



**SECOND QUARTER 2021**



# INTRODUCTION

Circa is a biotech company producing unique and highly valuable biochemicals. Using abundant and renewable biowaste such as sawdust, Circa makes Levoglucosenone (LGO) in its scalable and patented Furacell™ production process. LGO is a biomolecule platform used to produce multiple sustainable biochemicals that can replace toxic fossil-based chemicals widely used today in a wide range of applications; pharmaceuticals, agrochemicals, flavors, fragrances, electronics, batteries, paints, graphene, polymers, and many other applications where bio-based alternatives to current industrial chemicals represent innovative, cost-effective solutions.

The parent company, Circa Group AS, is incorporated in Norway and has its head office in Oslo. The company is listed on Euronext Growth Oslo with the ticker code CIRCA.

## REPORT OF THE BOARD OF DIRECTORS FOR THE SECOND QUARTER OF 2021

### Q2 2021 HIGHLIGHTS

Despite COVID-19 restrictions, the ReSolute™ project continues to progress close to schedule. Negotiations with the site owner continue and initial site work is planned to start end Q3. To minimize impacts of global shipping delays – and provide some pricing flexibility, orders for some large capital equipment will be placed in September / October, 3-4 months earlier than originally planned.

Advanced discussions to convert offtake Letters of Intent into sales agreements for the ReSolute™ production output progressed during the first quarter and into the second quarter. The turmoil in markets related to Covid continues to impact pricing, with large increases seen in many competitors to Cyrene. This has seen offtake discussions slow, as both sides evaluate the commercial implications.

As part of the reorganization of Circa, Circa Sustainable Chemicals UK is sold to Circa Group AS effective 1 June 2021, and a new French Entity, Circa Sustainable Chemicals France SAS (CSC FR), was incorporated in May 2021.

Circa Group AS has appointed Tone Leivestad as CFO. Ms. Leivestad will be based in Oslo and will start on 1 September 2021.

### Profit & Loss

Circa Group is consolidated by using the reversed acquisition method where the historical financial statements are a continuance of CGL. As such, the 2020 income statement is consolidated for CGL only and not comparable to the consolidated income statement for 2021.

The main operational activity for the Group in the quarter has been related to the ReSolute™ plant and organization of the group in Europe.

#### Income

Circa does not expect any significant sales revenue prior to commissioning and start-up of the ReSolute™ plant in the first quarter of 2023. Other revenue in the quarter is related to grant in CSC UK.

#### Expenses

Expenses in the quarter are mainly related to employee expenses and expenses to build and organize the group in Europe.



**Incentive plans**

The group cancelled its previous incentive program and replaced it with a short-term and long-term plan effective first quarter 2021. As the long-term plan has the optionality for both cash- and share based settlement, changes in estimate is expensed with EUR 150 thousand in the quarter.

## Balance Sheet

As of 30 June 2021, Circa had cash and cash equivalents of EUR 49.7 million, total assets of EUR 50.7 million and equity of EUR 43.9 million. Expenses capitalized per 30 June 2021 is EUR 1,059 thousand.

**Investment value**

Effective 9 February 2021, Circa reorganized and established a new ultimate holding company, CGAS. As there were no significant changes in the organization nor ownership structure, the group is consolidated by using the reversed acquisition method where the historical financial statements are a continuance of CGL. As such, the balance sheet is consolidated for CGL only and not comparable to the consolidated balance sheet for 2020. CGAS's acquisition of CGL is not reflected in the consolidated balance sheet as this is not treated as a transaction in accordance with IFRS. As a result, the consolidated balance sheet for 2021 are a continuance of previous book values.

**Grant**

The Group is part of the ReSolute™ consortium, which received the EU Horizon 2020 Flagship grant of EUR 11.6 million. Circa is leading the consortium and will undertake most of the work packages described in the ReSolute™ project, thus the share of the grant allocated towards Circa's work packages is approximately EUR 9.2 million. Prepayment of 45% of the grant was received in 2020 partly to compensate for expenditures capitalized to date for the ReSolute™ project.

