

# Second 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 non-food biomass 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 Second Quarter of 2022

### Q2 2022 Highlights

Circa and Valmet 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.

Commercialisation activities continued to expand with ongoing developmental work related to textile recycling, batteries and use of Cyrene™ in graphene, carbon nanotube and other carbon related industrial processes. Negotiations with distributors are moving forward – and progress is pleasing given the considerable disruption in the market. Cyrene™'s petro-based competitors continue to be sold at increases of between 2-3 times the levels of 18 months ago, delivering a significant reduction on the premium gap based on earlier investor advice for Cyrene™ pricing.

The Circa Renewable Chemistry Institute (CRCI) at the University of York has been agreed with the University. 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.

Philipp Morgenthaler commenced as Global Head of Manufacturing on 1 May 2022. The corporate office in Oslo opened 1 May 2022, and a new team supporting the CFO within finance and legal started up in their positions during Q2.

### 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.

Q2 2022 proceeds on the expected run rate. Grant income is impacting the quarterly result positively, whereas increase in the long-term incentive plan estimate is a non-cash item increasing employee benefit expenses in the quarter.

#### Income

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

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

### 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.

### Incentive plans

A slight increase in the fair value assessment for the long-term incentive plan is reflected in the second quarter. This has no cash-effect. Other employee expenses are in accordance with plan.

## Balance sheet

As of 30 June 2022, Circa had cash and cash equivalents of EUR 40.7 million, total assets of EUR 43.4 million and equity of EUR 38.6 million. Expenses capitalized per 30 June 2022 is EUR 3.2 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 -1.7 million in the second quarter. The Group's capital investments are EUR 0.3 million and grant received EUR 0.4 million in the second quarter, with net cash flow of EUR 0,1 million. This is related to ReSolute™. High grant received in Q222 is related to eligible expenses in the previous quarter, as grant conditions were not received by Q122.

## Outlook

### ReSolute™ project

Contracts with major plant vendors are currently progressing as planned and will be finalized by end of Q322. Basic engineering design was completed in Q222, and the next stage of the build will be initiated during Q322. Valmet equipment delivery contract negotiations have started, as well as final negotiations with vendors for distillation and hydrogenation equipment.

Site permitting documentation will be submitted to the authorities before end of Q422.

### Future plants

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 from Q4 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

Circa Renewable Chemistry Institute (CRCI) has commenced. The key role of CRCI is to provide technical process support to customers developing applications using our products. The Institute will advance and promote the development and commercialisation of renewable chemistry based on levoglucosenone and is a partnership with the University of York's Green Chemistry Centre of Excellence (GCCE), and the Biorenewables Development Centre in the UK. It is tasked with supporting customers and developing market applications for Circa's portfolio of bio-based products based on platform chemical levoglucosenone

(LGO). The establishment of this Institute is part of Circa's strategy to work with leading academic institutions to develop a more sustainable chemistry and materials sector.

#### **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 being closely monitored.

#### **People & Organization**

The process to hire a Head of Commercialisation started up in June and continues in Q3. This is a key role to develop and implement commercialisation strategies to enable Circa to deliver on its ambition to be a key player in the international sustainable chemicals markets by 2030.

Circa continues to roll out its "Circus" people development program to all staff. The initial module was completed late 2021 and the second module has commenced for staff who have recently joined the company.

Oslo, 24 August 2022  
The Board of Directors of Circa Group AS

## Interim financial statements

### Consolidated income statement and statement of comprehensive income

(EUR)	Notes	Q2 2022	Q2 2021	YTD 2022	YTD 2021
Product sales		16 895	11 835	39 151	13 169
Other revenue	5	160 089	31 049	265 862	35 115
<b>Total revenue</b>		<b>176 984</b>	<b>42 884</b>	<b>305 013</b>	<b>48 284</b>
Cost of sales		66 823	75 014	113 284	138 369
Depreciation		3 677	456	6 281	457
Employee benefit expenses	4	845 055	601 844	1 321 197	2 245 714
Other operating expenses		1 070 030	802 166	1 964 763	2 337 809
<b>Total operating expenses</b>		<b>1 985 585</b>	<b>1 479 480</b>	<b>3 405 525</b>	<b>4 722 349</b>
<b>Operating result</b>		<b>-1 808 601</b>	<b>-1 436 596</b>	<b>-3 100 512</b>	<b>-4 674 065</b>
Interest income		12 858	800	17 583	1 246
Other financial income		324 218	25 538	612 574	104 262
<b>Total finance income</b>		<b>337 076</b>	<b>26 338</b>	<b>630 157</b>	<b>105 508</b>
Interest expenses		51 524	40 556	82 595	53 456
Other financial expenses	1.1	481 309	100 736	505 677	373 823
<b>Total finance expenses</b>		<b>532 833</b>	<b>141 292</b>	<b>588 272</b>	<b>427 279</b>
<b>Net financial income/ expenses</b>		<b>-195 757</b>	<b>-114 954</b>	<b>41 885</b>	<b>-321 771</b>
<b>Net profit/ loss before tax</b>		<b>-2 004 359</b>	<b>-1 551 550</b>	<b>-3 058 627</b>	<b>-4 995 836</b>
<b>Tax expenses</b>		19 771	0	19 771	0
<b>Net profit/ loss</b>		<b>-2 024 130</b>	<b>-1 551 550</b>	<b>-3 078 398</b>	<b>-4 995 836</b>
<b>Other comprehensive income:</b>					
Foreign exchange gains/(losses)		70 057	22 707	-90 352	1 196
<b>Total comprehensive profit/ loss for the period</b>		<b>-1 954 073</b>	<b>-1 528 843</b>	<b>-3 168 750</b>	<b>-4 994 640</b>

