



HeIQ PLC

Registered number 09040064

UNAUDITED CONDENSED INTERIM REPORT FOR THE SIX MONTHS
ENDED JUNE 30, 2022

**Differentiate.
Innovate.**

**SWISS
TECH
INSIDE**

Who we are

HeiQ creates innovative technologies that add comfort, hygiene, protection and sustainability to apparel, home textiles, coatings, healthcare products, as well as functional consumer products.

Our purpose

To improve lives by innovating the materials 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**

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

The directors confirm that the condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and that the Interim Report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial information; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report.

A list of current directors is maintained on the Company's web site:

<https://heiq.com/investors/>

By order of the Board,

Carlo Centonze

Executive Director

September 13, 2022

Continued growth and investment in innovations



Esther Dale-Kolb
Chairwoman

I am pleased to report that HeiQ continued to demonstrate resilience during difficult market conditions and made solid progress in delivering on its growth strategy during the six-month period ending June 30, 2022 (“H1 2022”).

HeiQ's revenues for H1 2022 grew by 17% year on year, and we were pleased to have increased our overall gross margin compared to the second half of the 2021 financial year (H2 2021). This was achieved even though global economies have experienced new significant turmoil in early 2022, just as things started to normalize after two years of pandemic. On top of the energy crisis, pressure on raw material prices continued, and inflation and energy price rises significantly impacted the markets we operate in. HeiQ's business from commercialized innovations demonstrated robustness. While the strengthening of the US Dollar against the Euro, Swiss Franc and Sterling negatively impacted our sales (denominated in EUR) the positive effect on our costs outweighed the topline impact.

As an IP innovator, the development of our innovation pipeline is a significant growth driver for our business. In this regard, H1 2022 was very successful as we delivered substantial progress on our four most promising innovation platforms, particularly HeiQ AeonIQ and HeiQ Synbio.

HeiQ AeonIQ

HeiQ AeonIQ aims to replace oil-based textiles, namely Polyester which accounts for over 60% of the textile market, with a climate positive, circular filament yarn made of cellulosic. Having already proved the concept of the HeiQ AeonIQ yarn in 2021, we achieved several key commercialization milestones during the period by installing a pilot production plant, securing investment from HUGO BOSS, and signing up The LYCRA Company as exclusive distributor.

In H2 2022, we will optimize the product and proprietary production process for the pilot plant whilst also gearing up towards delivery of the first large-scale production plant. This is likely to be located in Portugal and is expected to come on-stream in 2025. Unlike polyester or other textile yarns, HeiQ AeonIQ is designed to have a positive carbon balance and as such we are also progressing in getting the carbon credits certified.

HeiQ Synbio

HeiQ Synbio allows detergents to become much more effective than disinfectants used today. It significantly reduces surface pathogens and antimicrobial resistance which is particularly important for detergents used in hospitals. In H1 2022, we achieved significant milestones on the way to establish symbiotic detergents as a new standard in hospital cleaning. An independent study by the opinion leading Charité University Hospital Berlin, and the Robert Koch-Institute proved symbiotic cleaners far more effective than disinfectants alone. This positions the HeiQ Synbio platform well given that we are seeing that upcoming European Union regulations are expected to favor symbiotic cleaners. With this in mind, we have entered negotiations with major players in the cleaning supply chain with the objective to enter various channels at large scale swiftly.

Financial Review

Revenues

Total revenues in H1 2022 increased by 17% to US\$ 30.3m compared to the prior year period (H1 2021: US\$ 25.8m). Our “Hygiene” functionality continues to be our largest, comprising 43% of total revenues (US\$ 12.9m in H1 2022), despite the 6% year on year decline in this area mainly due to further reduced sales in masks and lockdowns in China.

With US\$10.2m in revenue in H1 2022, “Resource Efficiency” has grown an impressive +83% compared to H1 2021 and has now become the second largest functionality in the Group. Driven by revenues from HeiQ AeonIQ and Innovation Services as well as existing process chemicals, it now represents 34% of total revenues.

In line with our strategy to increase the share of revenue from services, license, and royalties, H1 2022 saw revenues of this nature increase from US\$1.2m in H1 2021 to US\$ 3.9m in H1 2022.

Gross margin

At 46.7%, gross margin for H1 2022 has improved since the previous half year (H2 2021: 43.7%). The uplift of 3% reflects stabilization of underlying product margins as well as the favorable impact of the product mix (including higher share of Services & Licensing/TechFee revenues). Compared to H1 2021, the gross margin is still down 3.5% points (H1 2021: 50.2%) but we remain optimistic that price increases delivered during the period can narrow the gap in the coming months.

Opex

Our operating expenditure (“Opex”) (respectively selling & general administration costs) grew US\$ 3.3m or 31% over H1 2021 to US\$ 13.9m. Opex located in acquired entities account for an increase of US\$ 1.9m. The remaining increase is driven by higher personnel expense, investments in building up the HeiQ AeonIQ team as well as in the organizational structure and systems in general.

Cash

Our cash position as of June 30, 2022, is US\$ 9.5m, down from US\$ 14.5m as at December 31, 2021.

About 60% of this decrease is related to investing and financing activities as well as exchange rate effects on cash balances. Investments totaled at US\$ 4.6m including US\$1.6m installment payments for prior period acquisitions. At the same time, we raised US\$ 2.3m (net) through financing activities (mainly the sale of a minority stake in HeiQ AeonIQ LLC).

