestones were achieved to support continued growth with two new global supply agreements with Nouryon for Itaconix detergent and hair styling polymers.
    - Nouryon launched Itaconix's hair styling polymer as Amaze™ SP in April, and subsequently issued its first purchase order to Itaconix.
- The Company completed the divestment of its legacy nicotine gum business in May with the sale of its interest in Alkalon A/S for £0.2 million.

Outlook

Itaconix is in a key stage of broad-based long-term revenue growth and value creation. From automatic dish detergents and carpet cleaners to shampoos and underarm deodorants, Itaconix's proprietary bio-based polymers are emerging as important functional ingredients in an increasing range of everyday consumer products for home and personal care. This expanding diversity of uses is establishing a wide foundation of next generation end-product formulations for Itaconix products. Collaborations with global market leaders like Nouryon and Croda are creating opportunities to convert this foundation into robust revenue growth.

John R. Shaw, Chief Executive Officer, stated: "Our base of end-product applications combined with our global collaborations is generating commercial momentum and emerging financial performance that reflect our near-term goal of sustained revenue growth to reach profitability. We have a pipeline of active customer projects to reach beyond this goal, with timing dependent on converting these projects into order volumes."

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

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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

As I have stated previously, Itaconix's objective is to build a high gross margin, capital efficient, specialty chemicals company around the unique value of our proprietary itaconate chemistries. Our near-term focus is to reach sustaining revenues and profitability through our current efforts in non-phosphate detergents, odour control, and hair styling.

We are in a key stage of establishing use of our polymers as high-value functional ingredients in an increasingly broad base of everyday consumer products. Our results in the first half of 2019 show that we are making significant progress and gaining critical recognition of the value of our polymers in a wide range of end-product formulations:

- *Product demand from large unmet customer needs.* The bio-based content and unique functionality of our proprietary polymers align closely with major trends and unmet needs in consumer products:
    - *Safer consumer products*. Consumers are increasingly seeking safer products from sustainable resources that do not persist in the environment when making buying decisions. In addition, lawmakers in more and more countries are enacting regulations and implementing programs for safer and more sustainable products. Global, specialty, and private-label consumer brands are responding by reformulating products to keep up with these trends. Itaconix polymers can meet formulators' needs for new ingredients in a range of major product categories.
    - *New product claims*. Brands across all spectrums of home and personal care products compete for customers with new product claims around price and performance. From odour removal in carpet cleaners to weightless styling in hair products, the unique functionalities of Itaconix polymers are enabling formulators to add new performance claims in a growing range of consumer products.
    - *Lower costs.* The multiple functionalities of Itaconix polymers can also reduce direct and indirect product costs by displacing two or more ingredients in some formulations. For example, formulators have reduced material, packaging and shipping costs by using one Itaconix polymer in automatic dish detergents instead of a traditional chelant and dispersant.

- *High-value functional ingredients*. Based on their unique or multiple functionality, Itaconix polymers are a key ingredient in determining the performance and value of a wide range of consumer product formulations. Recent examples of breakthrough consumer products enabled by Itaconix polymers are:
    - A major consumer carpet cleaning brand uses Croda's ZINADOR™ 22L, supplied by Itaconix, to eliminate fresh and residual odours that are not removed by mere cleaning.
    - A specialty detergent brand uses Itaconix® CHT™ 122 for a new compact automatic dish detergent pod sold through e-commerce that saves on shipping costs while still matching national premium brand performance.
    - Nouryon's Amaze™ SP, supplied by Itaconix, offers 100% bio-based content to meet a new trend in weightless hair styling.
    - A specialty personal care brand uses Itaconix odour removal polymer in its aluminium-free underarm deodorants to eliminate residues left on clothing.

  I believe the existing values that our polymers have established as key ingredients in everyday consumer products have created the potential for up to 0.6 grams of Itaconix polymer use per day in a modern household. Considering the c. 360 million households in Europe and North America, the addressable annual market based on this potential is over c. $400 million for our current products. With further product and application development, I see opportunities to extend this potential to at least one gram per day, which would equate to an addressable annual market of c. $700 million.

