

**27 September 2018**

**Itaconix plc**  
**Unaudited interim results for the 6 month period to 30 June 2018**

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

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 2018.

**Highlights**

- Revenues for the six month period were 18% higher than the prior six months in the second half of 2017.
  - This growth was based mainly on our second generation Itaconix® CHT™ 122 detergent polymer gaining new accounts and usage in non-phosphate detergents.
  - Through our collaboration with Croda, demand for our ZINADOR™ odour removal polymer expanded into new regions worldwide and reached a major milestone with use in a leading North American consumer household cleaning brand.
  - Revenues for our personal care polymers progressed with both new customers and reorders from existing customers.
- As announced in May, AkzoNobel’s Chelates’ business notified the Company of its desire to enter into a supply and joint marketing arrangement for Itaconix’s bio-based polymers in non-phosphate detergents and cleaners.
- As announced in June, significant costs are being taken out of the business, with the aim for the Company to reach profitability sooner as its customer pipeline advances.
- The Company completed an equity raise in August 2018, with net proceeds of £3.2 million, to fund commercial development and meet working capital needs from revenue growth.

**Outlook**

The Company has new polymers gaining commercial usage and additional active customer projects that are expected to generate revenue growth through both direct engagement and with collaboration partners. With funding in place and a cost base aligned with the needs of our customer projects and collaboration partnering, the Company’s strategy for building the value of our bio-based itaconate chemistry platform is starting to be reflected in financial performance and commercial momentum is building. Our focus is on rapidly converting our pipeline of customer projects into revenue growth and expanding our revenue potential with collaborations in new product areas.

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The half-yearly report and this announcement will be available shortly on the Company’s website:

[www.itaconix.com](http://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

Itaconix's objective is to build a high gross margin, capital efficient, specialty chemicals group. Our focus is on generating sizeable revenues around demand for itaconic acid polymers that meet large unmet customer needs for end-product performance and cost. With further advantages of being bio-based chemicals produced from renewable resources, our proprietary itaconic acid polymers attract interest from customers across high-volume applications ranging from home and industrial detergents to personal care products and construction materials.

Our current products for non-phosphate detergents, malodour control, and hair styling have established customer usage with proven performance for large unmet needs. We have succeeded in turning interest in these breakthrough products into both a \$30 million revenue potential pipeline of active projects from direct customer efforts and a growing number of collaborations with industry-leading partners in specific application areas. With these efforts, we have established product revenues in Europe and North America and expanded product use into Asia and South America.

With current capacity for up to \$15 million of revenues and the ability to double capacity for a modest \$0.5 million investment, we are in a strong position to deliver this pipeline from our existing US operations.

Our near-term focus is to reach sustaining revenues through our current efforts in non-phosphate detergents, malodour control, and hair styling. We made significant progress and achieved important milestones toward this goal in the first six months of 2018:

- Itaconix® CHT™ 122 revenues grew based on the introduction of new brand and private-label non-phosphate automatic dishwasher detergents and growing awareness of the unique value and functionality of our polymer. The ban on phosphates in Europe and North America is leading to reformulation, with Itaconix's products delivering multi-functionality similar to phosphate based products.
- As previously announced, AkzoNobel completed a favourable assessment of Itaconix® CHT™ 122 and stated its intention to enter into a supply and joint marketing arrangement. We expect to have an agreement in place by December.
- While revenues in the first half of 2018 were higher than the second half of 2017, these revenues were lower than the first half of 2017 due to lower demand for our first-generation detergent polymers.
- Our worldwide supply and marketing collaboration with Croda continues to grow the market for our ZINADOR odour removal product. Numerous new ZINADOR-based products are emerging across the homecare market from major brands to specialty odour removers. With success developing in the homecare market, we expect new focus on industrial applications will generate additional revenue opportunities.
- Our RevCare™ product line for personal care applications is generating both new customers and reorders from existing customers.
- We completed exploratory research on extending and broadening the technologies in our itaconate chemistry platform.
- With this exploratory phase complete, we announced plans in June to close our UK-based office. This closure is progressing as planned, resulting in a realignment of the cost base, which is expected to allow us to reach profitability sooner.

