HeiQ PLC
Registered number 09040064

UNAUDITED CONDENSED INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2023

Differentiate. Innovate.

SWISS TECH INSIDE

Who we are

Headquartered in Switzerland, HeiQ is an IP creator and established global brand in materials and textile innovation, adding hygiene, comfort, protection and sustainability to the products we use every day. This is how we contribute to saving our planet and improving the lives of billions of people.

Our purpose

To improve lives by innovating the materials in the products people use every day.

Our vision

Heiqed materials that improve the lives of billions.

Our mission

To pioneer differentiating materials through co-creation.

SWISS TECH INSIDE

Contents

Statement of Directors' Responsibilities in respect of the Condensed Interim Report and Condensed Financial Statements

We confirm that to the best of our knowledge:

- The 2023 annual financial statements of HeiQ plc will be prepared in accordance with United Kingdom adopted International Accounting Standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R:
    i. an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements; and
    ii. a description of the principal risks and uncertainties for the remaining six months of the year.
- the interim management report includes a fair review of the information required by DTR 4.2.8R:
    i. related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group in that period; and
    ii. any changes in the related parties transactions described in the 2022 Annual Report that could have a material effect on the financial position or performance of the Group in the current period.

By order of the Board

Carlo Centonze
Executive Director
October 26, 2023

Cautionary statement

This report contains forward-looking statements. These have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. The Directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Chairwoman's Statement

Due to the delay in the publication of the audited annual accounts 2022, these interim financial statements 2023 are published at the same time as the annual accounts 2022.

While further details on trading and HeiQ's performance in H1 2023 can be found in the CEO Statement in the annual report 2022, I provide a short synopsis here for our investors.

Trading conditions for the markets of our commercialized product range continued to be challenging during H1 2023 and, as highlighted in detail in our Full Year results for the 12 months to December 31, 2022, we took focused steps to reduce our cost base and reorganize the business during the period under review.

We believe that the actions taken since the start of the year mean we will be better positioned to manage the challenging macro-economic environment, while continuing to build value in our core innovations to preserve our ability to deliver when the market demand turns.

Financial Review

Results	Six months to June 30, 2023 US$'000	Six months to June 30, 2022 US$'000 *(restated*)*	Year ended December 31, 2022 US$'000
Revenue	**20,500**	**27,558**	**47,202**
Cost of sales	(12,110)	(16,127)	(33,745)
Gross profit	**8,390**	**11,431**	**13,457**
Other income	946	2,748	4,832
Selling and general administrative expenses	(14,263)	(14,016)	(30,969)
Impairment loss on intangible assets	-	-	(11,651)
Impairment loss on property, plant & equipment	-	-	(730)
Other expenses	(1,075)	(1,735)	(4,184)
Operating loss	**(6,002)**	**(1,572)**	**(29,245)**
Depreciation of property, plant and equipment	710	644	1,282
Amortization of intangible assets	1,069	666	1,435
Depreciation of right-of-use assets	479	497	938
Impairment losses and write-offs	-	-	13,278
Share options and rights granted to Directors and employees	132	486	138
Adjusted EBITDA	**(3,612)**	**721**	**(12,174)**
EBITDA Margin (adjusted)	**(17.6%)**	**2.6%**	**(25.8%)**

**The results have been restated in the comparative period as described in Note 2 to the consolidated financial statements.*

Revenues

Total revenues in H1 2023 decreased by 26% to US$20.5 million (H1 2022: US$ 27.6 million) driven by weak demand across the markets in which we operate.

Gross margin

Gross margin slightly decreased from 41.5% in H1 2022 to 40.9% in H1 2023, driven primarily by overcapacity in the markets which resulted in price pressure.

Selling & general administration costs "SG&A"

SG&A costs grew by 1.7% to US$14.3 million in H1 2023 compared to the previous year (H1 2022: US$14.0 million). The Company implemented various cost reduction measures during the period and expects to see the full benefit of the measures materialize in H2 2023. Cost saving measures have included a reduction of FTE's as well as re-location of functions/FTE's to locations with lower employer costs per FTE.

Liquidity as of 30 June 2023 & Going Concern Assessment

As of June 30, 2023, the Company reports a cash balance of US$7.3 million (December 31, 2022: US$8.5 million). To manage its cash balance, the Group has access to credit facilities totaling CHF9.0 million (approximately US$9.8 million as of September 30, 2023). The credit facilities are in place with two different banks and both contracts have materially the same conditions. The facilities are not limited in time, can be terminated by either party at any time and allow overdrafts and fixed cash advances with a duration of up to twelve months.

As of September 30, 2023, the Group has drawn CHF6.3 million of the facilities (CHF2.4 million as of December 31, 2022) (see Note 2 for details including maturity dates). The facilities are not committed, but the Board has not received any indication from financing partners that facilities are at risk of being terminated. Furthermore, the Board is in discussions with financial institutions to replace the currently uncommitted credit facilities by committed, long-term facilities, but the outcome of these discussions remains uncertain.

The Group's directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and operate within its credit facilities for the period 12 months from date of signature. Nevertheless, the Board acknowledges the uncommitted status of the facilities which could be terminated requiring the refinancing of debts, and which casts material uncertainty on the going concern assessment until appropriate longer-term funding is in place. Further disclosures on the going concern assessment are made in the notes to the financial statements.

Principal risks and uncertainties

The Group has an established, structured approach to identifying and assessing the impact of financial and operational risks on its business. The principal risks and uncertainties for the remainder of the financial year are not expected to change materially from those included on pages 38 to 42 of the Annual Report and Accounts 2022. The risks identified relate to the following areas: Delivery on growth strategy; Increase in competition; Geographical risks; IP protection and first mover advantage; Regulatory risks; Reputational risks and failure to build brand equity; Innovation pipeline; Supply chain disruptions; Personnel/Workforce; Interruption of IT system operations; Liquidity risk; currency risks; Product liability. Further information in relation to the Group's financial position and going concern is included on page 10.

Outlook

With our costs reduced and operations adapted in light of the challenging headwinds our entire industry is facing, we expect H2 2023 trading to stabilize. We are closely monitoring the market and are ready to take further cost reducing action, should we need to. We continue to add value to our high potential key innovation initiatives through focused investment, to position ourselves for when the macro—economic difficulties abate.

I would like to end my statement by thanking our investors, team, advisors and customers for their support during what has been a very challenging period for the company.

