

# Fourth Quarter 2021

**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 Fourth Quarter of 2021

### Q4 2021 Highlights

ReSolute™ development under Covid-19 restrictions continues to progress. Work over the quarter has been focused on a range of activities to ensure costs are within updated estimates. Work with potential vendors of major equipment is delivering positive results in yield optimisation and technologies to potentially reduce energy and consumption of consumables.

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 €8.2 million from the French government for the development of the ReSolute™ plant in Eastern France as part of the 'France Relance' programme.

### Profit & loss

Circa Group is consolidated by using the reversed acquisition method where the historical financial statements are a continuance of Circa Group Ltd (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.

Q4 proceeds on the expected run rate. The accrual for research & development (R&D) income in Australia as well as reduction 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. Low sale in Q4 is related to timing of deliveries of Cyrene in Q122.

In Q4, R&D income for 2021 in the Australian entities has been included as Other revenue.

### 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

The group cancelled its previous incentive program and replaced it with a short-term and long-term plan effective first quarter 2021. The fair value assessment for the long-term incentive plan is reduced with approx. EUR 0.4 million in the fourth quarter, and this effect explains why employee expenses are close to zero for the quarter. Other employee expenses are in accordance with plan.

## Balance sheet

As of 31 December 2021, Circa had cash and cash equivalents of EUR 44.4 million, total assets of EUR 47.3 million and equity of EUR 41.7 million. Expenses capitalized per 31 December 2021 is EUR 2.2 million.

### 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 2021. 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.

### 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 industrial site in France and capitalized expenses for ReSolute™.

## Outlook

### ReSolute™ project

Following the October 14th announcement of cost increases in the ReSolute™ plant, the company is in process to review cost budget and scope of the ReSolute™ project. These processes will continue through the life of the project, however it is planned that major vendor decisions will be underway end Q1 / early Q2 2022. At this stage we can advise that discussions with major equipment manufacturers have been very supportive and positive.

Opportunities to mitigate the cost increase by revision of equipment layout and functionality are currently being assessed. Opportunities to increase use of waste byproducts to generate further power and heat are currently being modelled, as well as improvements at the FC5 plant on distillation efficiencies which again show an increase in output. In addition, discussions on a smaller site footprint - and more efficient waste disposal are underway. All the opportunities above are being considered within the €50-55m capex range advised to the market.

The company is well-funded following the approximately EUR 52 million capital raising in March 2021 and subsequent grants, and the company's projections indicate a sufficient financial runway.

**Research & Development**

The internal R&D group has started work to progress derivatisation pathways - and at the same time, confirming market volumes and pricing opportunities. In parallel this work is supported by activities in the market focused on promoting and exploiting Circa's sustainability position and the developing urgency for new more sustainable manufacturing technologies. Circa is one of very few companies which has a broad use solvent in this >1 million tonne sector that is in commercial scale up. Companies manufacturing competing toxic solvents such as NMP and DMF are recognising this, as are large brand owners and others with Corporate 2030 goals. The fact there is only one investment cycle for manufacturers between now and 2030 means they have to look at products that are either in or near market (ie semi production status). Circa, with Cyrene, has one of the few replacements in this sector that is sustainable, has a lower carbon footprint, is safer and in many cases higher performing than traditional products. We see the opportunity as considerable.

**Sales Agreements**

With pricing still limiting progress, Circa has deliberately engaged a wider distributor base for Cyrene™. Companies engaged are those we have had previous conversations with and are progressing well. For one group this would be an arrangement for the UK and Ireland markets, and the other would be Australia and selected Asian markets.

Circa Group has announced it will increase prices for Levoglucosenone 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.