Cash generated from operations (before tax payments) was US\$ -1.5m. This decrease was primarily due to investments in working capital of US\$ 4.2m. Compared to December 31, 2021, we increased our inventories by US\$ 2.4m after strong sales towards the end of 2021 and build-up of inventories for key items. With US\$ +1.4m, receivables also show a significant increase as of June 30 2022, compared to December 31 2021. This is mainly driven by two circumstances: At the end of H1 22, after achievement of contractual agreed milestones, we invoiced HUGO BOSS US\$ 3m, which was collected in July 2022. Also, due to lockdowns, we faced delays of payments into H2 2022 from certain Chinese distributors.

Results

	Six months to June 30, 2022 US\$'000	Six months to June 30, 2021 US\$'000	Year ended December 31, 2021 US\$'000
Comprehensive income			
Revenue	30,280	25,795	57,874
Cost of sales	(16,127)	(12,840)	(30,898)
Gross profit	14,153	12,955	26,976
Other operating income	2,671	3,166	6,426
Selling and general administrative expenses	(13,878)	(10,576)	(24,465)
Other operating expenses	(1,706)	(2,238)	(5,820)
Operating profit	1,240	3,307	3,117
Depreciation of property, plant and equipment	644	591	1,255
Amortization of intangible assets	535	205	758
Depreciation of right-of-use assets	576	279	855
Share options and rights granted to Directors and employees	486	387	498
Adjusted EBITDA	3,481	4,769	6,483
EBITDA Margin (adjusted)	11.5%	18.5%	11.2%

Outlook

Despite the continued challenging global market conditions, we remain cautiously optimistic that market expectations will be met for the full year 2022.

The demand for our current and future technology offering remains sound. We are executing our long-term growth strategy and strengthening our innovation and differentiation capabilities as planned. Our sales are traditionally stronger in the second half of the year. We expect several projects to start adding sales in the remaining months as well as securing additional revenues from milestone achievements related to HeiQ AeonIQ. Now that lockdowns in China have ceased, we expect sales in China to gain momentum in H2 2022.

Having already executed price increases during the period to combat inflationary pressures, we are confident that gross margins will continue to recover.

If we look to the mid-term, HeiQ is very well positioned to spearhead the decarbonization of the textile industry. The development of HeiQ AeonIQ is progressing as planned and we remain confident that by the end of the year, yarn can be delivered to customers for first capsule collections of truly carbon negative apparel items. As such, HeiQ AeonIQ remains one of our key focus areas for the months and years ahead. Our ambition

remains unchanged to commission, a full-scale production site at the beginning of 2025.

We are excited to continue delivering growth and bringing life enhancing IP to market and thank our shareholders, customers, team and advisers for their support.

Esther Dale-Kolb
Chairwoman
September 13, 2022

Condensed consolidated statement of comprehensive income

For the six months ended June 30, 2022

		Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
	Note	US\$'000	US\$'000	US\$'000
Comprehensive income				
Revenue	6	30,280	25,795	57,874
Cost of sales	7	(16,127)	(12,840)	(30,898)
Gross profit		14,153	12,955	26,976
Other operating income	6	2,671	3,166	6,426
Selling and general administrative expenses	7	(13,878)	(10,576)	(24,465)
Other operating expenses	7	(1,706)	(2,238)	(5,820)
Operating profit		1,240	3,307	3,117
Other income		77	38	199
Other costs		(29)	(213)	(361)
Finance income		442	520	534
Finance costs	17	(537)	(282)	(597)
Income before taxation		1,193	3,370	2,686
Taxation	8	(287)	(522)	(212)
Income after taxation		906	2,848	2,474
Earnings per share (cents) - basic	9	0.84	2.46	2.07
Earnings per share (cents) - diluted	9	0.81	2.38	2.01
Other comprehensive income				
Exchange differences on translation of foreign operations		(1,970)	(1,723)	(1,662)
Items that may be reclassified to profit or loss in subsequent periods		(1,970)	(1,723)	(1,662)
Actuarial gains / (losses) from defined benefit pension plans		-	-	899
Items that will not be reclassified to profit or loss in subsequent periods		-	-	899
Total comprehensive income for the period/year		(1,064)	1,125	1,711
Income attributable to:				
Equity holders of HeiQ		1,112	3,126	2,676
Non-controlling interests		(206)	(278)	(202)
		906	2,848	2,474
Comprehensive income / (loss) attributable to:				
Equity holders of the Company		(858)	1,403	1,913
Non-controlling interests		(206)	(278)	(202)
		(1,064)	1,125	1,711

Condensed consolidated statement of financial position

As at June 30, 2022

		As at June 30, 2022 US\$'000	As at December 31, 2021 US\$'000
Assets			
Intangible assets	10	33,448	32,212
Property, plant and equipment	11	6,823	6,865
Right-of-use assets	12	9,114	9,079
Deferred tax assets	8	874	701
Other non-current assets		153	333
Non-current assets		50,412	49,190
Inventories		16,184	13,770
Trade receivables	13	21,512	18,050
Other receivables and prepayments		5,143	6,275
Cash and cash equivalents		9,488	14,560
Current assets		52,327	52,655
Total assets		102,739	101,845
Equity and Liabilities			
Share capital	14	53,023	51,523
Capital reserve	14	147,583	144,191
Other reserve		(1,144)	(1,144)
Share-based payment reserve	14	889	474
Merger reserve		(126,912)	(126,912)
Currency translation reserve		(695)	1,275
Retained deficit		(2,249)	(5,823)
Equity attributable to owners of the parent		70,495	63,584
Non-controlling interests		601	1,053
Total equity		71,096	64,637
Lease liabilities	12	7,977	8,176
Long-term borrowings	17	668	670
Deferred tax liability	8	1,737	1,894
Other non-current liabilities	16	2,293	2,619
Total non-current liabilities		12,675	13,359
Trade and other payables		7,928	9,359
Accrued liabilities		4,100	4,538
Income tax liability	8	111	51
Deferred revenue		3,972	1,774
Short-term borrowings	17	1,503	1,004
Lease liabilities	12	1,262	1,054
Other current liabilities	18	92	6,069
Total current liabilities		18,968	23,849
Total liabilities		31,643	37,208
Total liabilities and equity		102,739	101,845