As previously announced, we raised £3.2 million in net proceeds from a common share offering completed in August with support from existing shareholders and new US-based investors. In combination with our strong pipeline of active customer projects and the reduction in our cost base, this funding places us in a firm position to advance our revenues towards profitability.

The Company has new polymers gaining usage and additional active customer projects to generate revenue growth through direct engagement and with collaboration partners. With funding in place and a cost base aligned with the needs of our customer projects and collaboration partners, the Company's strategy for building the value of our bio-based itaconate chemistry platform is starting to be reflected in financial performance. Our focus is on rapidly converting our pipeline of customer projects into revenue growth and expanding our revenue potential with collaborations in new product areas.

John R. Shaw  
Chief Executive Officer  
Itaconix plc

## Condensed consolidated income statement and statement of comprehensive income

For the six months ended 30 June 2018

		<i>Unaudited</i> 6 Months to 30 June 2018	<i>Unaudited</i> 6 Months to 30 June 2017	<i>Audited</i> Year to 31 December 2017
	<i>Notes</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Continuing operations</b>				
<b>Revenue</b>	7	269	325	553
Cost of sales	5	<u>(215)</u>	<u>(179)</u>	<u>(332)</u>
<b>Gross profit</b>		54	146	221
Other operating income	5	71	2	112
Administrative expenses	5	<u>(2,714)</u>	<u>(2,669)</u>	<u>(5,507)</u>
<b>Group operating loss</b>	5	(2,589)	(2,521)	(5,174)
Finance income		1	-	1
Exceptional (expense) income on movement of contingent consideration	11	38	-	2,511
Exceptional expense on organisational restructuring	12	(545)	-	-
Exceptional expense on impairment of intangible assets		-	-	(8,992)
Share of profit / (loss) of associate	13	6	26	(214)
<b>Loss before tax from continuing operations</b>		(3,089)	(2,495)	(11,868)
Release of previously recognised deferred tax liability		-	-	1,229
Taxation credit	6	<u>128</u>	<u>276</u>	<u>465</u>
<b>Loss for the period from continuing operations</b>		(2,961)	(2,219)	(10,174)
<b>Loss after tax for the period from discontinued operations</b>	8	<u>-</u>	<u>-</u>	<u>33</u>
<b>Loss for the period</b>		(2,961)	(2,219)	(10,141)
<b>Other comprehensive income, net of income tax</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translated foreign operations		<u>65</u>	<u>(425)</u>	<u>(543)</u>
<b>Total comprehensive loss for the period</b>		<u>(2,896)</u>	<u>(2,644)</u>	<u>(10,684)</u>
<b>Basic and diluted loss per share</b>	14	<u>3.8p</u>	<u>2.8p</u>	<u>12.9p</u>
<b>Basic and diluted loss per share from continuing operations</b>	14	<u>3.8p</u>	<u>2.8p</u>	<u>12.9p</u>