Esther Dale-Kolb
Chairwoman
October 26, 2023

Condensed consolidated statement of profit and loss and other comprehensive income

For the six months ended June 30, 2023

	Note	Six months to **June 30, 2023 US$'000**	Six months to **June 30, 2022 US$'000** *(restated*)*	Year ended **December 31, 2022 US$'000**
Revenue	5	**20,500**	**27,558**	**47,202**
Cost of sales	7	(12,110)	(16,127)	(33,745)
Gross profit		**8,390**	**11,431**	**13,457**
Other income	8	946	2,748	4,832
Selling and general administrative expenses	9	(14,263)	(14,016)	(30,969)
Impairment loss on intangible assets	16	-	-	(11,651)
Impairment loss on property, plant & equipment	17	-	-	(730)
Other expenses	11	(1,075)	(1,735)	(4,184)
Operating loss		**(6,002)**	**(1,572)**	**(29,245)**
Finance income	12	5	442	683
Finance costs	13	(384)	(524)	(1,273)
Loss before taxation		**(6,381)**	**(1,654)**	**(29,835)**
Income tax	14	(146)	(254)	21
Loss after taxation		**(6,527)**	**(1,908)**	**(29,814)**
Other comprehensive income:				
Exchange differences on translation of foreign operations		429	(1,090)	(1,914)
Items that may be reclassified to profit or loss in subsequent periods		**429**	**(1,090)**	**(1,914)**
Actuarial gains/(losses) from defined benefit pension plans		-	-	1,380
Income tax relating to items that will not be reclassified subsequently to profit or loss		-	-	(276)
Items that will not be reclassified to profit or loss in subsequent periods		**-**	**-**	**1,104**
Other comprehensive income (loss) for the year		**429**	**(1,090)**	**(810)**
Total comprehensive loss for the year		**(6,098)**	**(2,998)**	**(30,624)**
Loss attributable to:				
Equity holders of HeiQ		(6,436)	(1,705)	(29,251)
Non-controlling interests		(91)	(203)	(563)
		(6,527)	**(1,908)**	**(29,814)**
Total Comprehensive loss attributable to:				
Equity holders of the Company		(6,007)	(2,795)	(30,061)
Non-controlling interests		(91)	(203)	(563)
		(6,098)	**(2,998)**	**(30,624)**
Loss per share:				
Basic (cents) **		(4.58)	(1.29)	(21.92)

**The consolidated statement of profit and loss and other comprehensive income has been restated in the comparative period as described in Note 2.*

***The effect of share options is anti-dilutive and therefore not disclosed.*

Condensed consolidated statement of financial position

As at June 30, 2023

	Note	As at June 30, 2023 US$'000	As at June 30, 2022 US$'000 *(restated*)*	As at December 31, 2022 US$'000
ASSETS				
Intangible assets	16	21,672	32,766	20,442
Property, plant and equipment	17	8,944	6,823	9,802
Right-of-use assets	18	8,355	8,163	7,819
Deferred tax assets	28	579	1,510	538
Other non-current assets	19	182	153	137
Non-current assets		**39,732**	**49,415**	**38,738**
Inventories	20	14,406	16,184	13,168
Trade receivables	21	8,256	18,118	6,487
Other receivables and prepayments	22	4,231	2,022	4,262
Cash and cash equivalents		7,274	9,488	8,488
Current assets		**34,167**	**45,812**	**32,405**
Total assets		**73,899**	**95,227**	**71,143**
EQUITY AND LIABILITIES				
Issued share capital and share premium	24	206,246	200,606	205,874
Other reserves	26	(127,456)	(127,862)	(128,017)
Retained deficit		(45,902)	(10,775)	(39,466)
Equity attributable to HeiQ shareholders		**32,888**	**61,969**	**38,391**
Non-controlling interests		1,857	2,087	1,948
Total equity		**34,745**	**64,056**	**40,339**
Lease liabilities		7,089	7,148	6,558
Long-term borrowings	27	1,866	1,561	1,445
Deferred tax liability	28	1,337	2,144	1,253
Other non-current liabilities	29	5,772	7,593	4,714
Total non-current liabilities		**16,064**	**18,446**	**13,970**
Trade and other payables	30	8,653	6,959	5,322
Accrued liabilities	31	3,692	2,178	4,978
Income tax liability	14	243	111	314
Deferred revenue	32	1,365	672	1,285
Short-term borrowings	27	7,471	1,583	2,893
Lease liabilities		1,121	1,130	1,264
Other current liabilities	34	545	92	778
Total current liabilities		**23,090**	**12,725**	**16,834**
Total liabilities		**39,154**	**31,171**	**30,804**
Total equity and liabilities		**73,899**	**95,227**	**71,143**

**The comparative period of the consolidated statement financial position has been added this year because it was restated as described in Note 2.*

The Notes on pages 10 to 30 form an integral part of these Condensed Consolidated Financial Statements. The Financial Statements were approved and authorized for issue by the Board of Directors on October 26, 2023 and signed on its behalf by:

Xaver Hangartner
Chief Financial Officer

Condensed consolidated statement of changes in equity

For the six months ended June 30, 2023

	Note	Issued share capital and share premium US$'000	Other reserves US$'000	Retained deficit US$'000	Equity attributable to HeiQ shareholders US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at January 1, 2022		**195,714**	**(127,195)**	**(11,525)**	**56,994**	**2,541**	**59,535**
Loss after taxation		-	-	(29,251)	(29,251)	(563)	(29,814)
Other comprehensive (loss)/income		-	(810)	-	(810)	-	(810)
Total comprehensive (loss)/income for the year		**-**	**(810)**	**(29,251)**	**(30,061)**	**(563)**	**(30,624)**
Issuance of shares	24	10,160	-	-	10,160	-	10,160
Share-based payment charges	26	-	(12)	-	(12)	-	(12)
Dividends paid to minority shareholders	26	-	-	-	-	(243)	(243)
Capital contributions from minority shareholders		-	-	-	-	764	764
Adjustments arising from change in non-controlling interests		-	-	(2,445)	(2,445)	(616)	(3,061)
Transfer on disposal of non-controlling interest		-	-	3,755	3,755	65	3,820
Transactions with owners		10,160	(12)	1,310	11,458	(30)	11,428
Balance at December 31, 2022		**205,874**	**(128,017)**	**(39,466)**	**38,391**	**1,948**	**40,339**
Loss after taxation		-	-	(6,436)	(6,436)	(91)	(6,527)
Other comprehensive (loss)/income		-	429	-	429	-	429
Total comprehensive (loss)/income for the year		**-**	**429**	**(6,436)**	**(6,007)**	**(91)**	**(6,098)**
Issuance of shares	24	372	-	-	372	-	372
Share-based payment charges	26	-	132	-	132	-	132
Transactions with owners		372	132	-	504	-	504
Balance at June 30, 2023		**206,246**	**(127,456)**	**(45,902)**	**32,888**	**1,857**	**34,745**

Condensed consolidated statement of cash flows

For the six months ended June 30, 2023

	Note	Six months to June 30, 2023 US$'000	Six months to June 30, 2022 US$'000 *(Restated*)*	Year ended December 31, 2022 US$'000
Cash flows from operating activities				
Loss before taxation		(6,381)	(1,654)	(29,835)
Cash flow from operations reconciliation:				
Depreciation and amortization	16-18	2,258	1,807	3,655
Impairment expense	11	-	-	12,380
Net loss on disposal of assets		17	3	(5)
Write-off of intangible assets	11	14	-	897
Fair value gain on derivative liability	8	(248)	-	(371)
Finance costs		217	124	273
Finance income		(5)	(1)	(2)
Pension expense		43	117	247
Non-cash equity compensation	25	132	486	138
Gain from lease modification		(9)	(68)	(68)
Other costs paid in shares	24	-	-	235
Currency translation		(594)	(684)	(61)
Working capital adjustments:				
(Increase)/decrease in inventories	37	(1,238)	(2,414)	602
Decrease/(Increase) in trade and other receivables	37	(1,617)	(1,608)	7,783
(Decrease)/Increase in trade and other payables	37	3,118	2,448	2,543
Cash used in operations		**(4,293)**	**(1,444)**	**(1,589)**
Taxes paid	14	(506)	(529)	(870)
Net cash used in operating activities		**(4,799)**	**(1,973)**	**(2,459)**
Cash flows from investing activities				
Consideration for acquisition of businesses	37	-	(1,587)	(1,587)
Cash assumed in asset acquisition	37	2	-	65
Purchase of property, plant and equipment	17	(584)	(1,060)	(3,418)
Proceeds from the disposal of property, plant and equipment		815	37	53
Development and acquisition of intangible assets	16	(665)	(1,946)	(3,865)
Interest received		5	1	2
Net cash used in investing activities		**(427)**	**(4,555)**	**(8,750)**
Cash flows from financing activities				
Interest paid on borrowings		(122)	(42)	(110)
Repayment of leases		(614)	(452)	(992)
Interest paid on leases		(95)	(82)	(163)
Proceeds from disposals of minority interests		-	2,459	4,792
Proceeds from borrowings	27	4,998	823	3,465
Repayment of borrowings	27	(265)	(197)	(904)
Dividends paid to minority shareholders	26	-	(243)	(243)
Net cash from financing activities		**3,902**	**2,266**	**5,845**
Net decrease in cash and cash equivalents		**(1,324)**	**(4,262)**	**(5,364)**
Cash and cash equivalents – beginning of the year		8,488	14,560	14,560
Effects of exchange rate changes on the balance of cash held in foreign currencies		110	(810)	(708)
Cash and cash equivalents – end of the year		**7,274**	**9,488**	**8,488**

