

Itaconix plc
("Itaconix" or the "Company")

Half year results for the period ended 30 June 2022

Itaconix (LSE: ITX) (OTCQB: ITXXF), a leading innovator in sustainable plant-based polymers used to decarbonise everyday consumer products, is pleased to announce its unaudited interim results for the six months ended 30 June 2022.

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

John R. Shaw, CEO of Itaconix, commented:

"We reached a new level of success for our proprietary plant-based technology platform in the first half of 2022 with record half-year revenues from new and recurring orders generated out of our growing customer base. These customers are increasingly relying on our ingredients for competitive advantages in everyday products used for cleaning, beauty, and hygiene. From detergents and air fresheners to shampoos and underarm deodorants, our ingredients add safety, performance, and sustainability to new generations of existing and new products used by millions of consumers every day."

Financial Highlights

- First half revenues of \$3.1 million were 124% higher than the first half of 2021, 148% higher than the second half of 2021, and 40% higher than our prior record half-year revenues of \$2.2 million in the second half of 2020.
- Gross profits were \$0.8 million, representing an increase of 45% over the first half of 2021 and an increase of 332% over the second half of 2021.
- Gross profit margin was 25% compared to 27% for the full year of 2021. This slight decline in gross profit margin was due to a higher percentage of revenues from large detergent customers and price support for two large customers. The Company has implemented three price increases since January 2022 to keep pace with higher raw material costs but held to 2021 pricing for two customers in early 2022 to support major marketing campaigns that started in late 2021.
- Adjusted EBITDA¹ was a loss of \$0.6 million, compared to a loss of \$0.7 million for the first half of 2021 and a loss of \$0.9 million for the second half of 2021, including continued investment spending on major new revenue opportunities.
- Cash and Cash Equivalents as at 30 June 2022 was \$0.9 million, compared to \$0.7 million as at 31 December 2021.
- In April 2022, the Company completed an equity raise with gross proceeds of \$0.4 million for working capital, predominantly to strengthen finished goods inventories held in the EU to assure reliable and ready delivery times to EU customers.

Company Milestones:

- Cleaning revenues were \$2.7 million for the first half of 2022 compared to \$0.9 million in the first half of 2021 and \$0.9 million in the second half of 2021, reflecting increased market share for Itaconix® TSI™ 322 as the key ingredient in a new generation of non-phosphate dishwashing detergents. Continued growth is expected as current customers gain market share, new customers go into full production in Europe and North America, and additional customers emerge in 2023 from the current pipeline of new cleaning projects.
- Combined hygiene, beauty, and BIO*Asterix revenues remained steady at \$0.4 million for the first half of 2022 compared to \$0.5 million in the first half of 2021 and \$0.3 million in the second half of 2021. New growth is expected as post-Covid formulation activity increases and more projects in the Company's customer pipeline advance to commercial launch.
- The Company advanced further new revenue opportunities for 2023 with a new development effort announced with a major pulp and paper company for odour control in hygiene products.

- Itaconix’s addressable market increased from \$750 million to \$2.3 billion with three new commercial opportunities emerging from the Company’s proprietary technology platform in hygiene with a plant-based superabsorbent, in composites with a new plant-based intermediate, and in beauty with a new hair care product.
- Replacement of fossil-based acrylate superabsorbents with Itaconix’s VELAFRESH® SAP80 plant-based superabsorbent is a major new revenue opportunity. The Company announced early commercial work with a potential hygiene customer in January. Testing and further development with this and other potential customers are expected to continue through 2023 for initial use in consumer products in 2024.
- One new patent application filing was announced in February 2022 for a plant-based ingredient with potential use in composites.
- An additional new patent application filing was announced in April 2022 for a new plant-based hair care ingredient that the Company will introduce in the second half of 2022.
- Following the period end, Dr. Peter Nieuwenhuizen was appointed in July 2022 as Non-Executive Director and Interim Chair. As the former CTO of AkzoNobel Specialty Chemicals and current Founding Partner of the European Circular Bioeconomy Fund as well as Chair of the Green Chemistry & Commerce Council, Peter is a recognised business and technical leader in advancing plant-based chemistries across supply chains to create the Low-Carbon Economy.
- Also following period end, Laura Denner, CFO since 2018, was appointed in July 2022 as an Executive Director of the Company.