## Cashflow

**From financing**

During the quarter the company has received proceeds from issuance of shares related to completion of the stabilization period and exercise of warrants, in total EUR 2.5 million. See note 10.

## OUTLOOK

### **ReSolute™ project**

The project in Eastern France continues to move forward and start-up of production remains planned for first quarter of 2023. While initial quotes for equipment have been impacted by raw material and shipping price increases, a range of measures have been implemented to minimize these effects.

### **Research and development**

Circa has completed a study into a range of product development options in the short and medium term. Four opportunities have been agreed to take to the next phase to assess and optimize commercial production pathways.

### **Sales agreements**

Discussions remain positive with all partners – and further interest continues to develop from external parties. Chemical pricing volatility, as mentioned, remains a concern and there is hesitancy to commit to large volume offtakes by suppliers, and purchasers remain concerned about pricing levels. The level of enquiries for Cyrene remains strong.

Circa is also taking a proactive step to engage with a limited number of global brand owners where we see synergies between our product offering and companies ESG targets. For example, the potential opportunity to develop new polymers for coatings, or replace toxic solvents in the manufacture of polymers in clothing and footwear. Initial feedback is positive – and this work is leading to medium term projects which will deliver scale opportunities both for Cyrene and Levoglucosenone derivatives.

### **Future plants**

Discussions continue with three potential partners who have proposed sites in three separate countries. This process will continue over the next 6 months

Oslo, 25 August 2021

The Board of Directors of Circa Group AS

# INTERIM FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

| (EUR)  | Notes | Q2 2021           | Q1 2021           | Q2 2020           | YTD 2021          | YTD 2020          |
|--|-------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Product sales  |       | 11 835            | 1 334             | 16 423            | 13 169            | 17 461            |
| Other revenue  | 5     | 31 049            | 4 066             | 78 113            | 35 115            | 492 013           |
| <b>Total revenue</b>                                   |       | <b>42 884</b>     | <b>5 400</b>      | <b>94 537</b>     | <b>48 284</b>     | <b>509 474</b>    |
| Cost of sales  |       | 75 014            | 63 355            | 95 830            | 138 369           | 180 063           |
| Employee benefit expenses                              | 4     | 601 844           | 1 643 870         | 172 510           | 2 245 714         | 277 769           |
| Other operating expenses                               |       | 802 622           | 1 535 643         | 2 788 910         | 2 338 266         | 3 299 285         |
| <b>Total operating expenses</b>                        |       | <b>1 479 480</b>  | <b>3 242 869</b>  | <b>3 057 251</b>  | <b>4 722 349</b>  | <b>3 757 118</b>  |
| <b>Operating result</b>                                |       | <b>-1 436 596</b> | <b>-3 237 469</b> | <b>-2 962 714</b> | <b>-4 674 065</b> | <b>-3 247 644</b> |
| <b>Net financial income/ expenses</b>                  |       | <b>-114 954</b>   | <b>-206 817</b>   | <b>-1 522</b>     | <b>-321 771</b>   | <b>-4 706</b>     |
| <b>Net profit/ loss before tax</b>                     |       | <b>-1 551 550</b> | <b>-3 444 286</b> | <b>-2 964 237</b> | <b>-4 995 836</b> | <b>-3 252 350</b> |
| <b>Tax expenses</b>                                    |       | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>          |
| <b>Net profit/ loss</b>                                |       | <b>-1 551 550</b> | <b>-3 444 286</b> | <b>-2 964 237</b> | <b>-4 995 836</b> | <b>-3 252 350</b> |
| <b>Other comprehensive income:</b>                     |       |                   |                   |                   |                   |                   |
| Foreign exchange gains/(losses)                        |       | 22 707            | -21 511           | 0                 | 1 196             | 0                 |
| <b>Total comprehensive profit/ loss for the period</b> |       | <b>-1 528 843</b> | <b>-3 465 797</b> | <b>-2 964 237</b> | <b>-4 994 640</b> | <b>-3 252 350</b> |

