

First Quarter 2022

Circa Group AS

Changing chemistry for good™



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, flavours, fragrances, electronics, batteries, paints, graphene, polymers, and many other applications where bio-based alternatives to current industrial chemicals represent innovative, cost-effective solutions. Cyrene™ - Circa's first commercial product – is a solvent gaining considerable interest in a >1,000,000 tonne market as a safer, high performing replacement for toxic, petro-based products.

The parent company, Circa Group AS (CGAS), 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 First Quarter of 2022

Q1 2022 Highlights

ReSolute™ development work progressed well. Considerable work with suppliers was undertaken during the quarter. The main focus of this was both optimisation in areas such as distillation, as well as working potential vendors trialling a range of feedstocks and process conditions which will be relevant to the Carling site. At the same time, Circa is working on activities to address the capex increase such as internal reallocation of funds, exploring further grant opportunities and vendor financing to ensure that the ReSolute™ project remains well capitalised.

We have been very pleased with the response and support of the local governments in the region to the project, with funding secured as well as offers of non-financial support for the project. Further grant opportunities are being discussed with the French Government, and early Q122 it was announced that Circa Group has been awarded EUR 8.2 million from the French government for the development of the ReSolute™ plant in Eastern France as part of the 'France Relance' programme.

Circa Group announced increased prices for LGO by 25%, and the Cyrene™ product portfolio in all markets by 15%, effective 1 March 2022, or as contracts allow. Several factors drive the increases, including rising costs for most inputs and growing customer demand for supply. Market support continues to grow with discussions on sales contracts underway with two European distributors. We've also seen a continuing growth in papers published on Cyrene™ and LGO chemistry and applications.

Profit & loss

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

Q1 2022 proceeds on the expected run rate. Grant income as well as decrease of the long-term incentive plan estimate are both impacting the quarterly result positively.

Income

Circa does not expect any significant sales revenue prior to commissioning and start-up of the ReSolute™ plant in the third quarter of 2023.

In Q1 2022, grant income has been included as other revenue relating to compensation for expenses incurred during the current period and presented net to the eligible expenses.

Expenses

Expenses in the quarter are mainly related to expenses to establish and develop the group in Europe, and preparatory cost for the industrial site in France.

Compared to the same quarter last year, the significant reduction in expenses is related to the IPO cost in the first quarter 2021.

Incentive plans

The group cancelled its previous incentive program and replaced it with a short-term and long-term plan effective first quarter 2021. A slight decrease in the fair value assessment for the long-term incentive plan is reflected in the first quarter. Other employee expenses are in accordance with plan.

Balance sheet

As of 31 March 2022, Circa had cash and cash equivalents of EUR 42.2 million, total assets of EUR 45.7 million and equity of EUR 40.6 million. Expenses capitalized per 31 March 2022 is EUR 2.8 million.

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.

Cash flow

Cash outflow during the period is related to operating activities, including preparatory cost for the future premises in France and capitalized expenses for ReSolute™.

Net cash flow from operating activities was EUR -1.4 million in the first quarter. The Group's capital investments in the first quarter amount to EUR 0.6 million, which is related to ReSolute™.

Outlook

ReSolute™ project

Contracts with major plant vendors are currently progressing as planned and will be finalized by end of Q3. The permitting dossier will also be finalised and submitted to the authorities before end of Q3.

Basic engineering design is due to be completed in May, and the next stage of the construction process will be initiated at this stage. A tender process for the EPC contractors has been completed and an announcement will be made shortly.

Valmet partnership agreement and future plants

Circa and Valmet have signed a Heads of Agreement to realise and optimise the Furacell™ production process at scale through the ReSolute project and future large-scale plants. Valmet will be the main process technology and equipment supplier, and actively contribute to accelerating the development of Circa's large-scale production plants. The cooperation considerably strengthens Circa's ability to build and deliver its plan to become a large-scale producer of sustainable biochemicals.

The parties have agreed to establish a joint FC6 engineering and development team that will commence the engineering and development work required to build an FC6 commercial scale plant based on the Furacell™ process with Valmet pyrolyser technology and bioenergy generation technology. The FC6 development work is to commence in Q4 of 2022 after the ReSolute equipment delivery package detailed engineering design work has been completed and taken forward to the supply and erection phase

(expected in Q3 2022). Initial work will involve a full risk assessment of scale up and identification of possible new technologies (e.g. fractionation, accessing waste stream chemicals).

Research & Development

The internal R&D group has progressed the key identified derivatisation pathways and we are currently waiting on final verification of preferred manufacturing pathways for a key flavour opportunity. The Circa Renewable Chemistry Institute (CRCI) at the University of York has been agreed with the University and we are currently in final negotiations. The intention of CRCI is primarily focused on solvents and solvent applications. Circa will use this facility to support customer process related queries and opportunities.

