

First Quarter 2023

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 First Quarter of 2023

Q1 2023 Highlights

FC5

The plant in Tasmania continues to deliver product for samples, trials and orders of 100+kg per delivery, and we have seen a number of customers, including Merck, ordering their largest quantity of Cyrene™ in this quarter.

ReSolute™

Contracts with major plant vendors are progressing, and the remaining contracts are expected to be signed in the second quarter of 2023. In February, a strategic partnership agreement was signed with EKATO to incorporate EKATO's leading hydrogenation technology in the development of the ReSolute™ plant, and future commercial scale plants.

Documentation for the environmental and construction permits continues to move forward. This is a major undertaking and Circa engaged with permitting authorities and equipment suppliers to inform the dossiers, before the final dossier was filed in the first quarter of 2023. In February it was announced that Circa will proceed with a permanent environmental permit, and this update will see a delay to the current start-up timetable of approximately six months.

FC6

The FC6 development work continued in first quarter of 2023, in conjunction with the ReSolute™ detailed engineering design work. An expert Circa / Valmet development team is working on initial FC6 concepts and production opportunities – including optimizing plant chemistry, pre-fractionation and valorisation of side streams.

Market

In January, Circa Group and OQEMA AG signed a supply and capacity reservation agreement for the sale of Cyrene™ into Europe. The agreement is for the market development and supply of several thousand tonnes of Cyrene™ per annum. This brings reservation commitments for Cyrene™ volumes to over 5,000 tonnes per annum, which will be supplied by Circa's ReSolute™ plant and the following FC6 plant.

R&D

In March, Circa and Danish technology company Textile Change announced that they are working together to optimise textile recycling. Circa's bio-based solvent Cyrene™ has been successfully tested by Textile Change in the separation and decolourisation of waste textiles into cellulose and polyester. With Cyrene™, Textile Change is expecting to achieve a safe, low carbon, less energy intense process, while ensuring a high yield that will address increasing market demand for recycled textiles.

Circa brought together leading figures from industry and academia to mark the launch of the Circa Renewable Chemistry Institute (CRCI) in March. At CRCI, market leaders will have access to expert support in application and process development, as they move manufacturing processes to safer and more sustainable products such as Cyrene™.

People & Organisation

Nick Smith commenced as Head of Commercialisation on 1 January 2023. Nick brings a wealth of experience in the chemical industry globally to Circa and adds considerably to Circa's commercial capabilities.

Profit & loss

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

The spend in Q1 2023 proceeds in line with the expected quarterly run rate.

Income

Circa does not expect any significant sales revenue prior to commissioning and start-up of the ReSolute™ plant in 2024.

Revenue includes product sales from the FC5 plant in Tasmania. Other revenue includes grant income 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 decrease in the fair value assessment for the long-term incentive plan is reflected in the first quarter. This has no cash-effect. Other employee expenses are in accordance with plan.

Balance sheet

31 March 2023 Circa had cash and cash equivalents of EUR 32.0 million, total assets of EUR 40.9 million and equity of EUR 34.6 million.

Expenses capitalized 31 March 2023 is EUR 11.2 million, with EUR 1.1 million capitalized in the first quarter. Refer to note 6 Plant and equipment for further information. The increase in investments compared to previous quarters is following the progress of ReSolute and is in accordance with plan.

Grants

Of announced grants of EUR 20.3 million, EUR 8.2 million are so far recognized in the accounts as received.

Cash flow

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

Net cash flow from operating activities was EUR -2.3 million in the first quarter. Net cash flow from investment activities of EUR -0.7 million is related to ReSolute™. This is in accordance with plan.

Outlook

Market

The market for Circa products remains strong despite volatility. Our market opportunities grow with the support shown from both our distributors and direct business. Continued support from distributors, epitomised by the relationships with Oqema, Merck and Will & Co grows. Circa is now formalising these commercial relationships with joint development teams.

ReSolute™

Inflationary pressure across the project and additional site specific infrastructure - civil works, piping and effluent treatment are placing considerable pressure on capex. While there is intense value engineering underway to reduce these increases, Circa will require a further capital investment. The Board expects to update the market on timing and amount by the end of June.

R&D

In parallel, while cost pressures remain in Europe, we continue to increase R&D work for ReSolute and FC6 with our key equipment partners – Valmet and Ekato. The focus of these projects is optimisation and cost down. Further specific details will be available as progress becomes more apparent. The opening of the CRCI at University of York provides a platform for customer application work as well as supporting ReSolute and FC6.

FC6 location process

We have also engaged research for early-stage work to understand key criteria for the next stage plant, particularly relating to biomass supply. Early stage understanding of biomass availability is critical to site decision making and there are considerable differences both geographically between European sites and elsewhere, as well as costs (eg forestry vs bagasse). Circa is in a fortunate position that it can utilise most cellulose rich feedstocks – whether from plantations or agricultural waste.