The Notes 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 September 12, 2022 and signed on its behalf by:

Xaver Hangartner
Chief Financial Officer
September 12, 2022

Condensed consolidated statement of changes in shareholders' equity
For the six months ended June 30, 2022

	Note	Share capital US\$'000	Capital reserve US\$'000	Other reserve US\$'000	Share-based payment reserve US\$'000	Merger reserve US\$'000	Currency translation reserve US\$'000	Retained deficit US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at January 1, 2021		49,559	134,537	(2,043)	50	(126,912)	2,937	(8,499)	(20)	49,609
Income after taxation		-	-	-	-	-	-	2,676	(202)	2,474
Other comprehensive (loss)/income		-	-	899	-	-	(1,662)	-	-	(763)
Total comprehensive (loss)/income for the year		-	-	899	-	-	(1,662)	2,676	(202)	1,711
Issuance of shares		1,964	9,654	-	-	-	-	-	-	11,618
Share-based payment charges		-	-	-	424	-	-	-	-	424
Amounts arising on business combinations		-	-	-	-	-	-	-	1,275	1,275
Transactions with owners		1,964	9,654	-	424	-	-	-	1,275	13,317
Balance at December 31, 2021		51,523	144,191	(1,144)	474	(126,912)	1,275	(5,823)	1,053	64,637
Income after taxation		-	-	-	-	-	-	1,112	(206)	906
Other comprehensive (loss)/income		-	-	-	-	-	(1,970)	-	-	(1,970)
Total comprehensive (loss)/income for the year		-	-	-	-	-	(1,970)	1,112	(206)	(1,064)
Issuance of shares	14	1,500	3,392	-	-	-	-	-	-	4,892
Share-based payment charges	14	-	-	-	415	-	-	-	-	415
Dividends paid to minority shareholders	15	-	-	-	-	-	-	-	(243)	(243)
Transfer on disposal of non-controlling interest	4	-	-	-	-	-	-	2,462	(3)	2,459
Transactions with owners		1,500	3,392	-	415	-	-	2,462	(246)	7,523
Balance at June 30, 2022		53,023	147,583	(1,144)	889	(126,912)	(695)	(2,249)	601	71,096

Condensed consolidated statement of cash flows
For the six months ended June 30, 2022

	Six months to June 30, 2022 US\$'000	Six months to June 30, 2021 US\$'000	Year ended December 31, 2021 US\$'000
Cash flows from operating activities			
Income before taxation	1,193	3,370	2,686
<i>Cash flow from operations reconciliation:</i>			
Depreciation and amortization	1,755	1,075	2,868
Impairment expense	-	-	144
Gain on disposal of property, plant and equipment	(9)	-	(54)
Loss on disposal of property, plant and equipment	12	-	20
Gain on earnout consideration	-	-	(80)
Finance costs	54	160	221
Finance income	(1)	(5)	(18)
Pension expense	117	132	156
Non-cash equity compensation	486	387	498
Gain from lease modification	(68)	-	-
Foreign exchange differences	(860)	(118)	(877)
<i>Working capital adjustments:</i>			
Decrease (Increase) in inventories	(2,414)	2,369	2,028
Decrease (Increase) in trade and other receivables	(1,397)	455	(4,741)
Increase (decrease) in trade and other payables , accrued liabilities and deferred revenue	(342)	(3,489)	3,092
Cash generated from operations	(1,474)	4,336	5,943
Taxes paid	(529)	(1,442)	(2,462)
Net cash generated from operating activities	(2,003)	2,894	3,481
Cash flows from investing activities			
Consideration paid for acquisitions of businesses	(1,587)	(8,444)	(10,994)
Cash assumed on acquisitions of businesses	-	2,121	2,137
Purchase of property, plant and equipment	(1,060)	(284)	(994)
Proceeds from the disposal of property, plant and equipment	37	66	138
Development and acquisition of intangible assets	(1,946)	(1,329)	(2,969)
Finance income	1	5	18
Net cash from / (used in) investing activities	(4,555)	(7,865)	(12,664)
Cash flows from financing activities			
Finance costs	(54)	(160)	(221)
Repayment of leases	(521)	(263)	(790)
Proceeds from disposals of minority interests	2,459	-	-
Proceeds from borrowings	818	472	472
Repayment of borrowings	(163)	(113)	(803)
Dividends paid to minority shareholders	(243)	-	-
Net cash (used in) / from financing activities	2,296	(64)	(1,342)
Net increase (decrease) in cash and cash equivalents	(4,262)	(5,035)	(10,525)
Cash and cash equivalents – beginning of the year	14,560	25,695	25,695
Effects of exchange rate changes on the balance of cash held in foreign currencies	(810)	(750)	(610)
Cash and cash equivalents – end of the period/year	9,488	19,910	14,560

Note: Non-cash transactions: Certain shares were issued during the year for a non-cash consideration as described in Note 14.