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 2018

		<i>Unaudited</i> <i>As at</i> <i>30 June</i> <i>2018</i>	<i>Unaudited</i> <i>As at</i> <i>30 June</i> <i>2017</i>	<i>Audited</i> <i>As at</i> <i>31 December</i> <i>2017</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b><i>Non-current assets</i></b>				
Property, plant and equipment	9	847	1,129	980
Intangible assets	10	-	9,477	-
Investment in associate undertakings	13	47	237	-
		<u>894</u>	<u>10,843</u>	<u>980</u>
<b><i>Current assets</i></b>				
Inventories		317	253	271
Trade and other receivables		757	1,174	706
Cash and cash equivalents	4	1,486	5,379	3,606
		<u>2,560</u>	<u>6,806</u>	<u>4,583</u>
<b><i>Total assets</i></b>		<u><u>3,454</u></u>	<u><u>17,649</u></u>	<u><u>5,563</u></u>
<b><i>Financed by</i></b>				
<b><i>Equity shareholders' funds</i></b>				
Equity share capital		787	787	787
Equity share premium		28,603	28,603	28,603
Own shares reserve		(4)	(4)	(4)
Merger reserve		20,361	20,361	20,361
Share based payment reserve		6,533	6,329	6,404
Foreign translation reserve		961	1,014	896
Retained earnings		(56,038)	(45,155)	(53,077)
<b><i>Total equity</i></b>		<u>1,203</u>	<u>11,935</u>	<u>3,970</u>
<b><i>Non-current liabilities</i></b>				
Contingent consideration	11	640	3,317	607
Deferred tax liability		-	1,384	-
		<u>640</u>	<u>4,701</u>	<u>607</u>
<b><i>Current liabilities</i></b>				
Trade and other payables		1,066	1,013	986
Provision for organisational restructuring	12	545	-	-
		<u>1,611</u>	<u>1,013</u>	<u>986</u>
<b><i>Total liabilities</i></b>		<u>2,251</u>	<u>5,714</u>	<u>1,593</u>
<b><i>Total equity and liabilities</i></b>		<u><u>3,454</u></u>	<u><u>17,649</u></u>	<u><u>5,563</u></u>

## Condensed consolidated statement of changes in equity

For the six months ended 30 June 2018

### 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 2017 (Audited)	787	28,588	(5)	20,361	6,220	1,439	(42,936)	14,454
Loss for the period	–	–	–	–	–	–	(2,219)	(2,219)
Other comprehensive income	–	–	–	–	–	(425)	–	(425)
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
Loss for the period	–	–	–	–	–	–	(7,922)	(7,922)
Other comprehensive income	–	–	–	–	–	(118)	–	(118)
Share based payments	–	–	–	–	75	–	–	75
Audited at 31 December 2017	787	28,603	(4)	20,361	6,404	896	(53,077)	3,970
Loss for the period	–	–	–	–	–	–	(2,961)	(2,961)
Other comprehensive income	–	–	–	–	–	65	–	65
Share based payments	–	–	–	–	129	–	–	129
Unaudited at 30 June 2018	<b>787</b>	<b>28,603</b>	<b>(4)</b>	<b>20,361</b>	<b>6,533</b>	<b>961</b>	<b>(56,038)</b>	<b>1,203</b>

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 2018

	<i>Unaudited</i> 6 Months to 30 June 2018	<i>Unaudited</i> 6 Months to 30 June 2017	<i>Audited</i> Year to 31 December 2017
	£000	£000	£000
<b><i>Cash flows from operating activities</i></b>			
Operating loss	(2,589)	(2,521)	(5,174)
Adjustments for:			
Depreciation of property, plant and equipment	130	121	259
Amortisation and impairment	–	137	267
Share option charge	129	109	184
Loss / (gain) on foreign exchange	136	(170)	(83)
Taxation	(2)	(4)	500
Increase in inventories	(46)	(43)	(61)
Decrease / (increase) in receivables	59	(58)	18
Increase / (decrease) in payables	84	(490)	(569)
<b><i>Net cash (outflow) from operating activities</i></b>	<b>(2,099)</b>	<b>(2,919)</b>	<b>(4,659)</b>
<b><i>Cash flows from investing activities</i></b>			
Interest received	1	–	1
Investment in associate undertaking	(26)	(60)	(60)
Proceeds from sale of property, plant and equipment	4	–	–
Purchase of property, plant and equipment	–	(447)	(436)
<b><i>Net cash (outflow) from investing activities</i></b>	<b>(21)</b>	<b>(507)</b>	<b>(495)</b>
<b><i>Cash flows from financing activities</i></b>			
Cash received from issue of shares	–	16	16
Cash loaned to associate undertaking	–	–	(45)
<b><i>Net cash inflow/(outflow) from financing activities</i></b>	<b>–</b>	<b>16</b>	<b>(29)</b>
<b><i>Net (outflow) in cash and cash equivalents</i></b>	<b>(2,120)</b>	<b>(3,410)</b>	<b>(5,183)</b>
Cash and cash equivalents at beginning of the period	3,606	8,789	8,789
<b><i>Cash and cash equivalents at end of the period</i></b>	<b>1,486</b>	<b>5,379</b>	<b>3,606</b>