## Consolidated balance sheet

<i>(EUR)</i>	<b>Notes</b>	<b>30.06.2022</b>	<b>30.06.2021</b>	<b>31.12.2021</b>
<b>ASSETS</b>				
Intangible assets		33 408	0	0
Tangible assets	5,6	1 696 257	571 281	1 244 589
<b>Total non-current assets</b>		<b>1 729 665</b>	<b>571 281</b>	<b>1 244 589</b>
Inventory		75 081	33 748	0
Short term receivables		937 769	408 500	1 600 307
Cash and cash equivalent	5,8	40 676 029	49 717 972	44 422 071
<b>Total current assets</b>		<b>41 688 879</b>	<b>50 160 220</b>	<b>46 022 378</b>
<b>Total assets</b>		<b>43 418 543</b>	<b>50 731 501</b>	<b>47 266 967</b>
<b>EQUITY</b>				
Issued and paid in equity		56 809 130	56 809 176	56 809 130
Other equity		-18 164 793	-12 883 888	-15 067 139
<b>Total equity</b>	7,8,10	<b>38 644 337</b>	<b>43 925 288</b>	<b>41 741 991</b>
<b>LIABILITIES</b>				
Employee benefits	4	387 575	550 482	263 288
Other non-current liabilities		11 934	0	11 539
<b>Total non-current liabilities</b>		<b>399 509</b>	<b>550 482</b>	<b>274 827</b>
Employees and related		172 660	989 966	541 374
Trade and other payables		552 085	803 112	706 260
Public duties and related		35 151	47 754	0
Other current liabilities	5	3 614 801	4 414 900	4 002 515
<b>Total current liabilities</b>		<b>4 374 697</b>	<b>6 255 732</b>	<b>5 250 149</b>
<b>Total liabilities</b>		<b>4 774 206</b>	<b>6 806 213</b>	<b>5 524 976</b>
<b>Total equity and liabilities</b>		<b>43 418 543</b>	<b>50 731 501</b>	<b>47 266 967</b>

Oslo, 24 August 2022  
The Board of Directors of Circa Group AS

## Consolidated statement of cash flows

(EUR)	Notes	Q2 2022	Q2 2021	YTD 2022	YTD 2021
Cash receipts from operating activities		773 252	502 236	711 744	2 272 770
Cash payments from operating activities		-2 509 349	-1 918 212	-3 882 160	-5 310 201
<b>Cash flows from operating activities</b>		<b>-1 736 097</b>	<b>-1 415 976</b>	<b>-3 170 416</b>	<b>-3 037 431</b>
Payment for property, plant and equipment	6	0	-573 116	-485 075	-927 057
Other cash items from investing activities		146 826	0	0	678 027
<b>Cash flows from investing activities</b>		<b>146 826</b>	<b>-573 116</b>	<b>-485 075</b>	<b>-249 030</b>
Proceeds from issuance of share capital	8	0	2 569 023	0	48 024 305
Proceeds from Grants		0	0	0	0
Net proceeds from borrowings and net interests		-38 666	-39 756	-65 012	-52 212
<b>Cash flows from financing activities</b>		<b>-38 666</b>	<b>2 529 267</b>	<b>-65 012</b>	<b>47 972 093</b>
<b>Net cash increase/decrease for the period</b>		<b>-1 627 937</b>	<b>540 175</b>	<b>-3 720 503</b>	<b>44 685 632</b>
<b>Cash at beginning of period</b>		<b>42 237 587</b>	<b>49 265 086</b>	<b>44 422 070</b>	<b>5 399 474</b>
Net change in cash for period		-1 627 937	540 175	-3 720 503	44 685 632
Foreign exchange cash		66 379	-87 289	-25 538	-367 134
<b>Cash at end of period</b>		<b>40 676 029</b>	<b>49 717 972</b>	<b>40 676 029</b>	<b>49 717 972</b>

## Consolidated statement of changes in equity

(EUR)	Notes	Share capital	Premium	OCI	Retained earnings	Total
<b>Balance 1 January 2022</b>		<b>11 838 171</b>	<b>44 970 960</b>	<b>-71 095</b>	<b>-14 996 044</b>	<b>41 741 991</b>
Issuances		0	0	0	0	0
Purchase own shares		0	0	0	0	0
Result of period, incl. P&L effects reversed takeover		0	0	0	-3 078 398	-3 078 398
Other comprehensive income		0	0	-19 257	0	-19 257
<b>Balance 30 June 2022</b>	8,10	<b>11 838 171</b>	<b>44 970 960</b>	<b>-90 352</b>	<b>-18 074 442</b>	<b>38 644 337</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, 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.