- *Capital-efficient growth*. We are currently in a strong position to grow with relatively low capital requirements based on our proprietary production process and our marketing collaborations. Our existing USA operations have a capacity for up to c. $15 million of revenues and the ability to double capacity for a modest investment of c. $0.5 million. Our supply collaborations allow us to access customer opportunities worldwide through Nouryon and Croda on mutually favourable terms and to focus our resources on our strengths in new chemistry and application development.

Beyond the advancement of our products, we have achieved additional milestones to date this year including:

- In May, the Company completed the divestment of its non-core, legacy nicotine gum business with the sale of its interest in Alkalon A/S for £0.2 million.
- On September 1st, Laura Denner was promoted to Chief Financial Officer and Michael Norris stepped down as Interim Chief Financial Officer after a year of service in support of the restructuring the Company's operations.

As previously reported, we completed exploratory research over the last five years to extend and broaden the technologies in our proprietary itaconate chemistry platform. With the progress underway in our core detergent, odour control, and hair styling products, we expect to start selectively looking at additional high-value functional ingredient opportunities within our extensive itaconate chemistry portfolio.

With our restructuring fully completed, Itaconix is in a key stage of broad-based long-term revenue growth and value creation. Our base of end-product applications combined with our global collaborations is generating commercial momentum and emerging financial performance that reflect our near-term goal of sustained revenue growth to reach profitability. We have a pipeline of active customer projects to reach beyond this goal, with timing dependent on converting these projects into order volumes.

John R. Shaw
Chief Executive Officer

9 September 2019

Condensed consolidated income statement and statement of comprehensive income

For the six months ended 30 June 2019

	Notes	*Unaudited 6 Months to 30 June 2019*	*Unaudited 6 Months to 30 June 2018*	*Audited Year to 31 December 2018*
	Notes	*£000*	*£000*	*£000*
Revenue	5	480	269	660
Cost of sales		(341)	(215)	(555)
Gross profit		139	54	105
Other operating income		8	71	96
Administrative expenses		(1,304)	(2,714)	(4,310)
Group operating loss		(1,157)	(2,589)	(4,109)
Finance income		-	1	3
Exceptional (expense) income on movement of contingent consideration	6	(644)	38	(2,489)
Exceptional expense on organisational restructuring	7	-	(545)	(891)
Gain on sale of equity interest in associate	8	80	-	-
Share of profit of associate	8	-	6	90
Loss before tax		(1,721)	(3,089)	(7,396)
Taxation (expense) credit		(5)	128	140
Loss for the period		(1,726)	(2,961)	(7,256)
Other comprehensive income, net of income tax				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translated foreign operations		30	65	(357)
Total comprehensive loss for the period		(1,696)	(2,896)	(7,613)
Basic and diluted loss per share	9	0.6p	3.8p	4.6p

Condensed consolidated statement of financial position

As at 30 June 2019

	Notes	*Unaudited As at 30 June 2019 £000*	*Audited As at 31 December 2018 £000*
Non-current assets			
Property, plant and equipment		635	719
Right-of-use asset		867	-
Investment in associate undertakings	8	-	131
		1,502	850
Current assets			
Inventories		434	303
Trade and other receivables		514	711
Cash and cash equivalents	3	1,572	2,083
		2,520	3,097
Total assets		4,022	3,947
Financed by			
Equity shareholders' funds			
Equity share capital		2,686	2,686
Equity share premium		30,301	30,301
Own shares reserve		(3)	(3)
Merger reserve		20,361	20,361
Share based payment reserve		6,644	6,632
Foreign translation reserve		569	539
Retained earnings		(62,059)	(60,333)
Total (deficit) equity		(1,501)	183
Non-current liabilities			
Contingent consideration	6	3,825	3,052
Long-term lease liability		684	-
		4,509	3,052
Current liabilities			
Trade and other payables		640	478
Short-term lease liability		182	-
Provision for organisational restructuring	7	192	234
		1,014	712
Total liabilities		5,523	3,764
Total equity and liabilities		4,022	3,947