Commenting on the outlook John R. Shaw, CEO added:

“The immediate and long-term prospects for Itaconix are progressing very well as existing customers expand into more retailers, new customers bring new formulations to market, and potential major new customer projects advance in our pipeline. We expect to see at least one new EU detergent product on the market this year, a new hair care ingredient launched in the coming months, and major new potential in hygiene applications.

The Company remains on course to deliver full year 2022 revenues ahead of current market expectations based on progress in commercial volumes and success in passing on increases in direct costs. Adjusted EBITDA¹ loss for full year 2022 is expected to be an improvement on 2021, but below previous market expectations, reflecting continued investment in the growth of the business.”

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

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About Itaconix

Itaconix uses its proprietary plant-based polymer technology platform to produce and sell specialty ingredients that improve the safety, performance, and sustainability of consumer products. The Company's current ingredients are enabling and leading new generations of products in cleaning, hygiene, and beauty. Itaconix's contributions to the global low carbon economy are recognised by the London Stock Exchange's Green Economy Mark.

www.itaconix.com

Chief Executive's Statement

Overview

Itaconix is leading the development of the Low-Carbon Economy for consumer products with a growing line of sustainable ingredients generating from the Itaconix plant-based technology platform.

We are using our technology and products to build a large, high-gross-margin, capital-efficient company that produces and sells key ingredients for decarbonising everyday products based on their performance, value, safety, and sustainability.

We achieved major advances in the first half of 2022 towards realizing the large revenue potential in every household for our plant-based technologies. With record half-year revenues, we continue to make great strides in developing a diverse and growing base of customers that are using our ingredients to launch new generations of consumer products. From detergents and air fresheners to shampoos and underarm deodorants, our ingredients are increasingly being used to add efficacy and sustainability to existing and new products used by millions of consumers every day.

We are also continuing to invest in our technology platform to generate new plant-based solutions for emerging consumer needs in the Low-Carbon Economy. With the announcements we made on initial commercial efforts for our plant-based superabsorbent and the filing of new patent applications in hair care and composites, we expanded our addressable market potential from \$750 million to \$2.3 billion.

Financial Results

First half revenues of \$3.1 million were 124% higher than the first half of 2021, 148% higher than the second half of 2021, and 40% higher than our prior record half-year revenues of \$2.2 million in the second half of 2020. In addition, they are 118% of the full year revenues for 2021 and 93% of the full year revenues for 2020. Revenue growth came from increased demand from current customers, new recurring orders from new 2021 customers, and initial orders from new 2022 customers. The Company is in a strong position to deliver 2022 revenues ahead of current market expectations and is making major progress towards building the customer base to meet market expectations for revenues in 2023.

Gross profits were \$0.8 million, representing an increase of 45% over the first half of 2021 and an increase of 332% over the second half of 2021.

Gross profit margin was 25% compared to 27% for the full year of 2021, which is below our overall gross profit margin goal of at least 35%. The Company has had overall success in keeping pace with higher raw material prices through three price increases since January 2022. There are little or no direct replacements for Itaconix's ingredients in customer products without extensive reformulation, and Itaconix is the sole producer in the world of its proprietary ingredients. The lower gross profit margin was due to a higher percentage of overall revenues from cleaning volumes, continuation of 2021 pricing commitments into early 2022 to support marketing campaigns for a large detergent customer and a new customer in sustainable leather, and the effects of some price inflation on production overhead expenses. With the most recent price increases taking effect in September, raw material costs stabilizing, and more beauty and hygiene revenues, the Company expects significant improvements to gross margins in the second half of 2022.

Adjusted EBITDA¹ was at a loss of \$0.6 million, compared to a loss of \$0.7 million for the first half of 2021 and a loss of \$0.9 million for the second half of 2021. As noted above, the Company continues to make judicious investments in the research and development for new product and applications that are adding new addressable markets and major new revenue opportunities.

Loss for the period was \$1.1 million, compared to a loss of \$0.2 million in the first half of 2021 and a loss of \$0.3 million in the second half of 2021. Revaluation of the contingent consideration liability as a non-cash item reduced the loss in the first half of 2021 by \$0.5 million and in the second half of 2021 by \$1.0 million. Loss for the period without revaluation of contingent liability was \$0.9 million in the first half of 2022, \$1.3 million in the second half of 2021, and \$0.7 million in the first half of 2021.