## 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 2018 were authorised for issue in accordance with a resolution of the Board on 27 September 2018. 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 2018 and 30 June 2017, and for the year ended 31 December 2017, 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 that their opinion is that the accounts contain a material uncertainty in respect of going concern, see Note 2 of the year end 31 December 2017 for additional information. The auditor did not draw attention to any other 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](http://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 2017, which are expected to be used in the preparation of the financial statements of the Group for the year ending 31 December 2018.

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 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 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018, 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 2018, new accounting standards were adopted. The group has applied the following standards and amendments for the first time for their interim reporting commencing 1 January 2018:

- IFRS 9: *Financial Instruments*
- IFRS 15: *Revenue from Contracts with Customers*
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

IFRS 15 has replaced IAS 18 Revenue as well as various Interpretations previously issued by the IFRS Interpretations Committee. It has impacted the Group's accounting policies in the following way, revenue from



the sale of goods is recognised when all the significant control of ownership of the goods have passed to the buyer and the seller no longer retains continuing managerial involvement.

Other than identified above, the application of the new standards and amendments to the Group statutory accounts had no material impact on its accounting policies and there are no retrospective adjustments following the adoption of IFRS 9 and IFRS 15.

#### ***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 £2,961k (30 June 2017: £2,219k) (year ended 31 December 2017: £10,141k), had Net Current Assets at the period end of £949k (30 June 2017: £5,793k) (year ended 31 December 2017: £3,597) and a Net Cash Outflow from Operating Activities of £2,099k (30 June 2017: £2,919k) (year ended 31 December 2017: £4,659). Primarily, the Group meets its day to day working capital requirements through existing cash resources and had cash on hand and cash equivalents at the balance sheet date of £1,486k (30 June 2017: £5,379k) (31 December 2017: £3,606).

Following the completion of the refinancing and the cash settlement of the majority of restructuring costs, cash balances at 31st August 2018 were £3.6m.

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 2022.

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. As noted above, the success of the business is dependent on customer adoption of our products in order to increase revenue and move to profitability. Delay in delivering this could result in the requirement to raise additional funds in 2020.

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.

### **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 2017 and is unchanged.

#### 4. Cash, cash equivalents and investments

	<i>Unaudited</i> <i>As at</i> <i>30 June</i> <i>2018</i>	<i>Unaudited</i> <i>As at</i> <i>30 June</i> <i>2017</i>	<i>Audited</i> <i>As at</i> <i>31 December</i> <i>2017</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	1,486	5,379	3,606
	<u>1,486</u>	<u>5,379</u>	<u>3,606</u>

#### 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.

	<i>Unaudited</i> <i>6 Months to</i> <i>30 June</i> <i>2018</i>	<i>Unaudited</i> <i>6 Months to</i> <i>30 June</i> <i>2017</i>	<i>Audited</i> <i>Year to 31</i> <i>December</i> <i>2017</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Revenue</b>	269	325	553
Cost of sales	<u>(215)</u>	<u>(179)</u>	<u>(332)</u>
<b>Gross profit</b>	54	146	221
Other operating income	71	2	112
Administrative expenses before non-cash gain on foreign exchange and share-based payments / (charges)	(2,449)	(2,730)	(5,406)
(Loss) /gain on foreign exchange	(136)	170	83
Share-based payments (charge)	<u>(129)</u>	<u>(109)</u>	<u>(184)</u>
<b>Operating loss</b>	<u>(2,589)</u>	<u>(2,521)</u>	<u>(5,174)</u>

#### 6. Taxation

During the six months ended 30 June 2018, the Group had a taxation credit of £128k, being a provision for the current period tax credit of £130k less a payment of US tax for £2k (30 June 2017: £276k) (year ended 31 December 2017: £465k).