# CONSOLIDATED BALANCE SHEET

| (EUR)                                | Notes  | 30.06.2021        | 31.03.2021        | 31.12.2020       | 30.06.2020        |
|--------------------------------------|--------|-------------------|-------------------|------------------|-------------------|
| <b>ASSETS</b>                        |        |                   |                   |                  |                   |
| Tangible assets                      | 5,6    | 571 281           | 264 029           | 55 219           | 2 439             |
| <b>Total non-current assets</b>      |        | <b>571 281</b>    | <b>264 028</b>    | <b>55 219</b>    | <b>2 439</b>      |
| Inventory                            |        | 33 748            | 24 230            | 50 217           | 25 008            |
| Short term receivables               |        | 408 500           | 91 313            | 1 689 749        | 146 513           |
| Cash and cash equivalent             | 5,8    | 49 717 972        | 49 265 086        | 4 779 478        | 183 161           |
| <b>Total current assets</b>          |        | <b>50 160 220</b> | <b>49 380 628</b> | <b>6 519 444</b> | <b>354 682</b>    |
| <b>Total assets</b>                  |        | <b>50 731 501</b> | <b>49 644 656</b> | <b>6 574 664</b> | <b>357 121</b>    |
| <b>EQUITY</b>                        |        |                   |                   |                  |                   |
| Issued and paid in equity            |        | 56 808 253        | 54 247 412        | 7 142 044        | 15 126 705        |
| Other equity                         |        | -12 882 966       | -11 571 836       | -7 489 767       | -15 581 245       |
| Non-controlling interests            |        | 0                 | 0                 | 0                | -1 035 603        |
| <b>Total equity</b>                  | 7,8,10 | <b>43 925 288</b> | <b>42 675 576</b> | <b>-347 723</b>  | <b>-1 490 143</b> |
| <b>LIABILITIES</b>                   |        |                   |                   |                  |                   |
| Employee benefits                    | 4      | 550 482           | 419 044           | 0                | 0                 |
| Other non-current liabilities        |        | 0                 | 0                 | 1 945 224        | 1 682 917         |
| <b>Total non-current liabilities</b> |        | <b>550 482</b>    | <b>419 044</b>    | <b>1 945 224</b> | <b>1 682 917</b>  |
| Employees and related                |        | 989 966           | 1 030 899         | 32 615           | 0                 |
| Trade and other payables             |        | 803 112           | 652 344           | 247 891          | 35 792            |
| Public duties and related            |        | 47 754            | 32 579            | -29 670          | 0                 |
| Other current liabilities            | 5      | 4 414 900         | 4 834 214         | 4 726 326        | 128 555           |
| <b>Total current liabilities</b>     |        | <b>6 255 732</b>  | <b>6 550 036</b>  | <b>4 977 162</b> | <b>164 347</b>    |
| <b>Total liabilities</b>             |        | <b>6 806 213</b>  | <b>6 969 080</b>  | <b>6 922 386</b> | <b>1 847 264</b>  |
| <b>Total equity and liabilities</b>  |        | <b>50 731 501</b> | <b>49 644 656</b> | <b>6 574 664</b> | <b>357 121</b>    |