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. It remains too early to conclude on the impact of the war on supply chains for the ReSolute™ project, particularly long lead time items, and the situation is being closely monitored.

Oslo, 10 May 2023

The Board of Directors of Circa Group AS

Interim financial statements

Consolidated income statement and statement of comprehensive income

<i>All amounts in EUR 1000</i>	Note	Q1 2023	Q1 2022	YTD 2023	YTD 2022
Product sales		37	22	37	22
Other revenue	5	137	106	137	106
Total revenue		174	128	174	128
Cost of sales		-30	-46	-30	-46
Depreciation		-3	-3	-3	-3
Employee benefit expenses	4	-830	-476	-830	-476
Other operating expenses		-662	-895	-662	-895
Total operating expenses		-1 525	-1 420	-1 525	-1 420
Operating result		-1 351	-1 292	-1 351	-1 292
Interest income		114	5	114	5
Other financial income		21	288	21	288
Total finance income		135	293	135	293
Interest expenses		0	-31	0	-31
Other financial expenses		-376	-24	-376	-24
Total finance expenses		-376	-55	-376	-55
Net financial income / expenses		-241	238	-241	238
Net profit (loss) before tax		-1 593	-1 054	-1 593	-1 054
Tax expenses		10	0	10	0
Net profit (loss)		-1 603	-1 054	-1 603	-1 054
<i>Items that may be reclassified subsequently to income statement</i>					
Foreign exchange gains (losses)		157	-160	157	-160
Other comprehensive income (loss) for the period		157	-160	157	-160
Total comprehensive profit (loss) for the period		-1 446	-1 215	-1 446	-1 215

Consolidated balance sheet

All amounts in EUR 1000

	Note	31.03.2023	31.03.2022	31.12.2022
Assets				
Intangible assets		26	36	29
Plant and equipment	5, 6	7 704	1 806	6 976
Right-of-use assets		4	34	12
Financial assets		11	0	0
Total non-current assets		7 745	1 876	7 016
Inventory		100	0	0
Short term receivables		1 093	1 584	1 279
Cash and cash equivalent	5	31 992	42 238	34 769
Total current assets		33 185	43 822	36 048
Total assets		40 930	45 698	43 064
Equity				
Issued and paid in equity		56 880	56 809	56 880
Other equity		-22 297	-16 210	-20 851
Total equity	7, 8, 10	34 583	40 598	36 029
Liabilities				
Employee benefits	4	92	185	192
Other non-current liabilities		0	12	0
Total non-current liabilities		92	198	192
Employees and related		179	225	307
Trade and other payables		1 454	376	507
Public duties and related		31	0	38
Other current liabilities	5	4 591	4 301	5 990
Total current liabilities		6 255	4 902	6 843
Total equity and liabilities		40 930	45 698	43 064

Oslo, 10 May 2023

The Board of Directors of Circa Group AS

Consolidated statement of changes in equity

All amounts in EUR 1000

	Note	Share capital	Share premium	Retained earnings	Total
Balance 1 January 2023		11 880	45 000	-20 851	36 029
Net profit (loss) for the period		0	0	-1 603	-1 603
Other comprehensive income		0	0	157	157
Balance 31 March 2023	8	11 880	45 000	-22 297	34 583

Consolidated statement of cash flows

All amounts in EUR 1000

	Note	Q1 2023	Q1 2022	2022
Cash receipts from operating activities		75	-1 028	321
Cash payments from operating activities		-2 472	-406	-8 055
Interest received		114	5	121
Interest paid		0	-31	-96
Cash flows from operating activities		-2 283	-1 461	-7 709
Payment for property, plant, equipment and intangible assets	6	-725	-632	-5 804
Other cash items from investing activities		0	0	0
Cash flows from investing activities		-725	-632	-5 804
Payment of principal portion of lease liabilities		-7	0	-12
Proceeds from issuance of share capital	12	0	0	71
Proceeds from Grants		93	0	3 619
Cash flows from financing activities		86	0	3 678
Foreign currency effects on cash and cash equivalents		145	-92	182
Total change in cash and cash equivalents		-2 777	-2 184	-9 654
Cash and cash equivalents at beginning of period	11	34 769	44 422	44 422
Cash at end of period	11	31 992	42 238	34 769
Reconciliation of cash flows from operating activities				
Net profit/loss before tax (less interest)		-1 707	-1 080	-5 978
Change in working capital		935	-266	2
Depreciation		4	3	13
Cash receipts from other operating activities		201	-74	145
Cash payments from other operating activities		-1 716	-44	-1 891
Net cash flows from operating activities		-2 283	-1 461	-7 709

Notes to the condensed consolidated interim financial statements

1. General information

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:

	<i>Income statement</i>		<i>Balance sheet</i>			
	YTD 2023	YTD 2022	2022	31.03.2023	31.03.2022	31.12.2022
AUD	0,64	0,64	0,66	0,61	0,67	0,64
GBP	1,13	1,20	1,17	1,14	1,18	1,13
NOK	12,44	9,93	10,10	11,39	9,71	10,51

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 consolidated financial statements and should be read in conjunction with the CGAS consolidated financial statements 31 December 2022. The interim consolidated 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 consolidated financial statements 31 December 2022.