#### 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 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.

	<i>Unaudited</i> <i>6 months to</i> <i>30 June 2018</i> <i>£000</i>	<i>Unaudited</i> <i>6 months to</i> <i>30 June 2017</i> <i>£000</i>	<i>Audited</i> <i>Year to 31</i> <i>December 2017</i> <i>£000</i>
<b>Revenue</b>			
Sale of goods	269	325	553
<b>Segment revenue</b>	<b>269</b>	<b>325</b>	<b>553</b>
<b>Results</b>			
Depreciation & amortisation	130	258	202
<b>Segment loss</b>	<b>(2,589)</b>	<b>(2,521)</b>	<b>(5,174)</b>
<b>Operating assets</b>	<b>3,407</b>	<b>17,412</b>	<b>5,563</b>
<b>Operating liabilities</b>	<b>2,251</b>	<b>5,714</b>	<b>1,593</b>
<b>Other disclosure:</b>			
Capital expenditure*	Nil	447	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

	<b>Revenue from external customers</b>			<b>Non-current assets</b>		
	<i>Unaudited</i> <i>Six Months to</i> <i>30 June</i> <i>2018</i>  <i>£000</i>	<i>Unaudited</i> <i>Six Months to</i> <i>30 June</i> <i>2017</i>  <i>£000</i>	<i>Audited</i> <i>Year to 31</i> <i>December</i> <i>2017</i>  <i>£000</i>	<i>Unaudited</i> <i>Six Months to</i> <i>30 June</i> <i>2018</i>  <i>£000</i>	<i>Unaudited</i> <i>Six Months to</i> <i>30 June</i> <i>2017</i>  <i>£000</i>	<i>Audited</i> <i>Year to 31</i> <i>December</i> <i>2017</i>  <i>£000</i>
Europe	76	149	249	167	467	178
North America	186	176	296	727	10,376	802
Asia	7	–	8	–	–	–
	<b>269</b>	<b>325</b>	<b>553</b>	<b>894</b>	<b>10,843</b>	<b>980</b>

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 2018 comparison columns below:

	<i>Unaudited</i> 6 Months to 30 June 2018	<i>Unaudited</i> 6 Months to 30 June 2017	<i>Audited</i> Year to 31 December 2017
	£000	£000	£000
<b>Revenue</b>	–	–	25
Cost of sales	–	–	8
<b>Gross profit</b>	–	–	33
Administrative expenses	–	–	–
Impairment loss recognised on the re-measurement to fair value less costs to sell	–	–	–
Profit / (Loss) before tax from discontinued operations	–	–	33
Tax benefit: Related to current pre-tax loss	–	–	–
Tax benefit: Related to re-measurement to fair value less costs to sell (deferred tax)	–	–	–
<b>Profit / (Loss) for the period from discontinued operations</b>	<b>–</b>	<b>–</b>	<b>33</b>
Administrative expenses are stated after charging:			
Depreciation	–	–	–

## 9. Property, plant and equipment

During the six months ended 30 June 2018, the Company acquired plant and equipment with a cost of nil, (30 June 2017: £447k) (year ended 31 December 2017: £436k).