Notes to the Consolidated Financial Statements for the six months ended June 30, 2022

1. General information

HeiQ PLC (the “Company”) and its subsidiaries (together, the “Group”) is an IP innovator and established global brand in materials and textile innovation, adding hygiene, comfort, protection and sustainability to the products we use every day. Active in multiple markets: textiles, carpets, antimicrobial plastics, conductive coatings, medical devices, probiotic household cleaners, personal care and hospital hygiene, HeiQ has created some of the most effective, durable and high-performance technologies in these markets today. The principal activity of the Company is that of a holding company for the Group, as well as performing all administrative, corporate finance, strategic and governance functions of the Group.

The Company was incorporated on May 14, 2014 as Auctus Growth Limited, in England and Wales under the Companies Act 2006 with company number 09040064. The Company was re-registered as a public company on July 24, 2014. On December 4, 2020, following a reverse takeover of Swiss-based HeiQ Materials AG, the Company’s name was changed to HeiQ PLC. The Company’s registered office is 5th Floor, 15 Whitehall, London, SW1A 2DD.

After the reverse takeover, the Company’s enlarged share capital was Re-admitted to the standard segment of the Official List and initiation of trading on the London Stock Exchange’s Main Market commenced on December 7, 2020 under the ticker “HEIQ”. The ISIN of the Ordinary Shares is GB00BN2CJ299 and the SEDOL Code is BN2CJ29.

2. Basis of preparation and measurement

a. 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, 2021. 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, 2021.

Statutory accounts for the year ended December 31, 2021 have been filed with the Registrar of Companies 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 did not contain any matters 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 September 9, 2022.

Unless otherwise stated, the Condensed Consolidated Financial Statements are presented in United States Dollars (\$) which is the presentational currency of the Group, and all values are rounded to the nearest thousand dollars except where otherwise indicated.

b. Going concern

The Interim Financial Statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realization of assets and the settlement of liabilities in the normal course of business. The Directors have reviewed the Group's overall position and outlook and are of the opinion that the Group is sufficiently well funded to be able to operate as a going concern for at least the next twelve months from the date of signing these financial statements.

c. Basis of consolidation

The Condensed Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries.

On December 7, 2020, HeiQ Plc became the legal parent of HeiQ Materials AG by way of reverse acquisition. The cost of the acquisition is deemed to have been incurred by HeiQ Materials AG, the legal subsidiary, in the form of equity instruments issued to the owners of the legal parent. This acquisition has been accounted for as a reverse acquisition.

Business combinations other than reverse acquisitions are accounted for under the acquisition method.

d. New standards, interpretations and amendments 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:

- Annual Improvements to IFRS: 2018-2020 Cycle
- Conceptual Framework for Financial Reporting (Amendments to IFRS 3)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)
- IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)

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 2021 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

Disposal of non-controlling interest in HeiQ AeonIQ LLC

On February 11, 2022, HeiQ Materials AG reached an agreement with Hugo Boss AG to dispose of 2.5% of its shareholding in HeiQ AeonIQ LLC.

HeiQ AeonIQ LLC is the exclusive licensee of the AeonIQ technology under an intragroup license agreement (the "HeiQ AeonIQ License") between HeiQ and HeiQ AeonIQ LLC dated February 4, 2022.

The consideration for the transfer of such shares to Hugo Boss was €875 (approximately US\$1,000). Additionally, Hugo Boss agreed to pay an amount of €2,229,125 into the capital reserves of HeiQ AeonIQ LLC.

The sale and transfer of the shares in HeiQ AeonIQ LLC was agreed on February 11, 2022 and the payment into the capital reserves of HeiQ AeonIQ LLC was collected in March 2022.

Furthermore, after HeiQ fulfilled certain contractually agreed milestones, Hugo Boss paid an additional amount of €2,200,000 (approx. US\$ 2,459,000) into the capital reserves of HeiQ AeonIQ LLC in July 2022.

The effect of the disposal on the Group's financial statements is summarized as follows:

Condensed consolidated statement of changes in shareholders' equity	US\$'000
Retained deficit	2,462
Non-controlling interests	(3)
Equity	2,459

Condensed consolidated statement of cash flows	US\$'000
Proceeds from disposals of non-controlling interests	2,459
Net cash (used in) / from financing activities	2,459

The net liabilities of HeiQ AeonIQ LLC were valued at US\$136,000 as at February 11, 2022. Therefore, the value of the 2.5% shareholding disposed was valued at US\$3,000.

5. Segmental reporting

The Directors consider that the Group has one reportable segment, that of materials innovation which focuses on scientific research, manufacturing and consumer ingredient branding. Accordingly, all revenues, operating results, assets and liabilities are allocated to this activity.

The Group also analyses and measures its performance into geographic regions, specifically Europe, North & South America and Asia.

6. Revenue and other operating income

The Group's activities are materials innovation which focuses on 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 revenues include research and development services as well as laboratory work.

The Group classifies the functionalities of the different type of products into the functionalities of Comfort, Hygiene, Protection and Resource efficiency.

Revenues were mainly generated in regions Europe, North & South America and Asia. The following table reconciles HeiQ Group's revenue for the periods presented:

	Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
	US\$'000	US\$'000	US\$'000
Revenue by type of product			
<i>Revenue recognized at point in time</i>			
Functional ingredients	21,156	19,890*	43,661
Functional materials	434	249	850
Functional consumer goods	4,803	4,469*	10,069
Services, royalties and others	3,179	1,187	2,692
<i>Revenue recognized over time</i>			
Licenses	707	-	602
Total revenue	30,280	25,795	57,874

*The comparative analysis of revenue for the six months ended June 30, 2021 has been restated to more fairly reflect the revenues from each product consistent with the analysis presented in the audited financial statements for the year ended December 31, 2021.

	Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
	US\$'000	US\$'000	US\$'000
Revenue by functionality			
Comfort	5,689	5,419	12,979
Hygiene	12,912	13,790	29,314
Protection	1,439	997	2,076
Resource efficiency	10,241	5,589	13,505
Total revenue	30,280	25,795	57,874

	Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
	US\$'000	US\$'000	US\$'000
Revenue by territory			
North & South America	11,820	9,551	21,689
Asia	8,955	8,880	19,636
Europe	9,327	7,093	16,237
Others	177	271	312
Total revenue	30,280	25,795	57,874

During the period ended June 30, 2022, no customer individually totaled more than 10% of total revenues (2021: one customer).

	Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
	US\$'000	US\$'000	US\$'000
Other operating income			
Foreign exchange gains	2,334	2,030	5,032
Other	337	1,136	1,934
Total other operating income	2,671	3,166	6,426

7. Expenses by nature

	Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
	US\$'000	US\$'000	US\$'000
Cost of goods sold			
Material expenses	12,114	10,033	24,581
Personnel expenses	1,477	1,070	2,164
Depreciation of property, plant and equipment	342	280	706
Other costs of goods	2,194	1,457	3,447
Total cost of goods sold	16,127	12,840	30,898

	Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
	US\$'000	US\$'000	US\$'000
Selling and general administration expenses			
Personnel expenses	7,808	5,468	13,074
Depreciation of property, plant and equipment	302	311	549
Amortization of intangible assets	535	205	758
Depreciation of right-of-use assets	576	279	855
Other	4,657	4,313	9,229
Total selling and general administration expenses	13,878	10,576	24,465

	Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
	US\$'000	US\$'000	US\$'000
Personnel expenses			
Wages and salaries	7,930	5,363	12,708
Social security and other payroll taxes	624	471	1,387
Pension costs	244	317	645
Share-based payments	486	387	498
Total personnel expenses	9,285	6,538	15,238

	Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
	US\$'000	US\$'000	US\$'000
Other operating expenses			
Foreign exchange losses	1,620	1,583	4,671
Impairment expense	-	-	144
Other	86	655	1,005
Total other operating expenses	1,706	2,238	5,820

8. Taxation

The components of the provision for taxation on income included in the “Condensed Consolidated Statement of Other Comprehensive Income” are summarized below:

	Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
	US\$'000	US\$'000	US\$'000
Current income tax expense			
Swiss corporate income taxes	30	(6)	(282)
United States state and federal taxes	383	314	(33)
Taiwan corporate income taxes	78	83	200
Belgium corporate income taxes	76	176	186
Germany corporate income taxes	(17)	127	301
Others	79	4	39
Total current income tax expense	629	698	411

	Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
	US\$'000	US\$'000	US\$'000
Deferred income tax expense			
Switzerland	(69)	(78)	(190)
China	(128)	-	(146)
United States	(71)	-	138
Spain	-	(38)	108
Others	(74)	(60)	(109)
Total deferred income tax expense (income)	(342)	(176)	(199)

Total income tax expense	287	522	212
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	Six months ended June 30, 2022	Year ended December 31, 2021
	US\$'000	US\$'000
Tax liability		
Opening balance	51	1,495
Tax liability acquired in business combinations	-	638
Income tax expense for the period / year	629	411
Taxes paid	(529)	(2,462)
Foreign currency movements	(40)	(31)
Closing balance	111	51

The Group had net deferred tax liabilities of US\$863,000 as at June 30, 2022 (Net deferred tax liabilities of US\$ 1,193,000 at December 31, 2021).

The components of the net deferred income tax assets and liabilities are as follows:

	Period ended June 30, 2022	Year ended December 31, 2021
	US\$'000	US\$'000
Deferred taxes		
<i>Deferred tax assets</i>		
Pension fund obligations	433	429
Tax losses recognized	285	178
Share-based payment expense	136	88
Others	16	6
Total deferred tax assets	874	701
<i>Deferred tax liabilities</i>		
Capital allowances and depreciation	(1,737)	(1,894)
Total deferred tax liabilities	(1,737)	(1,894)
Net deferred tax assets (liabilities)	(863)	(1,193)

As at June 30, 2022, the Group had approximately US\$285,000 of tax losses available to be carried forward against future profits (December 31, 2021: US\$178,000; June 30, 2021: US\$327,000).

In applying judgement in recognizing deferred tax assets, management has critically assessed all available information, including future business profit projections and the track record of meeting forecasts. Management expects the deferred tax asset to be substantially recovered in 2022.

9. Earnings per share

The calculation of earnings per share is based on the following earnings and number of shares:

	Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
	US\$'000	US\$'000	US\$'000
Earnings per share			
Profit after tax attributable to owners of the Company	1,112	3,126	2,676
Basic earnings per share (cents)	0.84	2.46	2.07
Diluted earnings per share (cents)	0.81	2.38	2.01
Basic weighted average number of shares in issue	131,781,726	127,214,811	128,871,639
Diluted weighted average number of shares in issue	136,936,164	131,222,146	132,718,333