** The consolidated statement of cash flows has been restated for the comparative period as described in Note 2.*

Notes to the Condensed Consolidated Financial Statements for the six months ended June 30, 2023

1. General information

HeiQ Plc (the Company) is a company limited by shares incorporated and registered in the United Kingdom. Its ultimate controlling party is HeiQ Plc. The address of the Company's registered office is 5th Floor, 15 Whitehall, London, SW1A 2DD.

These financial statements are presented in United States Dollars (US$) which is the presentation currency of the Group, and all values are rounded to the nearest thousand dollars except where otherwise indicated.

2. Basis of preparation and measurement

Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). Other than as noted below, the accounting policies applied by the Group in the preparation of these interim financial statements are the same as those set out in the Company's audited financial statements for the year ended December 31, 2022. These financial statements have been prepared under the historical cost convention except for certain financial and equity instruments that have been measured at fair value.

These condensed financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the audited financial statements for the year ended December 31, 2022.

Statutory accounts for the year ended December 31, 2022 have been filed with the Registrar of Companies in October 2023 and the auditor's report was unqualified, did not contain any statement under Section 498(2) or 498(3) of the Companies Act 2006, and contained a matter (material uncertainty in regards to the going concern assumption) to which the auditors drew attention without qualifying their report.

The condensed interim financial statements are unaudited and have not been reviewed by the auditors and were approved by the Board of Directors on October 26, 2023.

Going concern

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realization of the assets and the settlement of liabilities in the normal course of business.

To manage its cash balance, the Group has access to credit facilities totaling CHF9.0 million (approximately US$9.8 million as of September 30, 2023). The credit facilities are in place with two different banks but with materially the same conditions. The facilities are not limited in time, can be terminated by either party at any time and allow overdrafts and fixed cash advances with a duration of up to twelve months. In case one or the other party terminates the agreement, fixed cash advances become due upon their defined maturity date. The facilities do not contain financial covenants, but they do require the delivery of certain financial and operational information within a defined timeframe after the balance sheet date. As the publication of audited accounts for the year 2022 was delayed, the Company was not able to submit these accounts within the contractually defined timeframe but has received extensions to do so from both banks until October 31, 2023.

As of September 30, 2023, the Group has drawn CHF6.3 million of the facilities (CHF2.4 million as December 31, 2022) as follows:

Term / Maturity date	**CHF**
November 27, 2023	4.5 million
June 17, 2024	0.8 million
September 30, 2024	1.0 million

The Group's forecasts and projections for the next 12 months reflect the very challenging trading environment and show that the Group should be able to operate within the level of its current facility for at least 12 months from the date of signature of these financial statements if the facility drawdowns remain available. While the facilities are not committed, the Board has not received any indication from financing partners that the facilities are at risk of being terminated. Furthermore, the Board is in discussions with financial institutions to replace the currently uncommitted credit facilities by committed, long-term facilities, but the outcome of these discussions remains uncertain.

Nevertheless, the Board acknowledges the uncommitted status of the facilities which could be terminated without notice during the forecast period requiring the refinancing of debts as per above maturity date indicates that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern, and therefore the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

After considering the forecasts, sensitivities, and mitigating actions available to management and having regard to the risks and uncertainties to which the Group is exposed (including the material uncertainty referred to above), the Group's directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and operate within its credit facilities for the period 12 months from date of signature. Accordingly, the financial statements continue to be prepared on a going concern basis.

Basis of consolidation

The Condensed Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries. Business combinations are accounted for under the acquisition method.

Restatement of prior period errors

As explained in Note 2 of the 2022 statutory accounts, several errors were corrected which affected the years ended December 31 2022 and December 31 2021. These corrections led to the following restatements of the June 30, 2022 accounts:

Overstatement of lease assets and liabilities: Similarly to the correction as per December 31, 2021, mainly balance sheet accounts were affected by the restatement. Right-of-use assets and lease liabilities were derecognized, and some payables were reclassified to loans.

PPA Chrisal: Accounting for 51% of intangible assets acquired instead of 100%: The correction of the error led to an increase in intangible assets as disclosed in the restated 2021 accounts, however, with the higher base amount amortization for the six months ended June 30, 2022 is also higher for the period which is reflected in an overall smaller adjustment to the balance sheet.

Correcting revenue recognition of take-or-pay contracts: The correction of the revenue recognition in years prior to 2022, led to smaller balances of trade receivable and accrued liabilities being carried forward to the June 2022 accounts.

Goodwill impairment Chrisal CGU and RAS CGU: The intangible asset balance brought forward to June 2022 has been reduced by the goodwill impairment posted in the 2021 accounts.

Correcting revenue recognition of R&D services: Revenues amounting to $2 million for R&D services were incorrectly recognized in the 2022 interim statements. During the audit of 2022 financial statements, it was found that the Group's performance obligations relating to a research and development project had not been fulfilled and that revenue recognition in relation to milestones was not appropriate. A further US$3.3 million of deferred revenue has been reclassified to long-term as a consequence of this change in accounting policy.

The effect of the restatements on the six months ended June 30, 2022 is shown in the following tables:

US$'000	As presented	Restatement Revenue recognition	Restatement Goodwill impairment	Restatement Leasing	Restatement PPA Chrisal	Restatement R&D revenues	As Restated
Assets							
Intangible assets	33,448	-	(2,310)	-	1,628	-	32,766
Right-of-use assets	9,114	-	-	(951)	-	-	8,163
Deferred tax assets	874	-	-	-	-	-	1,510
Trade receivables	21,512	(3,394)	-	-	-	-	18,118
Other receivables and prepayments	5,143	(3,121)	-	-	-	-	2,022
Total Assets	**102,739**	**(5,879)**	**(2,310)**	**(951)**	**1,628**	**-**	**95,227**
Capital and reserves							
Retained deficit	(2,249)	(3,957)	(2,310)	3	(262)	(2,000)	10,775
Non-controlling interests	601	-	-	3	1,483	-	2,087
Total Equity	**71,096**	**(3,957)**	**(2,310)**	**6**	**1,221**	**(2,000)**	**64,056**
Liabilities							
Leases (non-current)	7,977	-	-	(829)	-	-	7,148
Long-term borrowings	668	-	-	893	-	-	1,561
Deferred tax liability	1,737	-	-	-	407	-	2,144
Other non-current liabilities	2,293	-	-	-	-	5,300	7,593
Trade and other payables	7,928	-	-	(969)	-	-	6,959
Accrued liabilities	4,100	(1,922)	-	-	-	-	2,178
Deferred revenue	3,972	-	-	-	-	(3,300)	672
Short-term borrowings	1,503	-	-	80	-	-	1,583
Leases (current)	1,262	-	-	(132)	-	-	1,130
Total Liabilities	**31,643**	**(1,922)**	**-**	**(957)**	**407**	**-**	**31,171**