Cash and Cash Equivalents as at 30 June 2022 was \$0.9 million, compared to \$0.7 million as at 31 December 2021.

In April 2022, the Company completed an equity raise with net proceeds of \$0.4 million to fund working capital, predominantly to strengthen finished goods inventories held in the EU to assure reliable and ready delivery times to EU customers.

Commercial Progress

The Company is leading the introduction of new generations of products in major consumer care applications, particularly within the 360 million households across Europe and North America. As brands and retailers face increased pressure from consumers to act on climate change, Itaconix's plant-based ingredients have the functional value to decarbonise everyday products with performance, safety, cost, and sustainability.

Used as key ingredients in over 130 consumer brands, Itaconix products are found in cleaning, hygiene, and beauty products in major retailers across North America and Europe. With new products continuing to emerge from its technology platform and over \$30 million in new revenue potential currently in its customer project pipeline, the Company expects sustained high growth in new and recurring orders.

Cleaning

Cleaning revenues were \$2.7 million for the first half of 2022 compared to \$0.9 million in the first half of 2021 and \$0.9 million in the second half of 2021. A new generation of non-phosphate dishwashing detergents based on the multifunctional value of Itaconix® TSI™ 322 is gaining market share in North America and initial traction in Europe. Itaconix® TSI™ 322 is the key ingredient in this new generation of detergents for managing water hardness and assuring shiny, spotless glasses and dishes. When formulated correctly into a detergent, our plant-based polymer provides these detergents with excellent shine performance, lower overall cost, and industry-leading bio-based content.

The acceleration in revenues is partly due to the technical and production solutions that the Company offers to transition brands quickly and effectively to formulations that realise the full value of Itaconix® TSI™ 322. From performance and shelf-life testing to validating label claims and assuring the supply and cost of other key ingredients, current and potential customers in North America are increasingly looking to Itaconix for full formulation solutions. The Company generated \$0.6 million in revenues in the first half of 2022 from providing these solutions, up from \$0.3 million for the full year in 2021. These revenues fund our technical support capabilities while also speeding the adoption rate for Itaconix® TSI™ 322 and assuring the supply of other key ingredients.

While these turn-key formulation solutions are effective in North America, transitioning to new detergent formulations in Europe has required customer product development teams to return to their laboratories after the Covid pandemic. The Company's direct selling efforts to major detergent producers in Europe had already established strong interest in Itaconix® TSI™ 322, so the renewed product development efforts are creating new traction for major revenue growth in Europe. Itaconix is delivering increased order volumes in Europe, has one brand launching a new dishwashing product this fall, and has other potential customers completing production trials for new products. The Company is rebuilding finished goods inventories in Europe to shorten delivery times and assure reliable fulfillment as customer commitments to Itaconix products grow.

The Company currently generates new customers from its direct selling efforts to major consumer detergent producers in North America and Europe. New efforts are underway to access smaller accounts through distributors, with a particular focus on institutional detergent suppliers and new emerging consumer brands.

Hygiene

Hygiene revenues from direct sales of VELAFRESH® products and through Croda for ZINADOR® products were \$0.2 million for the first half of 2022 compared to \$0.3 million in the first half of 2021 and \$0.2 million in the second half of 2021. Similar to European detergents, new formulation and reformulation efforts were delayed in many product categories for the Company's odour control ingredients as potential customers focused on disinfectants and surface cleaners. Although current revenues remain relatively flat, the end of the Covid pandemic is generating new activity on odour control products. The Company is also expanding its direct odour control sales efforts into new applications, which has already produced a development program with a major pulp and paper company on a new application in hygiene.

The most important new revenue opportunity for Itaconix is the Company's VELAFRESH® SAP80 plant-based superabsorbent. Initial commercial efforts are underway to selectively replace fossil-based acrylate superabsorbents in baby diapers, adult incontinence pads, and feminine hygiene products. The Company

announced early commercial work with a potential hygiene customer in January. Since some design modifications to hygiene products are likely needed to accommodate for the differences in the absorption profile of VELAFRESH® SAP80 compared to current acylate products, testing and further development are expected to continue through 2023 for initial use in consumer products in 2024.