Oslo, 1 March 2022

The Board of Directors of Circa Group AS

## Interim financial statements

### Consolidated income statement and statement of comprehensive income

(EUR)	Notes	Q4 2021	Q4 2020	YTD 2021	YTD 2020
Product sales		2 254	13 004	18 711	83 199
Other revenue	5	904 386	1 899 680	941 230	3 560 387
<b>Total revenue</b>		<b>906 640</b>	<b>1 912 684</b>	<b>959 940</b>	<b>3 643 585</b>
Cost of sales		151 731	20 887	363 139	242 897
Employee benefit expenses	4	109	188 667	2 850 082	600 161
Other operating expenses		1 226 473	415 508	4 274 130	4 377 638
<b>Total operating expenses</b>		<b>1 378 313</b>	<b>625 062</b>	<b>7 487 352</b>	<b>5 220 697</b>
<b>Operating result</b>		<b>-471 673</b>	<b>1 287 622</b>	<b>-6 527 411</b>	<b>-2 864 733</b>
Interest income		-6 537	8	5 882	23
Other financial income		181 976	0	359 727	0
<b>Total finance income</b>		<b>175 439</b>	<b>8</b>	<b>365 608</b>	<b>23</b>
Interest expenses		37 599	0	127 716	0
Other financial expenses	1.1	80 918	33 894	711 064	67 825
<b>Total finance expenses</b>		<b>118 517</b>	<b>33 894</b>	<b>838 780</b>	<b>67 825</b>
<b>Net financial income/ expenses</b>		<b>56 922</b>	<b>-33 886</b>	<b>-473 171</b>	<b>-67 803</b>
<b>Net profit/ loss before tax</b>		<b>-414 750</b>	<b>1 253 736</b>	<b>-7 000 582</b>	<b>-1 644 914</b>
<b>Tax expenses</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net profit/ loss</b>		<b>-414 750</b>	<b>1 253 736</b>	<b>-7 000 582</b>	<b>-1 644 914</b>
<b>Other comprehensive income:</b>					
Foreign exchange gains/(losses)		-95 159	0	-71 095	0
<b>Total comprehensive profit/ loss for the period</b>		<b>-509 909</b>	<b>1 253 736</b>	<b>-7 071 678</b>	<b>-1 644 914</b>

## Consolidated balance sheet

(EUR)	Notes	31-12-21	31-12-20
<i>ASSETS</i>			
Tangible assets	5.6	1,244,589	53,196
<b>Total non-current assets</b>		<b>1,244,589</b>	<b>53,196</b>
Inventory		0	49,899
Short term receivables		1,600,307	1,708,519
Cash and cash equivalent	5.8	44,422,071	4,724,408
<b>Total current assets</b>		<b>46,022,378</b>	<b>6,482,826</b>
<b>Total assets</b>		<b>47,266,967</b>	<b>6,536,022</b>
<i>EQUITY</i>			
Issued and paid in equity		56,809,130	7,335,180
Other equity		-15,067,139	-7,685,095
<b>Total equity</b>	7,8,10	<b>41,741,990</b>	<b>-349,915</b>
<i>LIABILITIES</i>			
Employee benefits	4	263,288	0
Other non-current liabilities		11,539	562,590
<b>Total non-current liabilities</b>		<b>274,827</b>	<b>562,590</b>
Employees and related		541,374	32,408
Trade and other payables		706,260	179,363
Other current liabilities	5	4,002,515	6,111,576
<b>Total current liabilities</b>		<b>5,250,149</b>	<b>6,323,347</b>
<b>Total liabilities</b>		<b>5,524,976</b>	<b>6,885,937</b>
<b>Total equity and liabilities</b>		<b>47,266,967</b>	<b>6,536,022</b>

Oslo, 1 March 2022  
The Board of Directors of Circa Group AS

## Consolidated statement of cash flows

(EUR)	Notes	Q4 2021	Q4 2020	YTD 2021	YTD 2020
Cash receipts from operating activities		-1 443 950	44 494	1 018 233	169 203
Cash payments from operating activities		-178 739	-2 833 952	-7 976 624	-6 914 953
<b>Cash flows from operating activities</b>		<b>-1 622 689</b>	<b>-2 789 459</b>	<b>-6 958 391</b>	<b>-6 745 750</b>
Proceeds from sale of property, plant and equipment					
Payment for property, plant and equipment	6	-680 814	-50 782	-2 172 369	-51 317
Other cash items from investing activities		0	0	678 027	12 403
<b>Cash flows from investing activities</b>		<b>-680 814</b>	<b>-50 782</b>	<b>-1 494 342</b>	<b>-38 914</b>
Proceeds from issuance of share capital	8	0	0	48 024 305	3 864 597
Proceeds from Grants		2 034	6 766 501	38 878	8 385 367
Net proceeds from borrowings and net interests		-44 136	457 319	-121 836	-1 326 826
<b>Cash flows from financing activities</b>		<b>-42 102</b>	<b>7 223 820</b>	<b>47 941 347</b>	<b>10 923 138</b>
<b>Net cash increase/decrease for the period</b>		<b>-2 345 605</b>	<b>4 383 580</b>	<b>39 488 614</b>	<b>4 138 474</b>
<b>Cash at beginning of period</b>		<b>46 849 308</b>	<b>243 976</b>	<b>5 399 474</b>	<b>473 826</b>
Net change in cash for period		-2 345 605	4 383 580	39 488 614	4 138 474
Foreign exchange cash		-81 632	96 853	-466 016	112 108
<b>Cash at end of period</b>		<b>44 422 071</b>	<b>4 724 408</b>	<b>44 422 071</b>	<b>4 724 408</b>