Oslo, 25 August 2021

The Board of Directors of Circa Group AS

## CONSOLIDATED STATEMENT OF CASH FLOWS

| (EUR)  | Notes | Q2 2021           | Q1 2021           | Q2 2020           | YTD 2021          | YTD 2020          |
|--|-------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash receipts from operating activities          |       | -1 475 138        | 1 770 533         | -2 782 706        | 295 395           | -2 749 253        |
| Cash payments from operating activities          |       | -1 918 212        | -3 391 989        | -2 874 799        | -5 054 562        | -3 227 099        |
| <b>Cash flows from operating activities</b>      |       | <b>-1 415 976</b> | <b>-1 621 456</b> | <b>-2 819 320</b> | <b>-3 037 431</b> | <b>-3 138 167</b> |
| Payment for property, plant and equipment        | 6     | -573 116          | -353 941          | 0                 | -927 057          | -458              |
| Other cash items from investing activities       |       | 0                 | 678 027           | 0                 | 678 027           | 12 403            |
| <b>Cash flows from investing activities</b>      |       | <b>-573 116</b>   | <b>324 086</b>    | <b>0</b>          | <b>-249 030</b>   | <b>11 946</b>     |
| Proceeds from issuance of share capital          | 8     | 2 569 023         | 45 455 282        | 2 851 046         | 48 024 305        | 3 864 597         |
| Net proceeds from borrowings and net interests   |       | -39 756           | -12 456           | 0                 | -52 212           | -1 014 128        |
| <b>Cash flows from financing activities</b>      |       | <b>2 529 267</b>  | <b>45 442 826</b> | <b>2 851 046</b>  | <b>47 972 093</b> | <b>2 850 469</b>  |
| <b>Net cash increase/decrease for the period</b> |       | <b>540 175</b>    | <b>44 145 456</b> | <b>31 726</b>     | <b>44 685 632</b> | <b>-275 753</b>   |
| <b>Cash at beginning of period</b>               |       | <b>49 265 086</b> | <b>5 399 474</b>  | <b>164 806</b>    | <b>5 399 474</b>  | <b>473 826</b>    |
| Net change in cash for period                    |       | 540 175           | 44 145 456        | 31 726            | 44 685 632        | -275 753          |
| Foreign exchange cash                            |       | -87 289           | -279 845          | -13 371           | -367 134          | -14 912           |
| <b>Cash at end of period</b>                     |       | <b>49 717 972</b> | <b>49 265 086</b> | <b>183 161</b>    | <b>49 717 972</b> | <b>183 161</b>    |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (EUR)   | Notes | Share capital     | Share capital not registered | Premium           | OCI           | Retained earnings  | Total             |
|---|-------|-------------------|------------------------------|-------------------|---------------|--------------------|-------------------|
| <b>Balance 1 January 2021</b>                         |       | <b>7 382 091</b>  | <b>0</b>                     | <b>0</b>          | <b>0</b>      | <b>-7 722 462</b>  | <b>-340 372</b>   |
| Reverse takeover                                      |       | 1 339 826         | 0                            | 142 975           | 0             | 0                  | 1 482 801         |
| Issuance of share capital                             |       | 3 065 449         | 83 295                       | 44 875 561        | 0             | 0                  | 48 024 305        |
| Purchase own shares                                   |       | -32 489           | 0                            | -47 532           | 0             | 0                  | -80 021           |
| Result of period, incl. P&L effects reversed takeover |       | 0                 | 0                            | 0                 | 0             | -5 184 128         | -5 184 128        |
| Other comprehensive income                            |       | 0                 | 0                            | 0                 | 22 707        | 0                  | 22 707            |
| <b>Balance 30 June 2021</b>                           | 8,10  | <b>11 754 876</b> | <b>83 295</b>                | <b>44 971 005</b> | <b>22 707</b> | <b>-12 906 590</b> | <b>43 925 292</b> |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. General information

Effective 9 February 2021, Circa Group reorganized and established a new holding company, Circa Group AS (CGAS). The previous ultimate holding company was Circa Group Ltd. (CGL). The substance of the reorganization being that the ultimate holding company, CGAS, acquired the existing group, CGL. As there were no significant changes in management or ownership this is under IFRS accounted for as a reorganization and not a transaction. As a result, besides the share capital, the historical consolidated financial figures and financial statements are a continuance of CGL.

The fiscal year for CGL is 12 months ending 30 June. The most recent audited financial statement for CGL is per 30 June 2020. The consolidated financial statements have been prepared in accordance with Australian GAAP which are (as disclosed in the consolidated financial statements of CGL per 30 June 2020) in accordance with IFRS, and therefore the transformation to IFRS have no impact.

### 1.1 Currency

The presentation currency for Circa group is euro (EUR).

The applied average (un-weighted monthly) foreign exchange rates per quarter and the closing exchange rate at month ends for the most important currencies for the group:

|     | Q2 21 | Q1 21 | 30.06.2021 | 31.03.21 | 31.12.20 |
|-----|-------|-------|------------|----------|----------|
| AUD | 0.63  | 0.64  | 0.63       | 0.65     | 0.63     |
| GBP | 1.16  | 1.14  | 1.17       | 1.17     | 1.11     |
| NOK | 10.18 | 10.26 | 10.17      | 10.00    | 10.47    |

## 2. Accounting policies

The interim financial statements of Circa Group have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the CGL consolidated financial statements 30 June 2020. The interim financial statements are unaudited.