Beauty

Beauty revenues from direct sales of VELASOFT® products and through Nouryon for its Amaze® SP product were \$0.1 million for the first half of 2022 compared to \$0.1 million in the first half of 2021 and \$0.1 million in the second half of 2021. Renewed beauty sales and formulation activity coming out of the Covid pandemic are expected to reinvigorate sales of these current products.

The Company announced the filing of an important patent application in April for new plant-based technology to maintain the natural health and shine of hair. A new VELASOFT® product will launch this fall based on this proprietary technology for use as a key ingredient in consumer and professional products to prevent or repair damaged hair.

*BIO*Asterix*

BIO*Asterix revenues were \$0.1 million for the first half of 2022 compared to \$0.0 million in the first half of 2021 and \$0.1 million in the second half of 2021. These revenues are for Itaconix products that are sold to specialty chemical producers to use as intermediates or components in their ingredients. The Company has initial sales into ingredients used in sustainable leather and expects attractive growth as current customers gain traction and new potential customers begin production trials.

The Company announced the filing of an important patent application in February for the use of Itaconix technology for ingredients in the production of materials used in composites. Similar to the Company's efforts in additives to biodegradable packaging, the commercial development for these products will take several years before new revenues are possible, with some risk that the ingredients do not make it to commercial launch. For example, progress on additives to biodegradable packaging is delayed as focus in the industry has shifted more towards new blends of existing biodegradable materials.

Operational Review

The Company met all customer orders in the first half of 2022 and has the capacity and capabilities in place to meet customer needs in the second half of 2022. Management worked successfully to address increasing raw material prices, extended deliver times for incoming and outgoing shipments, and growing demand in Europe. With raw material prices stabilizing, new finished goods inventory in Europe to meet new order volumes, declining effects from the Covid pandemic, and no increase in instability from global economic factors and the Russia-Ukraine war, the Company is expecting fewer challenges in the second half of 2022.

Low unemployment in New Hampshire, wage inflation, and difficulty in hiring new employees present potential operating challenges for 2023. Although the Company has very low employee turnover and has good results hiring new employees, management has proactively implemented and continues to review measures to retain current employees and attract new employees with current compensation and long-term incentives.

Governance

The Company announced several Board changes to date in 2022. Dr. Bryan Dobson stepped down and Charlean Gmunder was appointed as Non-Executive Director of the Board in April 2022. John Snow was not re-elected and Charlean Gmunder was not elected as Non-Executive Directors at the Company's Annual General Meeting in July 2022. Dr. James Barber stepped down as Chair and Non-Executive Director of the Board and Dr. Peter J. Nieuwenhuizen was appointed Interim Chair and Non-Executive Director in July 2022. The Company's CFO Laura Denner was appointed to the Board as an Executive Director in July. The Board is actively working to further expand the Board to meet the Company's needs in its next stage of development.

Dr. Barber and Dr. Dobson each served the Company as current or past Chairs and each provided valuable guidance and direction to the development and commercial progress of the Company for over a decade. Mr. Snow served as our Audit Chair since 2018 and assisted the Company through the financial challenges of the Covid pandemic. The Board greatly appreciates the years of service and many contributions that they all made to Itaconix.

Dr. Nieuwenhuizen is a recognized international leader in the business, technical, and environmental aspects of sustainability and has devoted much of his career to developing products and businesses for the Low-Carbon Economy. He also has a deep understanding of Itaconix, the value of its products, and the commercial potential for the technology platform.

Current Trading and Outlook

The Company is experiencing increased traction for its plant-based cleaning ingredients as existing customers expand into more retailers and important new customers bring new formulations to market. The Board expects to see at least one new European detergent product on the market this year, and possibly even more.

Continued growth is expected as current customers gain market share, new customers go into full production in Europe and North America, and additional customers emerge in 2023 from the current pipeline of new cleaning projects.

As the revenues and success of current products become more certain, the Company is setting its sights on bigger and broader ingredient opportunities from the technology platform.

With all these factors in mind, breakthroughs in new product areas, and steady advances in North America and Europe the Board expects continued progress with a target to increase revenues substantially and achieve Adjusted EBITDA breakeven in 2023.