## 10. Intangible assets

	<b>Goodwill</b>	<b>Customer Relationships</b>	<b>Intellectual Property</b>	<b>Total</b>
<b>Group</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>				
At 1 January 2017 (Audited)	6,653	29	3,609	10,291
Additions	–	–	–	–
Foreign exchange movements	(399)	–	(184)	(523)
Unaudited at 30 June 2017	<u>6,254</u>	<u>29</u>	<u>3,425</u>	<u>9,708</u>
Additions	–	–	–	–
Foreign exchange movements	(178)	–	(129)	(307)
Audited at 31 December 2017	<u>6,076</u>	<u>29</u>	<u>3,296</u>	<u>9,401</u>
Additions	–	–	–	–
Foreign exchange movements	–	–	–	–
Unaudited at 30 June 2018	<u><b>6,076</b></u>	<u><b>29</b></u>	<u><b>3,296</b></u>	<u><b>9,401</b></u>
<b>Amortisation and impairment</b>				
Unaudited at 30 June 2017	–	29	262	291
Amortisation for the period	–	–	133	133
Impairment charge	6,076	–	2,916	8,992
Foreign exchange movements	–	–	(15)	(15)
Audited at 31 December 2017	<u>6,076</u>	<u>29</u>	<u>3,296</u>	<u>9,401</u>
Amortisation for the period	–	–	–	–
Impairment charge	–	–	–	–
Foreign exchange movements	–	–	–	–
Unaudited at 30 June 2018	<u><b>6,076</b></u>	<u><b>29</b></u>	<u><b>3,296</b></u>	<u><b>9,401</b></u>
<b>Net book value</b>				
Unaudited at 30 June 2018	–	–	–	–
Audited at 31 December 2017	–	–	–	–
Unaudited at 30 June 2017	<u>6,314</u>	–	<u>3,163</u>	<u>9,477</u>

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 this analysis as at 31 December 2017, full impairment of both goodwill and intellectual property was indicated.

## 11. Contingent consideration

	£'000
As at 1 January 2017 (Audited)	3,414
Movement in fair value and discounting unwind	77
Movement in foreign exchange	(174)
As at 30 June 2017 (Unaudited)	3,317
Movement in fair value and discounting unwind	(2,414)
Movement in foreign exchange	(296)
As at 31 December 2017 (Audited)	607
Movement in fair value and discounting unwind	(38)
Movement in foreign exchange	71
As at 30 June 2018 (Unaudited)	640

As part of the purchase agreement with the previous owners of Itaconix Corporation, a contingent consideration was agreed with certain of the sellers (the "Sellers"). This would be payable to the Sellers, subject to the achievement of revenue targets for products based on the technology acquired for the calendar years 2017 to 2020, based on 50% of incremental annual net sales value above \$3m in 2017 and in excess of the prior year for 2018 to 2020 inclusive (and no less than \$3m). The deferred performance related consideration is capped at \$6m in aggregate. Such deferred performance consideration, if any, would be satisfied annually entirely in new ordinary shares of Itaconix plc at the then prevailing price.

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 2017 interim announcement and annual reports. Following enquiry, the directors believe a discount rate of 10.2% to still be appropriate.

As a result of the updated forecasts being lower than at previous value assessments, the contingent consideration at 30 June 2018 was revalued to £640k. Sensitivity analysis was also performed, summarised as follows:

- If the sales in 2020 were reduced by \$1m, the fair value would be reduced by \$360k or around £280k
- A 1% increase in the discount rate would reduce the fair value by \$26k or around £21k

After the balance sheet date, following shareholder approval and successful closure of the refinancing, a restructuring of the contingent consideration became effective. The agreed restructured contingent consideration is 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 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 clauses, including minimum funding requirements.

Based on the share price at the period end date, 15m shares has a value of £1.0m and the value of the adjusted contingent component using the same forecasts and assumptions as above is \$3.3m or around £2.5m, so an estimated total value of £3.5m. Therefore, the contingent consideration will be revalued in the subsequent period as prescribed under the new structure of the agreement.

## 12. 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 will be consolidated into its US operations, thereby improving the link between product support and manufacturing. It estimated the one-time full year cost of £953k to restructure the UK subsidiary will be needed to pay Director's and staff redundancy payments, lease termination, and facility clean-up costs in 2018 of which £545k has been recognised in the first half.

## 13. Investment in associate undertakings

The Group acquired a 15% equity interest in Alkalon A/S (Alkalon) on 31 October 2016 as an element of its divesting its nicotine gum business (see Note 8). 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 1 January 2017 (Audited)	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 (Unaudited)	237
Recognised impairment loss	(22)
Share of loss of equity-accounted investees, net of tax	(218)
Gain on foreign exchange	3
Fair value of Alkalon investment at 31 December 2017 (Audited)	-
Increase in investment at 30 April 2018	26
Reclassification from impairment on loan to the investment in associate	15
Share of profit of equity-accounted investees, net of tax	6
Fair value of Alkalon investment at 30 June 2018 (Unaudited)	47

On 30 April 2018, Alkalon raised additional funds to support its on going operations from its existing shareholder base. An equity injection of DKK750k was made to support its growth into the coming years. Itaconix participated in the equity injection increasing its holdings to 22%.