The accounting policies applied in the preparation of the interim financial statements are consistent with those applied in the preparation of the CGL annual financial statements for 30 June 2020.

## 3. Estimates, judgements, and assumptions

Preparation of interim financial statements in accordance with IFRS implies use of estimates, which are based on judgements and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, revenues, and expenses. Actual amounts might differ from such estimates.

## 4. Long term incentive plan

CGL cancelled its previous incentive program and CGAS replaced it with a new plan effective as of 1 March 2021. Key members of the management and selected new hires and other key resources has been granted synthetic options equivalent of 3 400 000 shares with a strike price equal to that of the private placement price, i.e. NOK 16.75 per share. The options vests upon commissioning of the ReSolute™ plant and expires three years after the listing on the Euronext Growth Oslo, i.e., 2 March 2024.



## 5. Government Grant

Circa Group receives government grants, and the accounting policy adopted varies for the different types of grants. For grants received directly relating to capitalized expenditures, Circa recognizes the grant amount using the capital approach. Grants are recognized on a systematic basis over the periods in which the related expenses are recognized, and the presentation method chosen is to deduct the grant in the carrying amount of the asset. For grants received relating to compensation for expenses incurred during the current period, the grant is recognized through the income statement in the period where the expenses are incurred and presented net to the eligible expenses. For grants received to compensate for expenses in prior periods, the grant is recognized in income statement in the period where it becomes a receivable and presented as other income. Prepaid grants are recognized as liabilities.

Per 30 June 2021, Circa has received grants both relating to capitalized expenses and to compensate for expenses in prior periods. Circa has also received a prepayment for the Horizon 2020 Flagship grant to partly cover capital expenditures of constructing the ReSolute™ plant.

## 6. Tangible assets

Circa has started to capitalize expenses relating to the Resolute™ plant:

| (EUR)                       | Capitalized expenses | Grant received* | <b>Total ReSolute</b> | Net other PPE | <b>Total tangible assets</b> |
|-----------------------------|----------------------|-----------------|-----------------------|---------------|------------------------------|
| Balance 30 June 2020        | 0                    | 0               | <b>0</b>              | 2 439         | <b>2 439</b>                 |
| Transactions during period  | 119 505              | -66 727         | <b>52 778</b>         |               |                              |
| Balance 1 January 2021      | 119 505              | -66 727         | <b>52 778</b>         | 2 441         | <b>55 219</b>                |
| Transactions during period  | 366 574              | -157 841        | <b>52 778</b>         |               |                              |
| Balance 31 March 2021       | 486 079              | -224 568        | <b>261 511</b>        | 2 518         | <b>264 029</b>               |
| Transactions during period  | 573 116              | -264 780        | <b>308 336</b>        |               |                              |
| <b>Balance 30 June 2021</b> | <b>1 059 195</b>     | <b>-489 348</b> | <b>569 847</b>        | <b>1 434</b>  | <b>571 281</b>               |