The Company remains on course to deliver full year 2022 revenues ahead of current market expectations based on progress in commercial volumes and success in passing on increases in direct costs. Adjusted EBITDA loss for full year 2022 is expected to be an improvement on 2021, but below previous market expectations, reflecting continued investment in the growth of the business.

John R. Shaw
Chief Executive Officer

13 September 2022

Condensed consolidated income statement and statement of comprehensive income

For the six months ended 30 June 2022

		<i>Unaudited</i> 6 Months to 30 June 2022	<i>Unaudited</i> 6 Months to 30 June 2021
	<i>Notes</i>	<i>\$000</i>	<i>\$000</i>
Revenue	5	3,057	1,366
Cost of sales		<u>(2,296)</u>	<u>(842)</u>
Gross profit		761	524
Other income	4	-	183
Administrative expenses		<u>(1,701)</u>	<u>(1,399)</u>
Group operating loss		(940)	(692)
Exceptional (expense) / income on movement of contingent consideration	6	<u>(174)</u>	<u>514</u>
Loss before tax		(1,114)	(178)
Taxation expense		<u>(6)</u>	<u>(1)</u>
Loss for the period		(1,120)	(179)
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translated foreign operations		<u>97</u>	<u>(93)</u>
Total comprehensive loss for the period		<u><u>(1,023)</u></u>	<u><u>(272)</u></u>
Basic and diluted loss per share (£)	7	<u><u>(0.20p)</u></u>	<u><u>(0.04p)</u></u>

Condensed consolidated statement of financial position

As at 30 June 2022

		<i>Unaudited</i>	<i>Audited</i>
		<i>As at</i>	<i>As at</i>
		<i>30 June</i>	<i>31 December</i>
		<i>2022</i>	<i>2021</i>
	<i>Notes</i>	<i>\$000</i>	<i>\$000</i>
<i>Non-current assets</i>			
Property, plant and equipment		360	402
Right-of-use asset		444	545
		<u>804</u>	<u>947</u>
<i>Current assets</i>			
Inventories		1,052	1,369
Trade and other receivables		640	280
Cash and cash equivalents	3	921	683
		<u>2,613</u>	<u>2,332</u>
<i>Total assets</i>		<u><u>3,417</u></u>	<u><u>3,279</u></u>
<i>Financed by</i>			
<i>Equity shareholders' funds</i>			
Equity share capital	8	5,959	5,873
Equity share premium		47,942	47,641
Own shares reserve		(5)	(5)
Merger reserve		31,343	31,343
Share based payment reserve	9	276	10,386
Foreign translation reserve		(97)	(194)
Retained losses		(85,213)	(94,395)
<i>Total equity</i>		<u>205</u>	<u>649</u>
<i>Non-current liabilities</i>			
Contingent consideration	6	-	1,116
Long-term lease liability		193	348
		<u>193</u>	<u>1,464</u>
<i>Current liabilities</i>			
Trade and other payables		1,642	1,020
Contingent consideration	6	1,175	-
Short-term lease liability		202	146
		<u>3,019</u>	<u>1,166</u>
<i>Total liabilities</i>		<u>3,212</u>	<u>2,630</u>
<i>Total equity and liabilities</i>		<u><u>3,417</u></u>	<u><u>3,279</u></u>