10. Intangible assets

	Goodwill	Internally developed assets	Brands & Customers relations	Acquired technologies	Other intangible assets	Total
Cost	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at January 1, 2021	3,516	1,851	295	-	491	6,153
Reclasses	-	(725)	-	-	725	
Additions through business combinations	18,599		3,226	2,501	580	24,906
Additions arising from internal development	-	2,390	-	-	-	2,390
Other acquisitions	-	-	-	-	579	579
Currency translation differences	-	(7)	-	-	(43)	(50)
As at December 31, 2021	22,115	3,509	3,521	2,501	2,332	33,978
Additions arising from internal development	-	1,840	-	-	106	1,946
Currency translation differences	-	(171)	-	-	(50)	(222)
As at June 30, 2022	22,115	5,177	3,521	2,501	2,388	35,702
Amortization						
As at January 1, 2021	-	432	107	-	350	889
Reclasses	-	(19)	-	-	19	-
Amortization for the year	-	50	367	177	164	758
Impairment expense	123	21	-	-	-	144
Currency translation differences	-	(10)	-	-	(15)	(25)
As at December 31, 2021	123	474	474	177	518	1,766
Amortization for the period	-	50	259	125	101	535
Currency translation differences	-	(23)	-	-	(24)	(47)
As at June 30, 2022	123	501	733	302	595	2,254
Net book value						
As at December 31, 2021	21,992	3,035	3,047	2,324	1,814	32,212
As at June 30, 2022	21,992	4,676	2,788	2,199	1,793	33,448

11. Property, plant and equipment

	Machinery and equipment	Motor vehicles	Computers and software	Furniture and fixtures	Land and buildings	Total
Cost	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at January 1, 2021	6,779	492	810	132	-	8,213
Additions through business combinations	191	19	24	171	1,675	2,080
Additions	596	67	104	213	14	994
Disposals	(30)	(37)	-	(15)	(68)	(150)
Currency translation differences	(248)	(5)	(24)	(27)	(98)	(402)
As at December 31, 2021	7,288	536	914	474	1,523	10,735
Additions	950	2	74	27	7	1,060
Disposals	(62)	(6)	-	-	-	(68)
Currency translation differences	(394)	(6)	(45)	(30)	(123)	(598)
As at June 30, 2022	7,782	526	943	471	1,407	11,129
Depreciation						
As at January 1, 2021	2,002	242	464	38	-	2,746
Charge for the year	797	118	168	55	117	1,255
Eliminated on disposal	(13)	(26)	-	(7)	-	(46)
Currency translation differences	(63)	(4)	(13)	-	(5)	(85)
As at December 31, 2021	2,723	330	619	86	112	3,870
Charge for the period	380	52	91	57	64	644
Eliminated on disposal	(25)	(3)	-	-	-	(28)
Currency translation differences	(125)	(3)	(32)	(7)	(13)	(179)
As at June 30, 2022	2,953	376	678	136	163	4,306
Net book value						
As at December 31, 2021	4,565	206	295	388	1,411	6,865
As at June 30, 2022	4,829	150	265	335	1,244	6,823

12. Right-of-use assets

	Land and buildings	Motor vehicles	Machinery and equipment	Total
Cost	US\$'000	US\$'000	US\$'000	US\$'000
As at January 1, 2021	3,701	76	41	3,818
Additions through business combinations	1,186	300	150	1,636
Additions	5,147	289	393	5,829
Disposals due to expiry of lease	-	(33)	(9)	(42)
Currency translation differences	(120)	(21)	2	(139)
As at December 31, 2021	9,914	611	577	11,102
Additions	7	102	1,572	1,681
Disposals due to expiry of lease	-	(36)	-	(36)
Modification to lease terms*	(1,199)	-	-	(1,199)
Currency translation differences	(575)	(49)	(51)	(675)
As at June 30, 2022	8,147	628	2,098	10,874
Depreciation				
As at January 1, 2021	1,182	60	12	1,254
Charge for the year	655	89	111	855
Disposals due to expiry of lease	-	(32)	(9)	(41)
Currency translation differences	(34)	(8)	(3)	(45)
As at December 31, 2021	1,803	109	111	2,023
Charge for the period	442	70	64	576
Disposals due to expiry of lease	-	(36)	-	(36)
Modification to lease terms*	(693)	-	-	(693)
Currency translation differences	(82)	(13)	(17)	(111)
As at June 30, 2022	1,470	131	158	1,760
Net book value				
As at December 31, 2021	8,111	502	466	9,079
As at June 30, 2022	6,677	497	1,940	9,114

*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 as follows:

Revaluation	Before revaluation US\$'000	After revaluation	Revaluation US\$'000
Right-of-use assets	1,385	879	(506)
Lease liabilities	(1,453)	(879)	574
Impact on net assets	68	-	68

The impact on net assets was recognized as non-operating income.

Future minimum lease payments associated with these leases were as follows:

	Six months ended June 30, 2022	Year ended December 31, 2021
Lease liabilities	US\$'000	US\$'000
Not later than one year	1,373	1,115
Later than one year and not later than five years	4,796	3,689
Later than five years	3,949	5,525
Total minimum lease payments	10,118	10,329
Less: Future finance charges	(879)	(1,099)
Present value of minimum lease payments	9,239	9,230

	Six months ended June 30, 2022	Year ended December 31, 2021
Lease liabilities	US\$'000	US\$'000
Current liability	1,262	1,054
Non-current liability	7,977	8,176
Present value of minimum lease payments	9,239	9,230

13. Trade receivables

The majority of trade receivables are current, and the Directors believe these receivables are collectible. The Directors consistently assess the collectability of these receivables. As at June 30, 2022, the Directors considered a portion of these receivables uncollectable and recorded a provision in the amount of US\$1.3 million (June 30, 2021: US\$716,000; December 31, 2021: US\$1.5 million).