Management has reviewed the carrying value of the investment as at 30 June 2018 and, given the factors noted above, and believe the current carrying value of the investment is recoverable.

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%
Alkalon A/S (from 30 April 2018)	Trading Danish associate of Itaconix (U.K.) Ltd	Denmark	22%

#### 14. Loss per share

	<i>Unaudited</i> <i>6 Months to</i> <i>30 June</i> <i>2018</i>	<i>Unaudited</i> <i>6 Months to</i> <i>30 June</i> <i>2017</i>	<i>Audited</i> <i>Year to 31</i> <i>December</i> <i>2017</i>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share ('000)	<u>78,718</u>	<u>78,712</u>	<u>78,715</u>

#### 15. Share based payments

The charge for share based payments for the period to 30 June 2018 was £129k (30 June 2017: charge 109k) (31 December 2017: charge 184k). During the six months to 30 June 2018 nil options (30 June 2017: 4,512,460) (31 December 2017: 4,512,460) 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'.

	<i>Unaudited</i> <i>Six Months</i> <i>to 30 June</i> <i>2018</i>	<i>Unaudited</i> <i>Six Months</i> <i>to 30 June</i> <i>2017</i>	<i>Audited</i> <i>Year to 31</i> <i>December</i> <i>2017</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Wages and salaries	293	319	690
Directors' fees invoiced by third parties	8	8	15
Post-employment benefits	21	21	42
Equity settled share based payment expense	33	43	75
	<u>355</u>	<u>391</u>	<u>822</u>

##### **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.

	<i>Receipts from related parties</i>	<i>Payments to related parties</i>	<i>Amounts due to related parties</i>	<i>Amounts due from related parties</i>
	£000	£000	£000	£000
<i>6 months to 30 June 2018 (Unaudited)</i>				
IP2IPO Services Limited	–	8	4	–
Alkalon A/S	–	–	–	27
<i>6 months to 30 June 2017 (Unaudited)</i>				
IP2IPO Services Limited	–	8	4	–
Alkalon A/S	2	–	8	44
<i>Year to 31 December 2017 (Audited)</i>				
IP2IPO Services Limited	–	15	4	–
Alkalon A/S	33	–	–	–

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

During 2018 and after the period end date, the Company completed a financing with net proceeds of £3.2 million to support continued operations and revenue growth. The Group has continued to refine its organisational structure to align with its markets and customers. In particular, the UK activities of the business have been consolidated into its US base and manufacturing facility in New Hampshire, USA. This consolidation is expected to reduce Group operating expenses to around £2.2m per annum from 2019 and is driven by a further focus on growing sales of its core products and manufacture, as Itaconix moves out of the product development phase. With the axis of the Company switching to the USA certain Board changes have been made: John Shaw, previously President of Itaconix's US operations, was appointed the role of CEO; Kevin Matthews has stepped down from his current role of CEO and assumed the role of Executive Chairman for an interim period to assist John Shaw with completing the restructuring; Bryan Dobson has stepped down from the role of non-executive chairman but remains an independent non-executive director; Julian Heslop remains an independent non-executive director until a suitable successor is appointed at which point he will retire from the Board; and Robin Cridland has stepped down as CFO and retire from the Board at the end of August 2018 (with an interim CFO appointed until a new US-focused full time CFO is appointed in due course).

The decision to cease UK operations will give rise to one-time cash restructuring costs estimated at £1.0m which are expected to be incurred in the second half of 2018.

## **INDEPENDENT REVIEW REPORT TO ITACONIX PLC**

### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 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 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP

Leeds

27 September 2018