Interim condensed consolidated statement of cash flows

For the six months ended 30 June 2019

	Unaudited 6 Months to 30 June 2019	*Unaudited 6 Months to 30 June 2018*
	£000	*£000*
Cash flows from operating activities		
Operating loss	(1,721)	(2,589)
Adjustments for:		
Finance expense	1	
Depreciation of property, plant and equipment	84	130
Depreciation of right-of-use asset	84	–
Gain on disposal of equipment	(8)	–
Gain on sale of investment in associate	(80)	–
Share option charge	12	129
Revaluation of deferred consideration	644	–
Loss / (gain) on foreign exchange	159	136
Taxation	(5)	(2)
Increase in inventories	(130)	(46)
Decrease / (increase) in receivables	198	59
Increase / (decrease) in payables	88	84
Net cash (outflow) from operating activities	(674)	(2,099)
Cash flows from investing activities		
Interest received	–	1
Investment in associate undertaking	242	(26)
Proceeds from sale of property, plant and equipment	38	4
Purchase of property, plant and equipment	(32)	–
Net cash inflow (outflow) from investing activities	248	(21)
Cash flows from financing activities		
Lease payments	(85)	–
Net cash (outflow) from financing activities	(85)	–
Net (outflow) in cash and cash equivalents	(511)	(2,120)
Cash and cash equivalents at beginning of the period	2,083	3,606
Cash and cash equivalents at end of the period	1,572	1,486

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 2019 were approved for issue in accordance with a resolution of the Board on 9 September 2019. 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 www.itaconix.com.

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 2018 ('2018') Annual Report. The financial information for the half years ended 30 June 2019 and 30 June 2018 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 2018 included within this report does not constitute the full statutory Annual Report for that period. The statutory Annual Report and Financial Statements for 2018 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 2018 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 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 contingent consideration which have been measured at fair value.

New accounting standards

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2018 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 2019 and will be adopted in the 2019 financial statements. New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies is IFRS 16 "Leases". Details of the impact of this standard are given below. Other new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to have a material impact on the Group.

IFRS 16 "Leases"

The Group adopted IFRS 16 from 1 January 2019, replacing the existing guidance in IAS 17 - "Leases" (hereafter – "IAS 17"). IFRS 16 changes the existing guidance in IAS 17 and requires lessees to recognise a lease liability that reflects future lease payments and a "right-of-use asset" in all lease contracts within scope, with no distinction between financing and capital leases. IFRS 16 exempts lessees in short-term leases or when the underlying asset has a low value. The Group has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for leases of low-value assets only.

The adoption of IFRS 16 has resulted in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases historically classified as operating leases, under legacy accounting requirements the Group does not recognise related assets or liabilities, disclosing instead the total commitment in its annual financial statements. The Group has elected to apply the modified retrospective method. Therefore, there will be no impact on any comparative accounting period (interim or annual), with any leases recognised on the balance sheet on the date of initial application of IFRS 16, being 1 January 2019.

Finally, instead of recognising an operating expense for its operating lease payments, the Group now recognises interest on its lease liabilities and amortisation on its right of use assets. This has increased the reported EBITDA by the amount of its current operating lease cost, which for 6 months ended 30 June 2019 was approximately £84k.

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

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 2018 and is unchanged.

3. Cash, cash equivalents and investments

	Unaudited As at 30 June 2019	*Audited As at 31 December 2018*
	£000	*£000*
Cash at bank and in hand	1,572	2,083
	1,572	2,083

4. Reconciliation of Operating Loss to Adjusted EBITDA*

For the purpose of the reconciliation below is to show the calculation of operating loss to earnings before exceptional costs, 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 2019	*Unaudited 6 Months to 30 June 2018*	*Audited Year to 31 December 2018*
	£000	*£000*	*£000*
Loss for the period	(1,726)	(2,961)	(7,256)
Exceptional expense (income) on movement of contingent consideration	644	(38)	2,489
Exceptional expense on organizational restructuring	-	545	891
Gain on sale of equity interest in associate	(80)	-	-
Share of profit of associate	-	(6)	(90)
Interest	-	(1)	(3)
Taxes	5	(128)	(140)
Depreciation	168	130	222
Adjusted EBITDA	(989)	(2,459)	(3,887)

5. Segmental analysis

Revenue by business segment:

The Group 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.