Interim condensed consolidated statement of cash flows

For the six months ended 30 June 2022

	<i>Unaudited</i> 6 Months to 30 June 2022	<i>Unaudited</i> 6 Months to 30 June 2021
	<i>\$000</i>	<i>\$000</i>
<i>Cash flows from operating activities</i>		
Operating loss before tax	(1,114)	(178)
Adjustments for:		
Depreciation of property, plant and equipment	79	86
Depreciation of right-of-use asset	101	101
Share based payment charge	192	31
Revaluation of deferred consideration	59	(478)
Gain on foreign exchange	97	(93)
Taxation	(6)	(1)
Decrease in inventories	317	4
(Increase) / decrease in receivables	(361)	189
(Decrease) / increase in payables	622	(1,091)
<i>Net cash outflow from operating activities</i>	<u>(14)</u>	<u>(1,430)</u>
<i>Cash flows from investing activities</i>		
Purchase of property, plant and equipment	<u>(36)</u>	<u>(42)</u>
<i>Net cash outflow from investing activities</i>	<u>(36)</u>	<u>(42)</u>
<i>Cash flows from financing activities</i>		
Cash received from issuing share of stock, net	387	1,509
Lease payments	(72)	(88)
Interest expense on lease payments	(27)	(19)
<i>Net cash inflow from financing activities</i>	<u>288</u>	<u>1,402</u>
<i>Net inflow / (outflow) in cash and cash equivalents</i>	238	(70)
Cash and cash equivalents at beginning of the period	<u>683</u>	<u>1,448</u>
<i>Cash and cash equivalents at end of the period</i>	<u><u>921</u></u>	<u><u>1,378</u></u>

Notes of non-cash items

In April 2021, the Company issued 1,923,389 shares of stock to satisfy the 2020 contingent consideration payment of \$146k.

In April 2021, the Group received forgiveness from the US Small Business Administration in the amount of \$183k for the Covid-19 relief loan to support US employees.

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 2022 were approved for issue in accordance with a resolution of the Board on 13 September 2022. 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 in accordance with UK adopted International Accounting Standards (collectively "IFRS"). 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 2021 ('2021') Annual Report. The financial information for the half years ended 30 June 2022 and 30 June 2021 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. The comparative financial information for the year ended 31 December 2021 included within this report does not constitute the full statutory Annual Report for that period. The statutory Annual Report and Financial Statements for 2021 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 2021 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 has 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 2021 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 2022 and will be adopted in the 2022 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.

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 revenues, and current shareholder authority 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 2021 Annual Report.

3. Cash and cash equivalents

	<i>Unaudited</i>	<i>Audited</i>
	<i>As at</i>	<i>As at</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>\$000</i>	<i>\$000</i>
Cash at bank and in hand	921	683
	<u>921</u>	<u>683</u>

4. Reconciliation of Operating Loss to Adjusted EBITDA

The detail below shows the reconciliation of operating loss to earnings before change in value of contingent consideration, share based payment charge (non-cash), government loan forgiveness for Covid-19 relief, interest, taxes, depreciation and amortisation (Adjusted EBITDA).

	<i>Unaudited</i>	<i>Unaudited</i>
	<i>6 Months to</i>	<i>6 Months to</i>
	<i>30 June 2022</i>	<i>30 June 2021</i>
	<i>\$000</i>	<i>\$000</i>
<i>Loss for the period</i>	(1,120)	(179)
Revaluation of contingent consideration	174	(514)
Share based payment charge	192	31
Other Income - government loan forgiveness	-	(183)
Taxes	6	1
Depreciation and amortisation	180	187
<i>Adjusted EBITDA</i>	<u>(568)</u>	<u>(657)</u>

5. Segmental analysis

Revenue by business segments:

The Group has two business segments. Performance Ingredients develops, produces and sells proprietary specialty polymers that are used as functional ingredients to meet customers' needs in cleaning, beauty and hygiene products. Formulation Solutions provides technical services and ingredient supplies for formulated products developed for customers based on Performance Ingredients. These segments make up the continuing operations above.

Net assets of the Group are attributable solely to Europe and North America.

Six months ended 30 June 2022

	<i>Performance Ingredients</i>	<i>Formulation Solutions</i>	<i>Unaudited 6 months to 30 June 2022</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Revenue			
Sale of goods	2,452	605	3,057
Segment revenue	<u>2,452</u>	<u>605</u>	<u>3,057</u>
Results			
Depreciation and amortisation	180	-	180
Segment (loss) / gain	<u>(1,164)</u>	<u>44</u>	<u>(1,120)</u>
Operating assets	<u>3,354</u>	<u>63</u>	<u>3,417</u>
Operating liabilities	<u>3,014</u>	<u>198</u>	<u>3,212</u>
Other disclosure:			
Capital expenditure*	<u>36</u>	<u>nil</u>	<u>36</u>

Six months ended 30 June 2021

	<i>Performance Ingredients</i>	<i>Formulation Solutions</i>	<i>Unaudited 6 months to 30 June 2021</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Revenue			
Sale of goods	1,260	106	1,366
Segment revenue	<u>1,260</u>	<u>106</u>	<u>1,366</u>
Results			
Depreciation and amortisation	187	-	187
Segment (loss) / gain	<u>(212)</u>	<u>2</u>	<u>(210)</u>
Operating assets	<u>4,112</u>	<u>-</u>	<u>4,112</u>
Operating liabilities	<u>3,325</u>	<u>-</u>	<u>3,325</u>
Other disclosure:			
Capital expenditure*	<u>42</u>	<u>nil</u>	<u>42</u>

*Capital expenditure consists of additions of property, plant and equipment, and intangible assets.