	As at June 30, 2022	As at December 31, 2021
Trade receivables	US\$'000	US\$'000
Trade receivables	22,784	19,523
Provision for expected credit loss	(1,272)	(1,473)
Total trade receivables	21,512	18,050

14. Share capital and share options

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

	Number of shares	Share capital	Capital reserve	Totals
	No.	US\$'000	US\$'000	US\$'000
Balance as of January 1, 2021	125,891,904	49,559	134,537	184,096
Issue of shares to acquire Chrisal NV	1,101,928	456	2,526	2,982
Issue of shares to acquire RAS AG	1,701,821	710	3,946	4,656
Issue of shares to acquire Life Materials	1,887,883	798	3,182	3,980
Balance as at December 31, 2021	130,583,536	51,523	144,191	195,714
Issue of shares to vendors of Life Materials (a)	347,552	141	471	612
Issue of shares as deferred consideration (b)	3,461,615	1,359	2,921	4,280
Balance as at June 30, 2022	134,392,703	53,023	147,583	200,606

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

During the six-month period ended June 30, 2022, the Company made the following issues of shares:

- a) On February 25, 2022, HeiQ Plc issued 347,552 new ordinary shares of £0.30 each in the Company. These shares were allotted to the vendors of Life Material Technologies Limited to satisfy a closing working capital adjustment in the amount of US\$ 612,000 in connection with the Company's acquisition of Life in June 2021.
- b) On May 12, 2022, HeiQ Plc issued a total of 3,461,615 ordinary shares as part of the deferred consideration paid pursuant to the acquisitions of RAS AG, Regensburg, Germany ("RAS AG") and Life Material Technologies Limited ("LIFE").
 - In relation to the acquisition of RAS AG, the Company made a payment of €2.6 million (approximately US\$2.88 million), based on RAS AG's performance for the year ended December 31, 2021. The deferred consideration was settled entirely through the issue of 2,743,941 ordinary shares in the capital of the Company.
 - In relation to the acquisition of LIFE, the Company made a payment of US\$2.8 million, based on LIFE's financial performance for the year ended December 31, 2021. The deferred consideration was settled equally in cash (US\$1.4 million) and through the issue of 717,674 ordinary shares (US\$1.4 million) in the capital of the Company. The share issue satisfied earnout payments as part of the purchase consideration of US\$640,000 as well as share-based payments made as remuneration of US\$764,000 which were not part of the purchase consideration.

Share-based payment expense

Part of the US\$764,000 remuneration mentioned above had previously been accrued for as deferred consideration in relation to the acquisition of Life Materials AG (year ended December 31, 2021: US\$74,000). An additional expense of US\$71,000 was recognized in the period ended June 30, 2022. The remainder of approximately US\$619,000 is expected to be expensed over the period from July 1, 2023 to June 30, 2026.

Share Option Scheme

The Company has adopted the HeiQ plc Option Scheme.

Under the Option Scheme, awards may be made only to employees and executive directors. The Board will administer the Option Scheme with all decisions relating to awards made to executive directors taken by the Remuneration Committee.

A total of 6,260,000 awards were made under the Option Scheme pursuant to re-admission on December 7, 2020. On October 19, 2021, a total of 2,447,658 share options were issued, with service periods covering January 2022 to December 2024 and an exercise price of £0.903 per share option. On June 15, 2022, a total of 1,472,725 share options were issued, with service periods covering January 2022 to December 2024 and an exercise price of £1.002 per share option.

398,872 options were forfeited during the period ended June 30, 2022 (December 31, 2021: nil). No options were exercised or lapsed during the period ended June 30, 2022. Accordingly, as at June 30, 2022 9,781,511 options remained in place (December 31, 2021: 8,707,658).

The share-based payment expense arising from these share-based payment transactions recognized in the period ended June 30, 2022 was US\$415,000 (year ended December 31, 2021: US\$424,000).

15. Dividends paid by subsidiary

In June 2022, Chrisal NV declared and paid out a dividend in the amount of €470,000 (approximately US\$496,000) of which 49% or US\$243,000 was paid to minority shareholders.

16. Other non-current liabilities

	As at June 30, 2022	As at December 31, 2021
Other non-current liabilities	US\$'000	US\$'000
Defined benefit obligation IAS 19	2,293	2,281
Deferred consideration in relation Chemtex acquisition	-	88
Other	-	250
Total other non-current liabilities	2,293	2,619

17. Borrowings and finance costs

The principal changes in borrowings during the period ended June 30, 2022 were as follows:

- a bank loan taken out in May 2022 which incurs interest at 1.05%. It is repayable by April 2023. As at June 30, 2021, €208,515 (US\$218,000) is outstanding; and
- a bank loan taken out in April 2022 which incurs interest at 2.45%. It is repayable by March 2023. As at June 30, 2022, €408,000 (US\$427,000) is outstanding.

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

	As at June 30, 2022	As at December 31, 2021
Borrowings	US\$'000	US\$'000
Not later than one year	1,503	1,004
Later than one year but less than five years	538	457
After more than five years	130	213
Total borrowings	2,171	1,674

The following table represents the Group's finance costs for each period presented:

	Six months to June 30, 2022	Six months to June 30, 2021	Year ended December 31, 2021
Finance costs	US\$'000	US\$'000	US\$'000
Amortization of deferred finance costs – acquisition costs	-	71	58
Lease finance expense	95	42	145
Interest on borrowings	42	58	108
Bank fees	32	31	55
Loss on foreign currency transactions	368	80	231
Total finance costs	537	282	597

18. Other current liabilities

	As at June 30, 2022	As at December 31, 2021
Other current liabilities	US\$'000	US\$'000
Deferred consideration in relation to acquisitions	92	5,995
Deferred consideration in relation to share-based payments	-	74
Total other current liabilities	92	6,069

As more fully described in Note 14, the Company settled a total of US\$5.5 million of deferred consideration relating to the acquisition of RAS AG and Life Materials by way of cash and share issues. A further US\$187,000 in cash payments related to the Chemtex acquisition in 2017.