	Unaudited 6 months to 30 June 2019	*Unaudited 6 months to 30 June 2018*	*Audited Year to 31 December 2018*
	£000	*£000*	*£000*
Revenue			
Sale of goods	480	269	660
Segment revenue	**480**	**269**	**660**
Results			
Depreciation & amortisation	168	130	202
Segment loss	**(1,157)**	**(2,589)**	**(4,109)**
Operating assets	**4,022**	**3,407**	**3,816**
Operating liabilities	**5,522**	**2,251**	**3,764**
Other disclosure:			
Capital expenditure*	32	Nil	436

The operating assets exclude the investment in the associate undertaking.

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

Geographical information

	Revenue from external customers			***Net assets***	
	Unaudited Six Months to 30 June 2019	*Unaudited Six Months to 30 June 2018*	*Audited Year to 31 December 2018*	*Unaudited Six Months to 30 June 2019*	*Audited Year to 31 December 2018*
	£000	*£000*	*£000*	*£000*	*£000*
Europe	97	76	176	(1,813)	39
North America	383	186	477	312	124
Asia	–	7	7	–	–
	480	269	660	(1,501)	183

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

6. Contingent consideration

	£'000
As at 31 December 2018 (Audited)	3,052
Movement in fair value and discounting unwind	644
Movement in foreign exchange	129
As at 30 June 2019 (Unaudited)	3,825

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 (in both the existing and proposed construct). Accordingly, they will not be eligible for any cash bonus or other share incentive programme for the years 2018 to 2020 inclusive. Simultaneously the merger agreement with the former shareholders of Itaconix Corporation and related agreements will be 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, the 15m shares had a value of £0.3m which was expensed immediately. The value of the adjusted contingent component using the latest Board approved forecasts and assumptions as above is $4.8m or around £3.8m.

In respect of 2018, 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.

As a result of the changes in the forecasts, earn out period and discount rate from the original value assessments, the contingent consideration at 30 June 2019 was revalued to £3,825k. Sensitivity analysis was also performed, summarised as follows:

- If the sales in the period 2019 to 2022 were reduced by $1m, the fair value would be reduced by approximately $40k or around £31k
- A 1% increase in the discount rate would reduce the fair value by $149k or around £118k

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

7. Provision for organisational restructuring

On June 1, 2018, the Group announced an operational update regarding the restructuring of its UK subsidiary to focus the Group's resources on growing revenues of its core products. The majority of the Group's activities were consolidated into its US operations, thereby improving the link between product support and manufacturing. A one-time cost of £891k to restructure the UK subsidiary was recognized in 2018 and was used to pay Director's and staff redundancy payments, lease termination, and facility clean-up costs. £192k remains outstanding as at 30 June 2019 (30 June 2018: £545k) related to these restructuring costs.

8. Investment in associate undertakings

On May 29, 2019 the Group announced the sale of its equity interest in Alkalon A/S (Alkalon). 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 Group received a total cash consideration of approximately DKK 2.0M, equivalent to £242k for its 22% ownership in the Alkalon.

	£'000
Fair value of Alkalon investment at 31 December 2018 (Audited)	131
Sale of equity interest at 29 May 2019	(131)
Fair value of Alkalon investment at 30 June 2019 (Unaudited)	-

9. Weighted-average number of ordinary shares

	Unaudited 6 Months to 30 June 2019	*Unaudited 6 Months to 30 June 2018*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share ('000)	269,130	78,718

10. Events after the reporting period

Subsequent to the reporting period, the Group extended its current lease on its primary operating facility in Stratham, New Hampshire, USA for 5 years from September 1, 2019.

11. 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.