CIRCASSIA GROUP PLC
("**Circassia**" or the "**Company**" and, together with its subsidiaries, the "**Group**")
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

Oxford, UK – 16 September 2021: Circassia Group plc (LSE: CIR), a medical device company focused on point of care asthma diagnosis and management, today announces its unaudited interim results for the six months ended 30 June 2021 ("H1 2021").

Financial highlights

- NIOX® sales increased 28% to £14.6 million (H1 2020: £11.4 million) following the post COVID-19 recovery
- NIOX® business (excluding corporate overheads of £0.7 million (H1 2020: £1.3 million)) generated an EBITDA profit for the first time of £0.6 million (H1 2020: £4.9 million loss), reflecting substantial reduction in cost base
- Discontinued COPD business traded profitably, generating profit of £1.1 million (H1 2020: £8.6 million loss)
- Net cash of £11.3 million as of 30 June 2021 (30 June 2020: £9.6 million, 31 December 2020: £7.4 million)

Financial progress

Key performance indicators (KPIs) for the Group	**H1 2021** **£m**	H1 2020 £m
Revenue	**14.6**	11.4
Gross margin	**68%**	68%
Total expenditure[1]	**(10.0)**	(14.0)
Adjusted EBITDA[2]	**(0.1)**	(6.2)
Operating loss	**(2.6)**	(8.7)
Loss before tax from continuing operations	**(2.0)**	(9.4)
Profit/(loss) for the financial period from discontinued operations	**1.1**	(8.6)
Loss for the financial period	**(0.9)**	(18.0)
Net cash[3] at period end	**11.3**	9.6

[1] Excludes depreciation, amortisation and impairment.
[2] Earnings before interest, tax, depreciation, amortisation and impairment.
[3] Includes cash and cash equivalents.

Operational highlights

- The transfer of the COPD products (Tudorza® and Duaklir®) back to AstraZeneca completed on 31 March 2021
- Settlement reached with Beyond Air, Inc. in May 2021 which, subject to FDA approval of their product may provide further cash resources of up to $16.5 million
- Surpassed 40 million FeNO tests since launch
- Expansion of distribution in China
- Named 'Global Leaders in FeNO Testing 2021' by Global Health & Pharma Awards

Ian Johnson, Circassia's Executive Chairman, said: *"We are pleased to report that the Company has reached a significant milestone with the continuing NIOX® business now profitable at the EBITDA level. Management has made substantial progress in implementing a new strategy, right sizing the business and ensuring it has the capability to generate profitable revenue growth. The cost base is now stable and plans to expand international distribution are being executed.*

Trading in July and August has been slightly above EBITDA breakeven for the Group (including corporate overheads). Despite revenue visibility continuing to be limited and testing volumes in several of our major markets continuing to be held back by the effects of the pandemic, given the Group's reduced cost base, the

Board believes the full year EBITDA performance is likely to be materially ahead of current market expectations."

Contacts

Circassia
Ian Johnson, Executive Chairman — Tel: +44 (0) 1865 405 560
Michael Roller, Chief Financial Officer

Singer Capital Markets (Nominated Adviser and Broker)
Aubrey Powell/ Jen Boorer/ Hannah Woodley — Tel: +44 (0) 20 7496 3000

About Circassia

Circassia is a medical device company focused on point of care asthma diagnosis and management. Our market-leading NIOX® products are used in *clinical* settings by physicians around the world to improve asthma diagnosis and management and by leading *research* organisations conducting clinical studies on behalf of pharmaceutical companies. At present, Circassia provides products and services in around 50 countries. For more information please visit www.circassia.com.

The Company's interim results report is available online at www.circassia.com/investors/financial-reports/

Forward-looking statements

This press release contains certain projections and other forward-looking statements with respect to the financial condition, results of operations, businesses and prospects of Circassia. The use of terms such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "intend", "continue", "target" or "believe" and similar expressions (or the negatives thereof) are generally intended to identify forward-looking statements. These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Any of the assumptions underlying these forward-looking statements could prove inaccurate or incorrect and therefore any results contemplated in the forward-looking statements may not actually be achieved. Nothing contained in this press release should be construed as a profit forecast or profit estimate. Investors or other recipients are cautioned not to place undue reliance on any forward-looking statements contained herein. Circassia undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statement, whether as a result of new information, future events or other circumstances.

OPERATING REVIEW

Introduction

The first half of 2021 saw a much improved performance by the continuing NIOX® business, which is now the sole focus of the Group. Revenues grew by 28% to £14.6 million (H1 2020: £11.4 million) and for the first time in its history, the NIOX® business made a profit at EBITDA level of £0.6 million before corporate overheads (H1 2020: £4.8 million loss).