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:

	Q2 22	Q2 21	31.12.2021
AUD	0.66	0.63	0.64
GBP	1.17	1.16	1.19
NOK	10.35	10.18	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 4,250,000 shares with a strike price equal to that of the private placement price, i.e. NOK 16.75 per share, or the average the first week of employment for new hires. The options vests upon commissioning of the ReSolute™ plant and expires 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. For grants received to compensate for expenses in prior periods, the grant is also 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 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 revenue. 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	117 482	-66 727	<b>50 755</b>		
Balance 1 January 2021	117 482	-66 727	<b>50 755</b>	2 441	<b>53 196</b>
Transactions during period	368 597	-157 841	<b>210 756</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>		
Balance 30 June 2021	1 059 195	-489 348	<b>569 847</b>	1 416	<b>571 263</b>
Transactions during period	564 499	-260 798	<b>303 700</b>		
Balance 30 September 2021	1 623 694	-750 147	<b>873 547</b>	1 416	<b>874 964</b>
Transactions during period	593 424	-311 188	<b>282 236</b>	87 389	
Balance 31 December 2021	2 217 118	-1 061 335	<b>1 155 783</b>	88 805	<b>1 244 589</b>
Transactions during period	619 106	-17 245	<b>601 861</b>	-5 762	
Balance 31 March 2022	2 836 224	-1 078 580	<b>1 757 644</b>	83 043	<b>1 840 688</b>
Transactions during period	320 933	-465 676	<b>-144 743</b>	312	
<b>Balance 30 June 2022</b>	<b>3 157 157</b>	<b>-1 544 256</b>	<b>1 612 901</b>	<b>83 355</b>	<b>1 696 257</b>

\* Grant offsetting includes grants received from Horizon 2020, and from Q2 2022 from France Relance and Coal Fund. The grants fund 47.87%, 10-50 % and 15 % of eligible costs respectively.

## 7. Principal shareholders

Shareholder	Number of shares	Ownership %	Account Type
NORSKE SKOG ASA	31 654 274	26,01	
Saxo Bank A/S	27 633 172	22,70	NOM
CIRCA GROUP AS	11 324 720	9,30	
DUNCAN	5 480 000	4,50	
LAWRENCE	4 556 060	3,74	
Citibank, N.A.	3 690 650	3,03	NOM
J.P. Morgan SE	2 193 052	1,80	NOM
VERDIPAPIRFONDET FIRST GENERATOR	2 112 567	1,74	
Pershing LLC	1 943 715	1,60	NOM
VERDIPAPIRFONDET DELPHI NORDIC	1 943 342	1,60	
FJARDE AP-FONDEN	1 529 133	1,26	
BNP Paribas Securities Services	1 294 185	1,06	NOM
NORDNET LIVSFORSIKRING AS	1 273 276	1,05	
State Street Bank and Trust Comp	1 072 940	0,88	NOM
KLAVENESS MARINE FINANCE AS	1 026 479	0,84	
MANIFEX PTY LTD	999 000	0,82	
HAWKFISH AS	668 126	0,55	
SVANDAL	611 000	0,50	
JOMANI AS	605 685	0,50	
Skandinaviska Enskilda Banken AB	500 000	0,41	NOM
Other shareholders	19 601 733	16,10	
<b>Total</b>	<b>121 713 109</b>	<b>100,00</b>	

The data is extracted from VPS 23 August 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 11,324,720 shares, of which 333,340 shares are owned and held in treasury by Circa Group AS. The remaining 10,991,380 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.

On 30 June 2022, Moata Pty Ltd, a close associate of Anthony Duncan, and William Duncan, each gave written notice of their intention to exercise 200 000 warrants. As a result, Circa Group AS' share capital will be increased by *NOK 400 000* with the issuance of 400 000 new shares, each with a nominal value of NOK 1. The increase of share capital will be carried out in August 2022.

## 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 Group has signed the grant agreement to receive funding through BPI France (part of the “France Relance Programme”) for a total of EUR 8.2 million. A prepayment of EUR 2.1 million will be received as soon as Circa has fulfilled the requirement to conduct a capital increase in Circa Sustainable Chemicals France SAS (CSCFR) of EUR 8 million. This is expected to take place in Q3 2022. The payment of the remaining grant will follow the progress of ReSolute.

Circa Group has signed the grant agreement to receive funding through the Coal Fund for a total of EUR 850 000. A prepayment of 30% is expected during Q3. The payment of the remaining grant will follow the progress of ReSolute.