War in Ukraine

Circa has no direct exposure to Ukraine or Russia, no link to any suppliers or potential suppliers of goods and services and no sales. However, there will probably be indirect impact on stainless steel pricing and freight costs (fuel pricing). Circa is also exposed to some degree on energy pricing, however at this stage it is not a major factor with regard to Circa cash flow. It remains too early to say what impact there might be on supply chains for the ReSolute™ project, particularly long lead time items, and the situation is closely monitored.

People & Organization

Philipp Morgenthaler commenced as Global Head of Manufacturing on 1 May 2022. The process to hire a Head of Commercial will be initiated in end Q2.

The corporate office in Oslo opened 1 May 2022, and a new team supporting the CFO within finance and legal are all starting up in their positions during Q2.

Oslo, 23 May 2022

The Board of Directors of Circa Group AS

Interim financial statements

Consolidated income statement and statement of comprehensive income

(EUR)	Notes	Q1 2022	Q1 2021	YTD 2022	YTD 2021
Product sales		22 256	1 334	22 256	1 334
Other revenue	5	105 773	4 066	105 773	4 066
Total revenue		128 029	5 400	128 029	5 400
Cost of sales		46 461	63 355	46 461	63 355
Depreciaton		2 603	0	2 603	0
Employee benefit expenses	4	476 142	1 643 870	476 142	1 643 870
Other operating expenses		894 734	1 535 643	894 734	1 535 643
Total operating expenses		1 419 940	3 242 868	1 419 940	3 242 868
Operating result		-1 291 911	-3 237 468	-1 291 911	-3 237 468
Interest income		4 725	446	4 725	446
Other financial income		288 357	78 724	288 357	78 724
Total finance income		293 082	79 170	293 082	79 170
Interest expenses		31 071	12 900	31 071	12 900
Other financial expenses	1.1	24 368	273 087	24 368	273 087
Total finance expenses		55 439	285 987	55 439	285 987
Net financial income/ expenses		237 643	-206 817	237 643	-206 817
Net profit/ loss before tax		-1 054 268	-3 444 284	-1 054 268	-3 444 284
Tax expenses		0	0	0	0
Net profit/ loss		-1 054 268	-3 444 284	-1 054 268	-3 444 284
Other comprehensive income:					
Foreign exchange gains/(losses)		-160 409	-21 511	-160 409	-21 511
Total comprehensive profit/ loss for the period		-1 214 677	-3 465 795	-1 214 677	-3 465 795

Consolidated balance sheet

(EUR)	Notes	31.03.2022	31.03.2021	31.12.2021
ASSETS				
Intangible assets		35 802	0	0
Tangible assets	5,6	1 840 688	264 029	1 244 589
Total non-current assets		1 876 490	264 029	1 244 589
Inventory		0	24 230	0
Short term receivables		1 583 967	91 313	1 600 307
Cash and cash equivalent	5,8	42 237 587	49 265 086	44 422 071
Total current assets		43 821 554	49 380 629	46 022 378
Total assets		45 698 044	49 644 656	47 266 967
EQUITY				
Issued and paid in equity		56 809 130	54 240 107	56 809 130
Other equity		-16 210 721	-11 564 532	-15 067 139
Total equity	7,8,10	40 598 409	42 675 575	41 741 991
LIABILITIES				
Employee benefits	4	185 440	419 044	263 288
Other non-current liabilities		12 151	0	11 539
Total non-current liabilities		197 591	419 044	274 827
Employees and related		224 880	1 030 897	541 374
Trade and other payables		376 410	652 344	706 260
Public duties and related		0	32 579	0
Other current liabilities	5	4 300 754	4 834 216	4 002 515
Total current liabilities		4 902 044	6 550 036	5 250 149
Total liabilities		5 099 635	6 969 080	5 524 976
Total equity and liabilities		45 698 044	49 644 656	47 266 967

Oslo, 23 May 2022
The Board of Directors of Circa Group AS

Consolidated statement of cash flows

(EUR)	Notes	Q1 2022	Q1 2021	31.12.2021
Cash receipts from operating activities		-1 027 922	1 741 424	1 018 233
Cash payments from operating activities		-406 398	-3 391 989	-7 976 624
Cash flows from operating activities		-1 434 320	-1 650 565	-6 958 391
Proceeds from sale of property, plant and equipment				
Payment for property, plant and equipment	6	-631 901	0	-2 172 369
Other cash items from investing activities		0	324 086	678 027
Cash flows from investing activities		-631 901	324 086	-1 494 342
Proceeds from issuance of share capital	8	0	45 484 391	48 024 305
Proceeds from Grants		0	0	38 878
Net proceeds from borrowings and net interests		-26 346	-12 456	-121 836
Cash flows from financing activities		-26 346	45 471 935	47 941 347
Net cash increase/decrease for the period		-2 092 567	44 145 456	39 488 614
Cash at beginning of period		44 422 071	5 399 474	5 399 474
Net change in cash for period		-2 092 567	44 145 457	39 488 614
Foreign exchange cash		-91 917	-279 845	-466 016
Cash at end of period		42 237 587	49 265 086	44 422 071