Consolidated statement of comprehensive income June 30, 2022

US$'000	As presented	Restatement Revenue recognition	Restatement Goodwill impairment	Restatement Leasing	Restatement PPA Chrisal	Restatement R&D revenues	As Restated
Net result for the period							
Revenue	30,280	(722)	-	-	-	(2,000)	(27,558)
Selling and general administration expense	(13,878)	-	-	(7)	(131)	-	(14,016)
Finance costs	(537)	-	-	13	-	-	(524)
Income tax	(287)	-	-	-	33	-	(254)
Income (loss) after taxation	906	(722)	-	6	(98)	(2,000)	(1,654))
Income (loss) after taxation attributable to HeiQ Stockholders	1,112	(722)	-	3	(98)	(2,000)	(1,705)
Income after taxation attributable to non-controlling interest	(206)	-	-	3	-	-	(203)
Income (loss) after taxation	906	(722)	-	6	(98)	(2,000)	(1,908)

Earnings per share June 30, 2022

US$'000	As presented	Restatement Revenue recognition	Restatement Goodwill impairment	Restatement Leasing	Restatement PPA Chrisal	Restatement R&D revenues	As Restated
Basic earnings (loss) per share	0.84	(0.55)	-	-	(0.07)	(1.51)	(1.29)

New standards, interpretations and amendments not yet effective for the current period

The following new standards and amendments were effective for the first time in these financial statements but did not have a material effect on the Group:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

3. Significant accounting policies

The Company has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2022 financial statements.

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 impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Use of estimates and judgements

There have been no material revisions to the nature and amounts of estimates of amounts reported in prior periods.

4. Significant events and transactions

Acquisition of Tarn Pure

On January 12, 2023, HeiQ Plc, completed the acquisition of the entire issued share capital of Tarn-Pure Holdings Ltd ("Tarn-Pure"). Tarn-Pure is a UK-based intellectual property company holding critical EU and UK regulatory registrations to sell elemental copper and elemental silver for use in disinfecting hygiene applications. To acquire Tarn-Pure, HeiQ paid the vendors £530,000 (approximately US$621,000) in cash with an additional £317,000 (approximately US$372,000) satisfied through the issuance of 455,435 new ordinary shares of 30p each in the Company (the "Consideration Shares"), issued at a price of 69.6p per share resulting in a total consideration of £847,000 (approximately US$993,000). The purchase price allocation has not been finalized yet and is subject to possible changes in valuation of the assets acquired. it will be completed in the 2023 annual report.

The following table provides an overview of the preliminary purchase price allocation. It summarizes the consideration paid, the fair value of assets acquired, liabilities assumed, and goodwill arising on acquisition at the acquisition date.

Preliminary purchase price allocation	US$'000
Consideration:	
Cash paid to shareholders	621
Shares issued to shareholders	372
Total Consideration	**993**
Fair value of net assets acquired:	
Inventory	13
Cash	2
Trade and other receivables	23
Borrowings	(42)
Intangible assets identified on acquisition:	
Customer Relationship	123
Regulatory asset	682
Deferred tax liability on intangible assets	(201)
Total net assets	**599**
Goodwill	394
Total	**993**

5. Revenue

The Group's focus on materials innovation which includes scientific research, manufacturing and consumer ingredient branding. The primary source of revenue is the production and sale of functional ingredients, materials and finished goods. Other sources of revenue include research and development, take-or-pay and exclusivity services.

The following table reconciles HeiQ Group's revenue for the periods presented:

Revenue by type of product	Six months to June 30, 2023 US$'000	Six months to June 30, 2022 US$'000	Year ended December 31, 2022 US$'000
Revenue recognized at point in time			
Functional ingredients	15,747	21,156	36,175
Functional materials	546	434	2,000
Functional consumer goods	2,702	5,042	6,827
Services	980	160	160
Revenue recognized over time			
Services	525	766	2,040
Total revenue	**20,500**	**27,558**	**47,202**

Unsatisfied performance obligations

The transaction prices allocated to unsatisfied and partially unsatisfied obligations at June 30, 2023 are as set out below:

Unsatisfied performance obligations	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Exclusivity services	1,800	2,100
Research and development services	3,500	3,750
Total unsatisfied performance obligations	**5,300**	**5,850**

Management expects that 10 per cent of the transaction price allocated to the unsatisfied contracts as of June 2023 will be recognized as revenue during the 2023 reporting period (US$0.5 million). The remaining 90 per cent, US$4.8 million will be recognized in the 2024 (US$1.1 million), 2025 (US$3.1 million) and 2026 financial year (US$0.6 million).

Disclosure related to contracts with customers

Contract assets and contract liabilities are disclosed under Note 23 and Note 33, respectively. Impairment losses recognized on any receivables or contract assets arising from the Group's contracts with customers are disclosed under Note 21 and Note 23, respectively.

6. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

For management purposes, the Group is organised into business units and the following reportable segments:

Segment	**Activity**
Textiles & Flooring	Provide innovative ingredients to make textiles & flooring more functional, durable and sustainable.
Life Sciences	Offer biotech solutions to replace harmful substances in domestic, commercial and industrial usage, for a more balanced microbiome and environment
Antimicrobials	Functionalize different hard surfaces in everyday products and our surroundings
Other activities	All other activities of the Group including Innovation Services, Business Development, and other non-allocated functions.

In 2023 new overhead allocation rules were introduced and as a result more overhead costs were allocated to segments. 2022 segment revenue and profits are restated below using the new rules to allow for like for like comparison.

Segment revenues and profits

The following is an analysis of the Group's revenue and results by reportable segment:

Six months to June 30, 2023	**Textiles & Flooring US$'000**	**Life Sciences US$'000**	**Antimicrobials US$'000**	**Other activities US$'000**	**Total US$'000**
Revenue	15,531	2,479	1,164	1,326	**20,500**
Operating profit (loss)	1,117	(693)	(1,710)	(4,716)	**(6,002)**
Finance result					(379)
Loss before taxation					**(6,381)**
Taxation					(146)
Loss after taxation					**(6,527)**
Depreciation and amortization					
Property, plant and equipment	298	171	15	227	710
Right-of use assets	90	74	22	292	479
Intangible assets	144	277	401	247	1,069
Impairment loss					
Property, plant and equipment	-	-	-	-	-
Intangible assets	-	-	-	-	-

Six months to June 30, 2022	Textiles & Flooring US$'000	Life Sciences US$'000	Antimicrobials US$'000	Other activities US$'000	Total US$'000
Revenue	19,538	3,891	3,028	1,102	**27,558**
Operating profit (loss)	2,682	(537)	(468)	(3,249)	**(1,572)**
Finance result					(82)
Loss before taxation					**(1,654)**
Taxation					(254)
Loss after taxation					**(1,908)**
Depreciation and amortization					
Property, plant and equipment	208	173	17	246	644
Right-of use assets	75	72	24	325	497
Intangible assets	36	274	349	7	666
Impairment loss					
Property, plant and equipment	-	-	-	-	-
Intangible assets	-	-	-	-	-

Year ended December 31, 2022	Textiles & Flooring US$'000 (restated)	Life Sciences US$'000 (restated)	Antimicrobials US$'000 (restated)	Other activities US$'000 (restated)	Total US$'000
Revenue	34,184	6,164	4,182	2,672	**47,202**
Operating profits loss	(4,231)	(5,537)	(10,116)	(9,359)	**(29,245)**
Finance result					(590)
Loss before taxation					**(29,835)**
Taxation					21
Loss after taxation					**(29,814)**
Depreciation and amortization					
Property, plant and equipment	334	335	28	585	1,282
Right-of use assets	123	145	42	628	938
Intangible assets	(107)	550	699	293	1,435
Impairment loss					
Property, plant and equipment	-	730	-	-	730
Intangible assets	-	2,402	8,247	1,002	11,651

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in the six months ended June 30, 2023 (2022: nil).