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

CGAS implemented an incentive 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 3 600 000 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 vest upon commissioning of the ReSolute™ plant and expire 1 April 2025.

5. Government Grants

Government grants are recognized both after the income- and capital approach. Government grants recognised as income will be included over the period they have been granted for. The income approach is applied on grants that compensate for operating costs and is presented as "Other revenue". The grant income is recognized in the period where expenses are incurred. Where the related grant is a compensation for expenses incurred in previous accounting periods, the grant is recognized in the period in which it becomes awarded.

Government grants related to assets are presented in the balance sheet as deferred income or as a reduction of the depreciation of the assets the grant relates to. The grant is recognized on a systematic basis over the periods in which the eligible expenses are recognized and hits the income statement indirectly through the reduced depreciation. The presentation method chosen is to deduct the grant in the carrying amount of the asset.

As of 31 March 2023, Circa has received grants both relating to capitalized expenses and to expenses in the current period. Grant received relating to expenses in the current period is presented as other revenue. Circa has also received prepayments for the Horizon 2020 Flagship grant, the Coal Fund and BPI France ("France Relance" grant) to partly cover capital expenditures of constructing the ReSolute™ plant.

6. Plant and equipment

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

<i>All amounts in EUR 1000</i>	Capitalized expenses	Grant received*	Total ReSolute	Net other PPE	Total plant & equipment
Balance 31 December 2022	10 070	-3 106	6 964	11	6 976
Transactions during period	1 096	-367	729	-1	728
Balance 31 March 2023	11 166	-3 473	7 693	10	7 704

* Grant offsetting includes grants received from Horizon 2020, and from second quarter 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	Owner ship %	Account type
NORSKE SKOG ASA	31 654 274	25,92	
Saxo Bank A/S	19 870 161	16,27	NOM
Citibank N.A.	12 120 630	9,93	NOM
CIRCA GROUP AS	8 244 720	6,75	
DUNCAN	5 480 000	4,49	
LAWRENCE	4 556 060	3,73	
J.P. Morgan SE	2 200 000	1,80	NOM
VERDIPAPIRFONDET FIRST GENERATOR	2 112 567	1,73	
Pershing LLC	1 943 715	1,59	NOM
HAWKFISH AS	1 634 577	1,34	
VERDIPAPIRFONDET DELPHI NORDIC	1 555 813	1,27	
FJARDE AP-FONDEN	1 529 133	1,25	
Moata PTY LTD	1 200 000	0,98	
NORDNET LIVSFORSIKRING AS	1 188 233	0,97	
KLAVENESS MARINE FINANCE AS	1 026 479	0,84	
MANIFEX PTY LTD	999 000	0,82	
State Street Bank and Trust Comp	951 293	0,78	NOM
SVANDAL	630 000	0,52	
JOMANI AS	602 000	0,49	
OSLO & FOLLO BYGGTJENESTER AS	524 750	0,43	
Other shareholders	22 089 704	18,09	
Total	122 113 109	100,00	

The data is extracted from VPS 8 May 2023.

In the Euronext VPS registry, Circa Group AS is registered as the holder of 8 244 720 shares, of which 333 340 shares are owned and held in treasury by Circa Group AS. The remaining 7 991 380 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

Share capital and share premium denominated in NOK is translated and presented in EUR at the historical rate of exchange in the financial statements.

9. Related parties

Norske Skog is the largest shareholder in Circa Group and holds approximately 25.92 % of the share capital in Circa Group AS and is represented on the Board of Directors.

10. Subsequent events after the balance sheet date

Inflationary pressure across the ReSolute™ project and additional site specific infrastructure - civil works, piping and effluent treatment are placing considerable pressure on capex. While there is intense value engineering underway to reduce these increases, Circa will require a further capital investment. The Board expects to update the market on timing and amount by the end of June.

As part of the continuous process to strengthen the organisation for the ongoing industrialisation and growth of Circa, the board of directors announced that Dr. Steve Döring has been appointed as the next CEO of Circa Group AS. Tony Duncan will continue in the CEO role up to the transition with Dr Döring which is scheduled to take place early in Q4 2023.