\*The Resolute grant funds 46,2% of eligible costs

## 7. Principal shareholders

| Shareholder                      | Number of shares   | Ownership %   |
|----------------------------------|--------------------|---------------|
| CIRCA GROUP AS                   | 34 581 380         | 28,41         |
| NORSKE SKOG ASA                  | 31 654 274         | 26,01         |
| Saxo Bank A/S                    | 17 748 917         | 14,58         |
| LAWRENCE                         | 6 156 060          | 5,06          |
| BNP PARIBAS SECURITIES SERVICES  | 3 711 238          | 3,05          |
| J.P. Morgan Bank Luxembourg S.A. | 2 199 848          | 1,81          |
| VERDIPAPIRFONDET DELPHI NORDIC   | 1 946 866          | 1,60          |
| J.P. Morgan Bank Luxembourg S.A. | 1 751 298          | 1,44          |
| KLAVENESS MARINE FINANCE AS      | 1 396 860          | 1,15          |
| VERDIPAPIRFONDET FIRST GENERATOR | 1 357 996          | 1,12          |
| FJARDE AP-FONDEN                 | 1 349 488          | 1,11          |
| VERDIPAPIRFONDET DELPHI NORGE    | 754 942            | 0,62          |
| J.P. Morgan Bank Luxembourg S.A. | 700 000            | 0,58          |
| PERSHING LLC                     | 651 096            | 0,53          |
| State Street Bank and Trust Comp | 650 641            | 0,53          |
| NORDNET LIVSFORSIKRING AS        | 501 803            | 0,41          |
| Skandinaviska Enskilda Banken AB | 500 000            | 0,41          |
| FORTE TRØNDER                    | 500 000            | 0,41          |
| ENZIAN AS                        | 488 000            | 0,40          |
| BNP Paribas Securities Services  | 441 750            | 0,36          |
| Other shareholders               | 12 670 652         | 10,41         |
| <b>Total</b>                     | <b>121 713 109</b> | <b>100,00</b> |

The data is extracted from VPS 18 August 2021, showing shareholders per 18 August 2021. Whilst every reasonable effort is made to verify all data, VPS cannot guarantee the accuracy of the analysis.

In the Euronext VPS registry, Circa Group AS is registered as the holder of 34 581 380 shares, of which 333 340 shares are owned and held in treasury by Circa Group AS. The remaining 34 248 040 shares are temporarily held by Circa Group AS on behalf of shareholders awaiting settlement to nominee or individual accounts. Please note that the majority of these shares are subject to lock-up arrangements entered into as part of the listing on Euronext Growth Oslo on 2 March 2021

## 8. Equity

Effective 9 February 2021, Circa Group reorganized and established a new holding company, CGAS. The previous top holding company was CGL. The substance of the reorganization being that the ultimate holding company, CGAS, acquired the existing group, CGL. As there were no significant changes in management or ownership this is under IFRS accounted for as a reorganization and not a transaction. As a result, besides the share capital, the historical consolidated financial figures and financial statements are a continuance of CGL.

The beginning balances of the consolidated Balance Sheet and the consolidated Statement of Changes in Equity reflect the consolidated equity in CGL. At the reorganization date (9 February), the share capital of CGAS was EUR 8 721 916 (*NOK 89 562 580*).

The functional currency date is the transaction date, however equity issuances are executed and registered in the public company registration at a fixed NOK amount, indicated in *italic* below.

At 14 April 2021, as a result of the Greenshoe option, the share capital in Circa Group AS was increased by EUR 144 705 (*NOK 1 449 369*), from EUR 11 642 660 (*NOK 119 412 580*) to EUR 11 787 365 (*NOK 120 861 949*) by issuing 1 449 369 new shares, each with nominal value of NOK 1. The subscription price was EUR 1.67 (*NOK 16.75*) per share and total subscription was EUR 2 423 815 (*NOK 24 276 931*). The total Greenshoe option was 4 450 000.

Related to the listing process, the stabilization period resulted in a gain booked to equity. The gain was EUR 61 913 (*NOK 620 117*).

At the Company's extraordinary general meeting on 9 February 2021, it was resolved to issue 2 251 160 warrants. 1 851 160 of the warrants were issued to, and subscribed by, Tony Duncan (CEO). On 25 June 2021 851,160 of the warrants were exercised. The Company's share capital increased by NOK 851 160 by issue of 851 160 new shares, each with a nominal value of NOK 1.

## 9. Related parties

Norske Skog is one of the world's largest producers of publication papers, with headquarters in Oslo, Norway. Norske Skog is the largest shareholder in Circa Group and holds approximately 26.2% of the share capital in Circa Group AS. Norske Skog is engaged to deliver certain management and administrative services to the Group for the remainder of 2021. The fee for such services is based on arms' length principle.

## 10. Events after the balance sheet date

The issuance of shares related to exercise of warrants, see note 8 above, was registered in the Norwegian business register on 16 July 2021.