The deferred consideration and related financing expense are summarized below:

	As at June 30, 2022	As at December 31, 2021
Deferred consideration	US\$'000	US\$'000
Balance brought forward	6,083	1,116
Additions from acquisitions	-	5,884
Amortization of fair value discount	-	58
Gain on earnout calculation	-	(80)
Consideration settled in cash	(1,587)	(908)
Consideration settled through share issue	(4,132)	-
Foreign exchange revaluation	(272)	13
Deferred consideration carried forward	92	6,083
Current liability	92	5,995
Non-current liability	-	88
Total	92	6,083

19. Notes to the statements of cash flows

Net debt reconciliation:

	Opening balances	New agreements	Modifications	Assumed on acquisition of subsidiaries	Cash movements	Foreign exchange differences	Closing balances
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Six months ended June 30, 2022							
Cash and cash equivalents	14,560	-	-	-	(4,262)	(810)	9,488
Leases	(9,230)	(1,681)	574	-	521	577	(9,239)
Borrowings	(1,674)	(818)	-	-	163	158	(2,171)
Totals	3,656	(2,499)	574	-	(3,578)	(75)	(1,922)
Year ended December 31, 2021							
Cash and cash equivalents	25,695	-	-	-	(10,525)	(610)	14,560
Leases	(2,652)	(5,829)	-	(1,636)	790	97	(9,230)
Borrowings	(1,573)	(472)	-	(579)	803	147	(1,674)
Totals	21,470	(6,301)	(6,301)	(2,215)	(8,932)	(366)	3,656

Reconciliation of cash movements on business combinations:

Consideration payment for acquisition of RAS AG	1,400
Consideration payment for acquisition of Chemtex	187
Consideration payment for acquisitions of businesses	1,587

20. Contingencies and provisions

The Group is, from time to time, involved in claims and legal proceedings.

As at June 30, 2022, there is a potential claim with regards to a customer contract in the amount of up to US\$ 175,000. As at June 30, 2022, no amounts had been accrued related to that matter (31 December, 2021: \$nil).

As disclosed in the annual report for the year ended 2021, the Group was contacted by the United States Environmental Protection Agency ("EPA") in connection with potential alleged violations of the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA") pertaining to alleged mislabelling. As at June 30, 2022, the Company has assessed the claim and made a provision for US\$200,000 (31 December, 2021: \$nil).

21. Related party transactions

In the six months ended June 30, 2022 goods that were in stock as of December 31, 2021 have been sold to a company controlled by a minority shareholder at cost value. However, the minority shareholder is not considered a related party to the Group. The value of the transaction amounts to US\$900,000.

22. Material subsequent events

On July 26, 2022 the Company received an additional cash amount of €2,200,000 (approx. US\$ 2,459,000) from Hugo Boss as capital contribution referred to in Note 4.

On August 9, 2022, the Company issued 164,721 new ordinary shares for a consideration of £173,000 (approximately US\$ 208,000) to satisfy certain share payments due to the Company's Innovation Advisory Board, as well as for consultancy and other services provided by third parties.

23. Ultimate controlling party

As at June 30, 2022, the Company did not have any single identifiable controlling party.

Company information

Directors

Carlo Centonze, Chief Executive Officer
Xaver Hangartner, Chief Financial Officer
Esther Dale-Kolb, non-executive Chairwoman
Karen Brade, non-executive Director
Benjamin Bergo, non-executive Director

Company Secretary

Ross Ainger

Company number

09040064

Registered address

5th Floor, 15 Whitehall
London
SW1A 2DD

Independent auditors

Crowe U.K. LLP
55 Ludgate Hill
London
EC4M 7JW

Financial advisor and joint broker

Arlington Group Asset Management Limited
15 Whitehall
London
SW1A 2DD

Joint broker

Cenkos Securities plc
6 7 8 Tokenhouse Yard
London
EC2R 7AS

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

UNITED KINGDOM (Ultimate parent)

HeiQ plc
1st floor 47/48 Piccadilly
London
W1J 0DT

SWITZERLAND (Operational headquarters)

HeiQ Materials AG
Ruetistrasse 12
8952 Schlieren (Zurich)

AUSTRALIA

HeiQ PTY
c/ Deakin ManuFutures
75 Pidgons Rd
Waurm Ponds VIC 3216

BELGIUM

HeiQ Chrisal NV
Priester Daensstraat 9
3920 Lommel

BRASIL

Avenida Marques de São Vicente, 405
Suite 1605
Barra Funda
Sao Paulo SP
01139-001

GERMANY

HeiQ RAS
Rudolf Vogt Strasse 8-10
93053 Regensburg

GREATER CHINA

HeiQ (China) Material Tech Co., Ltd.
Room 2501
Xuhui Commercial Mansion
No. 168 Yude Road
Shanghai

HeiQ Company Ltd / HX Company Ltd
No. 14 & 16, Ln. 50, Wufu 1st Rd.
Luzhu District
Taoyuan City 33850
Taiwan

JAPAN

Representative Office
NIU Bldg 2F
2-1-17 Nihonbashi
Chuo-ku
Tokyo, 103-0027

PORTUGAL

HeiQ Iberia Unipessoal Lda
Tecmaia
Rua Engº Frederico Ulrich,
nº 2650
4470-605 Maia

SPAIN

HeiQ Medica SL
Plaza de la Estación s/n
29560 Pizarra (Málaga)

THAILAND

HeiQ Life
222 Lumpini Building 2
247 Sarasin Road
Lumpini, Pathumwan
Bangkok 10330

USA

HeiQ ChemTex Inc.
180 Gee Rd NE
Calhoun GA 30701

2725 Armentrout Drive
Concord NC 28025