## Consolidated statement of changes in equity

(EUR)	Notes	Share capital	Premium	OCI	Retained earnings	Total
<b>Balance 1 January 2021</b>		<b>7 382 044</b>	<b>0</b>	<b>0</b>	<b>-7 722 462</b>	<b>-340 418</b>
Reverse takeover		1 339 872	142 929	0	0	1 482 801
Issuances		3 148 744	44 875 561	0	0	48 024 305
Purchase own shares		-32 489	-47 532	0	0	-80 021
Result of period, incl. P&L effects reversed takeover		0	0	0	-7 000 582	-7 000 582
P&L effects from reversed takeover		0	0	0	-498 832	-498 832
P&L effects from earlier periods		0	0	0	225 832	225 832
Other comprehensive income		0	0	-71 095	0	-71 095
<b>Balance 31 December 2021</b>	8,10	<b>11 838 171</b>	<b>44 970 959</b>	<b>-71 095</b>	<b>-14 996 044</b>	<b>41 741 990</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. 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 consolidated financial statements have been prepared in accordance with Australian GAAP which are 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:

	Q4 21	Q4 20	31.12.2021	31.12.20
AUD	0.63	0.62	0.64	0.63
GBP	1.18	1.10	1.19	1.11
NOK	10.14	10.61	9.99	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 3,900,000 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 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 December 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	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	
<b>Balance 31 December 2021</b>	<b>2 217 118</b>	<b>-1 061 335</b>	<b>1 155 783</b>	<b>88 805</b>	<b>1 244 589</b>

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

## 7. Principal shareholders

Shareholder	Number of shares	Ownership %
NORSKE SKOG ASA	31 654 274	26,01
Saxo Bank A/S	30 125 512	24,75
CIRCA GROUP AS	17 814 720	14,64
LAWRENCE	4 556 060	3,74
BNP Paribas Securities Services	2 917 629	2,40
VERDIPAPIRFONDET DELPHI NORDIC	2 184 113	1,79
VERDIPAPIRFONDET FIRST GENERATOR	2 112 567	1,74
J.P Morgan AG	1 639 332	1,35
NORDNET LIVSFORSIKRING AS	1 174 122	0,96
State Street Bank and Trust Comp	1 135 257	0,93
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.	906 000	0,74
WHITEHOUSE PTY LTD ATF WHITEHOUSE	750 000	0,62
HAWKFISH AS	643 226	0,53
SVANDAL	611 000	0,50
Pershing LLC	554 004	0,46
Skandinaviska Enskilda Banken AB	500 000	0,41
ENZIAN AS	500 000	0,41
Other shareholders	18 909 814	15,54
<b>Total</b>	<b>121 713 109</b>	<b>100</b>

The data is extracted from VPS 25 February 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 17,814,720 shares, of which 333,340 shares are owned and held in treasury by Circa Group AS. The remaining 17,481,380 shares are temporarily held by Circa Group AS on behalf of shareholders awaiting settlement to nominee or individual accounts. This process has been delayed due to COVID-19 restrictions in Australia, limiting ability to open the necessary broker accounts often requiring physical presence and display of passport. The majority of investors that have transferred shares into individual holding accounts have used a nominee account provided by Saxo Bank. Saxo Bank is currently registered as nominee holder of 30,125,512 shares. 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.

The issuance of shares related to exercise of 851,160 warrants with a share capital increase of NOK 851,160 by issue of 851,160 new shares, each with a nominal value of NOK 1, was registered in the Norwegian business register on 16 July 2021.

R&D tax income from previous periods corresponding to EUR 225,832 has been recognized during the period. As this applies to previous periods, this correction has been taken directly over retained earnings.

## 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. Norske Skog has been engaged to deliver certain management and administrative services to the Group during 2021. The fee for such services is based on arms' length principle.

## 10. Subsequent events after the balance sheet date

In Q122 it was announced that Circa Group has been awarded €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 it will increase prices for Levoglucosenone 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.