Consolidated statement of changes in equity

(EUR)	Notes	Share capital	Premium	OCI	Retained earnings	Total
Balance 1 January 2022		11,838,171	44,970,960	-71,095	-14,996,044	41,741,991
Issuances		0	0	0	0	0
Result of period, incl. P&L effects				0		
reversed takeover		0	0		-1,054,268	-1,054,268
Effects from reversed takeover		0	0	0	0	0
Effects from earlier periods		0	0	0	0	0
Other comprehensive income		0	0	-89,314	0	-89,314
Balance 31 March 2022	8,10	11,838,171	44,970,960	-160,409	-16,050,312	40,598,409

Notes to the condensed consolidated interim financial statements

1. General information

Effective 9 February 2021, Circa Group reorganized and established a new holding company, CGAS. The previous ultimate 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 consolidated financial statements have been prepared in accordance with IFRS.

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:

	Q1 22	Q1 21	31/12/2021
AUD	0.67	0.65	0.64
GBP	1.18	1.17	1.19
NOK	9.71	10.00	9.99

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 CGAS consolidated financial statements 31 December 2021. 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 CGAS annual financial statements for 31 December 2021.

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 3,900,000 shares with a strike price equal to that of the private placement price, i.e. NOK 16.75 per share. For new employees the strike price is calculated based on a 7-day average preceding the employee starting date. The options vests upon commissioning of the ReSolute™ plant and expires on 1 April 2025.

5. Government Grants

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 31 March 2022, Circa has received grants both relating to capitalized expenses and to expenses in current period. Grant received relating to expenses in current period is presented as other income. 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*	<i>Total ReSolute</i>	Net other PPE	Total tangible assets
Balance 30 June 2020	0	0	0	2,439	2,439
Transactions during period	117,482	-66,727	50,755		
Balance 1 January 2021	117,482	-66,727	50,755	2,441	53,196
Transactions during period	368,597	-157,841	210,756		
Balance 31 March 2021	486,079	-224,568	261,511	2,518	264,029
Transactions during period	573,116	-264,780	308,336		
Balance 30 June 2021	1,059,195	-489,348	569,847	1,416	571,263
Transactions during period	564,499	-260,798	303,700		
Balance 30 September 2021	1,623,694	-750,147	873,547	1,416	874,964
Transactions during period	593,424	-311,188	282,236	87,389	
Balance 31 December 2021	2,217,118	-1,061,335	1,155,783	88,805	1,244,589
Transactions during period	619,106	-17,245	601,861	-5,762	
Balance 31 March 2022	2,836,224	-1,078,580	1,757,644	83,043	1,840,688

*The Resolute grant funds 47,87% of eligible costs.

7. Principal shareholders

Shareholder	Number of shares	Ownership %	Account Type
NORSKE SKOG ASA	31,654,274	26.01	
Saxo Bank A/S	30,753,747	25.27	NOM
CIRCA GROUP AS	16,804,720	13.81	
LAWRENCE	4,556,060	3.74	
J.P. Morgan SE	2,155,137	1.77	NOM
VERDIPAPIRFONDET DELPHI NORDIC	2,133,762	1.75	
VERDIPAPIRFONDET FIRST GENERATOR	2,112,411	1.74	
BNP Paribas Securities Services	1,906,639	1.57	NOM
Pershing LLC	1,703,715	1.40	NOM
NORDNET LIVSFORSIKRING AS	1,196,349	0.98	
State Street Bank and Trust Comp	1,107,175	0.91	NOM
KLAVENESS MARINE FINANCE AS	1,026,479	0.84	
FJARDE AP-FONDEN	1,000,000	0.82	
MANIFEX PTY LTD	999,000	0.82	
Citibank, N.A.	911,000	0.75	NOM
HAWKFISH AS	668,126	0.55	
SVANDAL	611,000	0.50	
JOMANI AS	541,995	0.45	
Skandinaviska Enskilda Banken AB	500,000	0.41	NOM
ENZIAN AS	500,000	0.41	
Other shareholders	18,871,520	15.50	
Total	121,713,109	100.00	

The data is extracted from VPS 23 May 2022. 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 16,804,720 shares, of which 333,340 shares are owned and held in treasury by Circa Group AS. The remaining 16,471,380 shares are temporarily held by Circa Group AS on behalf of shareholders awaiting settlement to nominee or individual accounts. The majority of investors that have transferred shares into individual holding accounts have used a nominee account provided by Saxo Bank.

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.

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.

9. Related parties

Norske Skog is the largest shareholder in Circa Group and holds approximately 26.01% of the share capital in Circa Group AS and is represented on the Board of Directors.

10. Subsequent events after the balance sheet date

Circa and Valmet have signed a Heads of Agreement to realise and optimise the Furacell™ production process at scale through the ReSolute project and future large-scale plants. Valmet will be the main process technology and equipment supplier, and actively contribute to accelerating the development of Circa's large-scale production plants.