Segmental information

	Revenues	
	<i>Unaudited</i> <i>Six Months to</i> <i>30 June 2022</i> <i>\$000</i>	<i>Unaudited</i> <i>Six Months to</i> <i>30 June 2021</i> <i>\$000</i>
Cleaning	2,691	899
Hygiene	183	326
Beauty	72	86
Other	111	55
	<u>3,057</u>	<u>1,366</u>

Geographical information

	Revenues		Net assets	
	<i>Unaudited</i> <i>Six Months to</i> <i>30 June 2022</i> <i>\$000</i>	<i>Unaudited</i> <i>Six Months to</i> <i>30 June 2021</i> <i>\$000</i>	<i>Unaudited</i> <i>Six Months to</i> <i>30 June 2022</i> <i>\$000</i>	<i>Audited</i> <i>Year to</i> <i>31 December 2021</i> <i>\$000</i>
Europe	192	64	(629)	(457)
North America	2,865	1,302	834	1,106
	<u>3,057</u>	<u>1,366</u>	<u>205</u>	<u>649</u>

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

6. Contingent consideration

	\$'000
As at 31 December 2021 (Audited)	1,116
Movement in fair value and discounting	174
Movement in foreign exchange	(115)
As at 30 June 2022 (Unaudited)	<u>1,175</u>

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 2022 (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 was intended to serve as an incentive programme for the two members of management (John Shaw and Yvon Durant) who were also Sellers and are entitled to 63% of the total contingent consideration. Accordingly, they were 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 2022, the deferred consideration for the period was valued using a discounted cash flow-based assessment of the expected sales of the relevant products extracted from a recent management prepared forecast, consistent with the approach in prior years. A discount rate of 10.9% was used in both periods. 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 a recent management prepared forecast and assumptions as above is \$1.2m (31 December 2021 - \$1.1m)

As a result of the changed revenue forecasts, earn out period, and discount rate from the original value assessments, the contingent consideration at 30 June 2022 was increased to \$1.2m. Sensitivity analysis was also performed, summarised as follows:

- If the sales in the period 2022 were reduced by \$1.0m, the fair value would be reduced by approximately \$0.5m
- If the sales in the period 2022 were increased by \$1.0m, the fair value would be increased by approximately \$0.5m
- A 1% increase in the discount rate would reduce the fair value by \$8k

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

7. Weighted-average number of ordinary shares

	<i>Unaudited</i>	<i>Unaudited</i>
	<i>6 Months to</i>	<i>6 Months to</i>
	<i>30 June 2022</i>	<i>30 June 2021</i>
	<i>No</i>	<i>No</i>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share ('000)	<u>446,018</u>	<u>434,050</u>

8. Share capital

On 22 April 2022, the Company issued 6,666,668 ordinary shares with a nominal value of 1p per share for 4.5p per share. The consideration was received in cash.

9. Share based payment reserve

	\$'000
As at 31 December 2021 (Audited)	10,386
Termination of UK LTIP and EMI scheme	(10,302)
Share based payment charge	<u>192</u>
As at 30 June 2022 (Unaudited)	<u>276</u>

On 28 June 2022, the Itaconix LTIP ("Long Term Incentive Plan") and EMI ("Employee Options") scheme expired such that no further options could be issued. At that date, \$10.3m of historically charged share based payments expenses (for options previously issued but not exercised) were held in the share based payment reserve in respect of the terminated scheme. They have been reclassified to retained losses in the period.

10. Events after the reporting period

There were no material post balance sheet events.

11. Cautionary statement

This document contains certain forward-looking statements relating to Itaconix plc. 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.