Geographic information

Revenue by region	Six months to June 30, 2023 US$'000	Six months to June 30, 2022 US$'000	Year ended December 31, 2022 US$'000
North & South America	9,694	11,098	20,425
Asia	4,798	8,955	13,376
Europe	5,848	7,327	13,109
Others	160	178	293
Total revenue	**20,500**	**27,558**	**47,202**

Non-current assets by region	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Europe	28,956	22,290
Asia	2,701	8,102
North & South America	7,557	7,734
Others	518	612
Total non-current assets	**39,732**	**38,738**

Information about major customers

During the six months ended June 30, 2023, no customers individually totaled more than 10% of total revenues (2022: none).

7. Cost of sales

Cost of sales	Six months to June 30, 2023 US$'000	Six months to June 30, 2022 US$'000	Year ended December 31, 2022 US$'000
Material expenses	10,351	12,114	20,942
Personnel expenses	1,563	1,477	2,830
Depreciation of property, plant and equipment	352	342	652
Other costs of sales	(156)	2,194	9,321
Total cost of sales	**12,110**	**16,127**	**33,745**

Other costs of goods sold include freight and custom costs, warehousing and allowances on inventory.

8. Other income

Other income	Six months to June 30, 2023 US$'000	Six months to June 30, 2022 US$'000	Year ended December 31, 2022 US$'000
Gain on disposal of property plant and equipment	12	9	21
Foreign exchange gains	517	2,334	3,539
Fair value gain on derivative liabilities	248	-	371
Other income	169	405	901
Total other income	**946**	**2,748**	**4,832**

9. Selling and general administration expenses

Selling and general administration expenses	Six months to June 30, 2023 US$'000	Six months to June 30, 2022 US$'000 *(restated*)*	Year ended December 31, 2022 US$'000
Personnel expenses	6,849	7,808	14,977
Depreciation of property, plant and equipment	358	302	630
Amortization	1,069	666	1,435
Depreciation of right-of-use assets	479	497	938
Net credit losses on financial assets and contract assets	-	-	85
Other	5,508	4,743	12,904
Total selling and general administration expenses	**14,263**	**14,016**	**30,969**

Other selling and general administration expenses include costs for infrastructure, professional services and marketing as well as R&D and laboratory related costs, information technology & data expenses, sales representative & distribution expenses.

10. Personnel expenses

Personnel expenses	Six months to June 30, 2023 US$'000	Six months to June 30, 2022 US$'000	Year ended December 31, 2022 US$'000
Wages & salaries	7,224	7,930	15,274
Social security & other payroll taxes	802	624	1,685
Pension costs	254	244	710
Share-based payments	132	486	138
Total personnel expenses	**8,412**	**9,285**	**17,807**
Reported as cost of sales (Note 7)	1,563	1,477	2,830
Reported as selling and general administration expense (Note 9)	6,849	7,808	14,977
Total personnel expenses	**8,412**	**9,285**	**17,807**

11. Other expenses

Other expenses	Six months to June 30, 2023 US$'000	Six months to June 30, 2022 US$'000	Year ended December 31, 2022 US$'000
Foreign exchange losses	928	1,621	3,050
Loss on disposal of property, plant and equipment	30	12	16
Transaction costs relating to mergers and acquisitions	23	-	50
Write off intangible assets	14	-	897
Other	80	102	171
Total other expenses	**1,075**	**1,735**	**4,184**

12. Finance income

Finance income	Six months to June 30, 2023 US$'000	Six months to June 30, 2022 US$'000	Year ended December 31, 2022 US$'000
Interest income	3	1	5
Gains on foreign currency transactions	-	440	678
Other	2	1	-
Total finance income	**5**	**442**	**683**

13. Finance costs

Finance costs	Six months to June 30, 2023 US$'000	Six months to June 30, 2022 US$'000 (restated*)	Year ended December 31, 2022 US$'000
Lease finance expense	95	81	163
Interest on borrowings	122	43	110
Bank fees	167	34	98
Loss on foreign currency transactions	-	366	902
Total finance costs	**384**	**524**	**1,273**

14. Income tax

The components of the provision for taxation on income included in *the "Statement of profit or loss and other comprehensive income"* are summarized below:

Current income tax expense	Six months to June 30, 2023 US$'000	Six months to June 30, 2022 US$'000	Year ended December 31, 2022 US$'000
Swiss corporate income taxes	21	30	58
United States state and federal taxes	101	383	393
Taiwan corporate income taxes	81	78	118
Belgium corporate income taxes	83	76	(123)
Germany corporate income taxes	-	(17)	51
Others	11	79	63
Total current income tax expense	**297**	**629**	**560**
Deferred income tax expense		*(restated*)*	
Switzerland	(22)	(69)	90
United States	(4)	(71)	(606)
China	(2)	(128)	117
Austria	(2)	(4)	20
Belgium	(68)	(71)	(136)
Others	(53)	(32)	(66)
Total deferred income tax expense (income)	**(151)**	**(375)**	**(581)**
Total income tax expense (income)	**(146)**	**(254)**	**(21)**

Net tax	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Opening balance –	(343)	51
Assumed on asset	-	(32)
Income tax expense for the	297	560
Taxes paid	(506)	(870)
Foreign currency	(3)	(52)
Net tax (asset)/liability	**(555)**	**(343)**

Net tax (assets)	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Prepaid income taxes	(798)	(657)
Income tax liabilities	243	314
Net tax (asset)/liability	**(555)**	**(343)**

15. Earnings per share

The calculation of the basic earnings per share is based on the following data:

Earnings	Six months to June 30, 2023 US$'000	Six months to June 30, 2022* US$'000	Year ended December 31, 2022 US$'000
Loss attributable to the ordinary equity holders of the parent entity	(6,436)	(1,705)	(29,251)

Earnings have been restated in the comparative period as described in note 2.

The effect of share options is anti-dilutive and therefore not disclosed.

Number of shares	As at June 30, 2023 US$'000	As at June 30, 2022 US$'000	As at December 31, 2022 US$'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	140,507,712	131,781,726	133,426,953

Basic earnings per share is calculated by dividing the profit/loss after tax attributable to the equity holders of the Company by the weighted average number of shares in issue during the year. The effect of share options is anti-dilutive and therefore not disclosed.

16. Intangible assets

Cost	Goodwill	Internally developed assets US$'000	Brand names and customer relations US$'000	Acquired technologies US$'000	Other intangible assets US$'000	Total US$'000
As at January 1, 2022	21,382	3,509	4,503	3,180	2,332	34,906
Additions arising from internal development	-	2,165	-	-	-	2,165
Other acquisitions	-	-	-	-	1,700	1,700
Disposals / write-offs	-	(85)	-	-	(812)	(897)
Currency translation differences	(795)	5	(160)	(165)	14	(1,101)
As at December 31, 2022	**20,587**	**5,594**	**4,343**	**3,015**	**3,234**	**36,773**
Additions arising from internal development	-	583	-	-	-	583
Business combinations	394	-	123	-	682	1,199
Other acquisitions	-	-	-	-	82	82
Disposals / write-offs	-	(14)	-	-	-	(14)
Currency translation differences	294	162	61	57	73	647
As at June 30, 2023	**21,275**	**6,325**	**4,527**	**3,072**	**4,071**	**39,270**

Amortization and accumulated impairment losses						
As at January 1, 2022	2,305	474	602	234	518	4,133
Amortization for the period	-	198	695	334	208	1,435
Impairment loss	10,576	880	73	-	122	11,651
Currency translation differences	(750)	3	(72)	(45)	(24)	(888)
As at December 31, 2022	**12,131**	**1,555**	**1,298**	**523**	**824**	**16,331**
Amortization for the period	-	331	360	167	211	1,069
Currency translation differences	158	48	(5)	(3)	-	198
As at June 30, 2023	**12,289**	**1,934**	**1,653**	**687**	**1,035**	**17,598**

Net book value						
As at December 31, 2022	**8,456**	**4,039**	**3,045**	**2,492**	**2,410**	**20,442**
As at June 30, 2023	**8,986**	**4,391**	**2,874**	**2,385**	**3,036**	**21,672**

17. Property, plant and equipment

Cost	Machinery and equipment US$'000	Motor vehicles US$'000	Computers and software US$'000	Furniture and fixtures US$'000	Land and buildings US$'000	Total US$'000
As at January 1, 2022	7,288	536	914	474	1,523	10,735
Additions	2,272	26	197	50	2,736	5,280
Disposals	(69)	(12)	-	-	-	(81)
Reclassifications	(407)	59	-	348	-	-
Currency translation differences	(233)	(1)	(21)	(23)	(91)	(369)
As at December 31, 2022	**8,851**	**608**	**1,090**	**849**	**4,168**	**15,565**
Additions	504	32	2	42	4	584
Disposals	(807)	(45)	(3)	-	-	(855)
Reclassifications	(32)	-	-	32	-	-
Currency translation differences	118	2	29	17	41	207
As at June 30, 2023	**8,634**	**597**	**1,118**	**940**	**4,213**	**15,502**
Depreciation and accumulated impairment losses						
As at January 1, 2022	2,723	330	619	86	112	3,870
Charge for the year	763	90	218	83	128	1,282
Eliminated on disposal	(27)	(5)	-	-	-	(32)
Impairment loss	730	-	-	-	-	730
Reclassifications	(222)	-	-	222	-	-
Currency translation differences	(67)	-	(9)	(3)	(7)	(86)
As at December 31, 2022	**3,900**	**415**	**828**	**388**	**233**	**5,764**
Charge for the period	437	42	59	55	117	710
Eliminated on disposal	-	(21)	(1)	-	-	(22)
Currency translation differences	68	1	24	7	7	106
As at June 30, 2023	**4,405**	**437**	**910**	**450**	**356**	**6,558**
Net book value						
As at December 31, 2022	**4,951**	**193**	**262**	**461**	**3,935**	**9,802**
As at June 30, 2023	**4,229**	**160**	**208**	**490**	**3,856**	**8,944**

18. Right-of-use assets

Cost	Land and buildings US$'000	Motor vehicles US$'000	Machinery and equipment US$'000	Total US$'000
As at January 1, 2022	8,913	611	341	9,865
Additions	86	174	1,921	2,181
Disposals due to expiry of lease	-	(36)	-	(36)
Disposals due to business combination*	(467)	-	-	(467)
Modification to lease terms**	(1,199)	-	-	(1,199)
Currency translation differences	(381)	(67)	(26)	(474)
As at December 31, 2022	**6,952**	**682**	**2,236**	**9,870**
Additions	98	93	791	982
Disposals due to expiry of lease	(220)	-	-	(220)
Modification to lease terms**	(253)	(54)	-	(307)
Currency translation differences	160	18	30	208
As at June 30, 2023	**6,737**	**739**	**3,057**	**10,533**

Depreciation				
As at January 1, 2022	1,716	109	66	1,891
Depreciation for the year	730	140	68	938
Disposals due to expiry of lease	-	(36)	-	(36)
Modification to lease terms**	(693)	-	-	(693)
Currency translation differences	(34)	(6)	(9)	(49)
As at December 31, 2022	**1,719**	**207**	**125**	**2,051**
Depreciation for the period	357	76	46	479
Disposals due to expiry of lease	(118)	-	(32)	(150)
Modification to lease terms**	(173)	(16)	-	(189)
Currency translation differences	(21)	5	3	(13)
As at June 30, 2023	**1,764**	**272**	**142**	**2,178**

Net book value				
As at December 31, 2022	**5,233**	**475**	**2,111**	**7,819**
As at June 30, 2023	**4,973**	**467**	**2,915**	**8,355**

*With the acquisition of ChemTex Laboratories' property, plant and equipment, the Group no longer has a lease liability with a third party.

**The Group agreed to shorten the agreed lease terms of two existing leases from 2032 to 2027. These modifications have resulted in a reduction in the total amounts payable under the leases and a reduction to both of the right-of-use assets and lease liabilities with effect from the date of modification.

19. Other non-current assets

Other non-current assets	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Deposits	96	80
Other prepayments	86	57
Other non-current assets	**182**	**137**

20. Inventories

Inventories	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Functional ingredients	11,044	7,420
Functional materials	1,188	4,000
Functional consumer goods	2,174	1,748
Total inventories	**14,406**	**13,168**

The cost of inventories recognized as an expense in the six months ended June 30, 2023 in respect of continuing operations was US$12,110,000 (December 31, 2022: US$33,597,000).

21. Trade receivables

Trade receivables	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Not past due	5,027	2,788
< 30 days	1,256	520
31-60 days	402	781
61-90 days	667	215
91-120 days	94	180
>120 days	1,223	2,407
Total trade receivables	**8,669**	**6,891**
Provision for expected credit losses	**(413)**	**(404)**
Total trade receivables (net)	**8,256**	**6,487**

The average credit period on sales of goods varies by region from 30 - 120 days. No interest is charged on outstanding trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast.

As at June 30, 2023, the Group has recognized an expected credit loss of US$413,000 (2021: US$404,000).

22. Other receivables and prepayments

Total other receivables and prepayments	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Contract assets	108	115
Receivables from tax authorities	2,271	1,864
Prepayments	969	1,023
Other receivables	883	1,260
Total other receivables and prepayments	**4,231**	**4,262**

23. Contract assets

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance-related milestones. The Group recognizes a contract asset for any work performed. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Contract assets	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Research and development services	108	65
Exclusivity services	-	50
Total contract assets	**108**	**115**

Current assets	108	115
Non-current assets	-	-
Total contract assets	**108**	**115**

Revenues related to research and development services were recognized at the point of delivering proof of concept and completing testing services. Performance obligations related to exclusivity services were deemed fulfilled by the Group upon completion of the contractual term. Payment for the above services is not due from the customer yet and therefore a contract asset is recognized.

The directors of the Company always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience, the nature of the customer and where relevant, the sector in which they operate. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts.

Lifetime Expected credit losses on contract assets

The following table details the risk profile of amounts due from customers based on the Group's provision matrix. Based on the historic default experience, the following expected credit loss has been recognized:

Expected credit loss	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Expected credit loss rate	0%	0%
Estimated total gross carrying amount at default	108	115
Lifetime ECL	-	-
Net carrying amount	**108**	**115**

24. Issued share capital and share premium

Movements in the Company's share capital and share premium account were as follows:

	Number of shares No.	Share capital US$'000	Share premium US$'000	Totals US$'000
Balance as of January 1, 2022	130,583,536	51,523	144,191	195,714
Issue of shares to vendors of Life Materials	347,552	141	471	612
Issue of shares as deferred consideration	3,461,615	1,359	2,921	4,280
Issue of shares to Advisory Board and others	164,721	60	175	235
Issue of shares to vendors of ChemTex Labs	2,176,884	795	1,177	1,972
Issue of shares to vendors of Chrisal	3,348,164	1,223	1,838	3,061
Balance as at December 31, 2022	**140,082,472**	**55,101**	**150,773**	**205,874**
Issue of shares Tarn Pure (a)	455,435	160	212	372
Balance as at June 30, 2023	**140,537,907**	**55,261**	**150,985**	**206,246**

The par value of all shares is £0.30. All shares in issue were allotted, called up and fully paid.

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable.

The Company issued new ordinary shares for the following:

On January 12, 2023, HeiQ plc completed the acquisition of 100% of the issued share capital and voting rights of Tarn Pure for a total consideration of US$993,000. The purchase consideration was payable partly in cash (US$621,000) and partly by the issue of 455,435 new ordinary shares for (US$372,000). See Note 4 for details.

25. Share-based payments

Equity-settled Share Option Scheme

Following employee departures, the number of options expected to vest dropped to 2,279,236 as per June 30, 2023 (December 31, 2022: 2,497,281). The expense arising from these share-based payment transactions was US$132,000 for the six months ended June 30, 2023 which compares against an income of US$12,000 for the year ended December 31, 2022 following a drop in market expectations during the second half of 2022. In the six months ended June 30, 2022, the Group incurred an expense of US$415,000.

Other share-based payments

Remuneration of US$764,000 in relation to the acquisition of Life Materials Technologies Limited is linked to a service period of five years. An expense of US$75,000 was recognized in the six months ended June 30, 2023 (six months ended June 30, 2023: US$71,000; year ended December 31, 2022: US$150,000). The remainder of approximately US$469,000 is expected to be expensed over the period from July 1, 2023, to June 30, 2026.

26. Other reserves

Other reserves comprise the share-based payment reserve, the merger reserve, the currency translation reserve and the other reserve.

The retained deficit comprises all other net gains and losses and transactions with owners not recognized elsewhere.

Movements in the other reserves were as follows:

	Note	Share- based payment reserve US$'000	Merger reserve US$'000	Currency translation reserve US$'000	Other reserve US$'000	Total Other reserves US$'000
Balance at January 1, 2022		**474**	**(126,912)**	**387**	**(1,144)**	**(127,195)**
Other comprehensive (loss)/income		-	-	(1,914)	1,104	(810)
Total comprehensive (loss)/income for the year		-	-	*(1,914)*	*1,104*	*(810)*
Share-based payment charges	25	(12)	-	-	-	(12)
Transactions with owners		*(12)*	-	-	-	*(12)*
Balance at December 31, 2022		**462**	**(126,912)**	**(1,527)**	**(40)**	**(128,017)**
Other comprehensive (loss)/income		-	-	429	-	429
Total comprehensive (loss)/income for the period		-	-	*429*	-	*429*
Share-based payment charges		132	-	-	-	132
Transactions with owners		*132*	-	-	-	*132*
Balance at June 30, 2023		**594**	**(126,912)**	**(1,098)**	**(40)**	**(127,456)**

The share-based payment reserve arises from the requirement to fair value the issue of share options at grant date. Further details of share options are included at Note 25.

The currency translation reserve represents cumulative foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and is not distributable by way of dividends.

Dividend paid by subsidiary

In June 2022, HeiQ Chrisal N.V. declared and paid a dividend of €470,000 (approximately US$496,000) of which 49% or US$243,000 was paid to minority shareholders.

Capital contributions from minority shareholders

The Group received in 2022 a capital contribution from a minority shareholder of US$764,000 which arose from a waived loan.

27. Borrowings

The Group's borrowings are held at amortized cost. They consist of the following:

Borrowings	As at June 30, 2022 US$'000	As at December 31, 2022 US$'000
Unsecured bank loans	8,533	3,573
Secured bank loans	213	628
Loans from non-controlling interest	591	137
Total borrowings	**9,337**	**4,338**

The other principal features of the Group's borrowings are as follows:

Unsecured bank loans

A credit facility amounting to CHF 2,400,000 (US$2,574,000) was taken out in December 2022 which incurs interest at a fixed rate of 2.2%. It was repaid on February 28, 2023 and the loan was replaced with a new credit facility worth CHF 4,500,000 (US$ 4,964,000).

Several loans amounting to US$1.6 million were assumed through the acquisition of Chrisal. They finance the acquisition of property, plant and equipment as well as the prepayment of provisional taxes. A further €277,000 was taken out in February 2023 which is repayable over ten years. As at June 30, 2023, a total of €1,271,000 (US$1,387,000) is outstanding (December 2022: €938,000 (US$999,000)). The loans are repayable over a period of up to ten 10 years. These loans all have fixed interest rates between 0.78 and 3.95% and the weighted average fixed interest rate on the outstanding balances is 2.85%.

Loans from non-controlling interests

A loan is payable to a minority shareholder of Life-Materials Latam Ltda, Brazil. Interest is fixed at 0.5%. There is no specific repayment date, but the loan is payable once the entity is able to repay it. The balance was BRL 1,020,000 (approximately US$210,000) as at June 30, 2023 (December 31, 2022 is BRL 715,683 (US$137,000).

Secured bank loans

A bank loan taken out in October 2020 which incurs interest at a fixed rate of 3.25% and which is secured on property owned by a company which is controlled by a minority shareholder of HeiQ Medica. It is repayable in equal monthly instalments of €8,000 (US$9,500) over eight years up to September 2028. As at June 30, 2023, €542,500 (US$592.000) is outstanding (December 31, 2022: US$629,000).

The following table provides a reconciliation of the Group's future maturities of its total borrowings for each year presented:

Maturity of borrowings	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Not later than one year	7,471	2,893
Later than one year but less than five years	721	1,029
After more than five years	1,145	416
Total borrowings	**9,337**	**4,338**

28. Deferred tax

The following are the major deferred tax liabilities and assets recognized by the Group and movements thereon during the current and prior reporting period.

Deferred tax	Pension fund obligations US$'000	Tax losses US$'000	Share-based payments US$'000	Capital allowances, depreciation and other temporary differences US$'000	Total US$'000
Balance at January 1, 2022	429	178	85	(1,686)	(994)
Charge to profit or loss	49	(150)	1	681	581
Charge to other comprehensive income	(276)	-	-	-	(276)
Foreign currency differences	(12)	(28)	5	9	(26)
Balance as at December 31, 2022	**190**	**-**	**91**	**(996)**	**(715)**
Charge to profit or loss	9	-	25	117	151
Business combinations	-	-	-	(201)	(201)
Foreign currency differences	6	-	1	-	7
Balance as at June 30, 2023	**205**	**-**	**117**	**(1,080)**	**(758)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Deferred tax	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Deferred tax assets	579	538
Deferred tax liabilities	(1,337)	(1,253)
Net deferred tax assets (liabilities)	**(758)**	**(715)**

Deferred tax liabilities related to capital allowances and depreciation decreased following the amortization of intangible assets acquired in the business combinations in 2021.

29. Other non-current liabilities

Other non-current liabilities	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Defined benefit obligation IAS 19 Switzerland	1,023	952
Defined benefit obligation IAS 19 Thailand	130	134
Contract liabilities	4,233	3,614
Deferred grant income	386	14
Total other non-current liabilities	**5,772**	**4,714**

30. Trade and other payables

Trade and other payables	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Trade payables	6,086	3,321
Payables to tax authorities	326	375
Other payables	2,241	1,626
Total trade and other payables	**8,653**	**5,322**

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. Other payables relate to employee-related expenses, utilities and other overhead costs. Typically, no interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

31. Accrued liabilities

Accrued liabilities	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Costs of goods sold	909	875
Personnel expenses	1,415	1,737
Other operating expenses	1,368	2,366
Total accrued liabilities	**3,692**	**4,978**

32. Deferred revenue

Deferred revenue	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Contract liabilities	1,230	1,176
Prepayments for unshipped goods	80	94
Deferred grant income	55	15
Total deferred revenue	**1,365**	**1,285**

33. Contract liabilities

Contract liabilities	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Exclusivity agreements	1,585	1,832
Research and development services	3,878	2,958
Total contract liabilities	**5,463**	**4,790**
Current liabilities (Note 32)	1,230	1,176
Non-current liabilities (Note 29)	4,233	3,614
Total contract liabilities	**5,463**	**4,790**

Revenue relating to both exclusivity and research and development services is recognized over time although the customer pays up-front in full for these services. A contract liability is recognized for revenue relating to the services at the time of the initial sales transaction and is released over the service period.

34. Other current liabilities

Current liabilities	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Deferred consideration in relation to acquisitions	92	92
Call option liability	453	686
Other current liabilities	**545**	**778**

35. Contingent assets and liabilities

On October 10, 2022 the Group announced that it has filed a complaint in the United States District Court for the Western District Of North Carolina, Charlotte Division, against ICP Industrial Inc, for breaching its Exclusive Agreement terms. Because of the claimed contract breach, the Group has not recognized any income or assets from the contract.

Within the same legal proceeding, ICP Industrial Inc, has filed a counter claim against the Group. Although the Group is confident in its legal position, the outcome of the legal proceedings as well as the court-mandated mediation remains uncertain. Therefore, while a future economic benefit is expected, it can not be reliably quantified at this point in time and could bear the risk of prejudice given the ongoing legal proceedings.

36. Provisions

Provisions	As at June 30, 2023 US$'000	As at December 31, 2022 US$'000
Current liabilities	-	339
Non-current liabilities	-	-
Total provisions	**-**	**339**

Current liabilities	Legal/Compliance provision US$'000	Total US$'000
Balance at January 1, 2022	**-**	**-**
Additional provision in the year	339	339
Utilization of provision	-	-
Exchange difference	-	-
Balance as at December 31, 2022	**339**	**339**
Additional provision in the period	-	-
Utilization of provision	(339)	(339)
Exchange difference	-	-
Balance as at June 30, 2023	**-**	**-**

The Group was contacted by the United States Environmental Protection Agency ("EPA") in connection with violations of the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA") pertaining to mislabeling. As at December 31, 2022, the Company has assessed the claim and made a provision for US$339,000 which was paid in May 2023.

This provision is reported in Note 31 as Accrued liabilities - Other operating expenses.

37. Notes to the statements of cash flows

Non-cash transactions

Certain shares were issued during the year for a non-cash consideration as described in Note 24.

During the year ended December 31, 2022, additions to buildings and land amounting to US$1,862,000 million were financed by issuing shares.

Working capital reconciliation:

The Company defines working capital as trade receivables, other receivables and prepayments less trade and other payables, accrued liabilities and deferred revenue.

Six months ended June 30, 2023	Opening balances US$'000	Assumed on acquisition of subsidiaries US$'000	Change in balance US$'000	Closing balances US$'000
Inventories	**13,168**	**13**	**1,225**	**14,406**
Trade receivables	6,487	11	1,758	8,256
Other receivables and prepayments	4,262	12	(43)	4,231
Trade and other receivables and prepayments	**10,749**	**23**	**1,715**	**12,487**
Trade and other payables	5,322	-	3,331	8,653
Accrued liabilities	4,978	-	(1,286)	3,692
Deferred revenue incl. non-current contract liabilities	4,913	-	1,072	5,985
Trade and other payables, accrued liabilities and deferred revenue	**15,213**	**-**	**3,117**	**18,330**

Six months ended June 30, 2022	Opening balances US$'000	Assumed on acquisition of subsidiaries US$'000	Change in balance US$'000	Closing balances US$'000
Inventories	**13,770**	**-**	**2,414**	**16,184**
Trade receivables	14,656	-	3,462	18,118
Other receivables and prepayments	3,876	-	(1,854)	2,022
Trade and other receivables and prepayments	**18,532**	**-**	**1,608**	**20,140**
Trade and other payables	8,271	-	(1,312)	6,959
Accrued liabilities	3,386	-	(1,208)	2,178
Deferred revenue incl. non-current contract liabilities	1004	-	4,968	5,972
Trade and other payables, accrued liabilities and deferred revenue	**12,661**	**-**	**2,448**	**15,109**

Year ended December 31, 2022	Opening balances US$'000	Assumed on acquisition of assets US$'000	Change in balance US$'000	Closing balances US$'000
Inventories	**13,770**	**-**	**(602)**	**13,168**
Trade receivables	14,656	-	(8,169)	6,487
Other receivables and prepayments	3,876	-	386	4,262
Trade and other receivables and prepayments	**18,532**	**-**	**(7,783)**	**10,749**
Trade and other payables	8,271	-	(2,949)	5,322
Accrued liabilities	3,386	9	1,583	4,978
Deferred revenue incl. non-current contract liabilities	1,004	-	3,909	4,913
Trade and other payables, accrued liabilities and deferred revenue	**12,661**	**9**	**2,543**	**15,213**

Consideration for acquisition of businesses (Note 4)

Six months ended June 30, 2023	US$'000
Consideration payment for acquisition of Tarn Pure	621
Cash assumed on acquisition of Tarn Pure	(2)
Net consideration payment for acquisitions of businesses and assets	**619**

Year ended December 31, 2022	US$'000
Consideration payment for acquisition of Life Materials Technologies Ltd	1,400
Consideration payment for acquisition of ChemTex assets	187
Net consideration payment for acquisitions of businesses and assets	**1,587**

38. Related party transactions

The Group have not identified any significant transactions with related parties. There are no loans outstanding with related parties.

39. Material subsequent events

As communicated on July 06, 2023, HeiQ Plc sold a 1.5% minority interest in HeiQ AeoniQ GmbH to MAS Holdings for US$1.5 million. It was also agreed that a further 1% shareholding will be sold to MAS Holdings for US$1 million subject to the achievement of a mutually agreed milestone.

40. Ultimate controlling party

As at June 30, 2023, the Company did not have any single identifiable controlling party.

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Xaver Hangartner,
Chief Financial Officer

Esther Dale-Kolb,
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