Business Review

NIOX® is the market leader in point of care FeNO testing for asthma and has a dominant market share outside China, with over 17,000 devices sold worldwide and the Company recently having passed 40 million tests carried out since launch.

Clinical sales grew by 11% compared with the first half of 2020 and were 10% higher than the second half of 2020. Recurring revenues from test kit sales were 90% of total clinical sales in H1 2021 (H1 2020: 85%). Notwithstanding ongoing disruption by the COVID-19 pandemic, the clinical business has continued to recover from its low point in the second quarter of 2020 with revenues now approximately 84% of pre pandemic levels.

In our major geographic regions H1 2021 revenues in EMEA were up 17% to £4.2 million (H1 2020: £3.6 million); Americas H1 2021 revenues were up 4% to £2.9 million (H1 2020: £2.8 million) and revenues in APAC were up 24% to £5.1 million (H1 2020: £4.1 million), benefitting from a one-off recovery in China of £0.6 million

from prior years. Recognising the competitive nature of the market in China, Circassia restructured the business in H1 2021, rapidly expanding indirect distribution to extend reach and breadth across the healthcare system whilst reducing direct costs.

Research sales more than doubled to £2.4 million in H1 2021 (H1 2020: £0.9 million) and were 50% up on H2 2020. Clinical studies have resumed, adapting to the constraints imposed by the pandemic. One of our major customers placed significant orders for devices in H1 2021 for new clinical trials starting during the course of the current year. While we do not expect this business to continue at quite such a high level in the second half and revenue flow is less predictable than Clinical sales, the medium-term outlook for this business is good. Recurring revenues from test kit sales were 54% of total research sales in H1 2021 (H1 2020: 65%), reflecting the higher number of new devices purchased in this half compared with H1 2020.

COPD
The transition period involving the COPD products, Tudorza® and Duaklir®, came to an end, as expected, at the end of March 2021, whereupon the products were handed back to AstraZeneca. All amounts owing to the Group from customers have now been collected, but accrued rebate payments (principally due to Medicare and Medicaid) were £6.9 million at the end of June. These have since reduced to £5.6 million by the end of August.

The COPD business traded profitably in the first half of the year.

Beyond Air
We were pleased to be able to conclude our dispute with Beyond Air without recourse to formal arbitration proceedings, which would have been both time-consuming and expensive for both parties.

Under the terms of the original licence agreement, Circassia issued $10.5 million of Circassia shares to Beyond Air during the first half of 2019. Under the terms of the Settlement, Circassia will surrender its rights to the LungFit® product in exchange for payments by Beyond Air for up to a maximum of $16.5 million, payable in cash as follows:

- $2.5 million within 60 days of the approval of LungFit® by the FDA ("FDA approval")
- $3.5 million within 60 days of the first anniversary of FDA approval
- $4.5 million within 60 days of the second anniversary of FDA approval

Circassia will also be entitled to a further royalty of 5% of net sales of LungFit®, commencing on the second anniversary of FDA approval and capped at a maximum of $6 million.

Outlook

The Group is now exclusively focussed on point-of-care asthma diagnosis and management and having restructured the business appropriately in terms of size and capability, our attention is now to drive top-line growth. Management have developed and are at the early stages of implementing a NIOX growth strategy that will raise the awareness of the benefits of FeNO testing and NIOX®, significantly improve the availability of NIOX® worldwide by expanding distribution, optimise reimbursement and pricing and, in the medium term, explore its use in the home and workplace as greater emphasis is placed on managing patients in non-hospital locations. While the reshaping of the cost base that we have undertaken in the last 18 months is substantially complete, we will continue to ensure that good cost disciplines are maintained to permit further top-line growth to translate into increased profitability and thereby greater shareholder value.

Trading in July and August has been slightly above EBITDA breakeven for the Group (including corporate overheads). Given the Group's reduced cost base, and notwithstanding continued limited revenue visibility, the Board expects that EBITDA for the year will be materially ahead of current market expectations and with continuing cost discipline the Board is confident that the business is now capable of delivering profitable growth and achieving greater shareholder value.

FINANCIAL REVIEW

The first half of 2021 has been a period of recovery for Circassia following the COVID-19 pandemic. On 31 March 2021, the Group completed the hand back of the rights to its COPD products to AstraZeneca, and as

such the results of the COPD business are classified as a discontinued operation in the table below. The NIOX® business represents the continuing operations of the Group.

	Six months ended 30 June 2021	**Six months ended 30 June 2020**	Twelve months ended 31 December 2020
	£m	**£m**	£m
Revenue	**14.6**	11.4	23.9
Cost of sales	**(4.7)**	(3.6)	(7.6)
Gross profit	**9.9**	7.8	16.3
Gross margin	**68%**	68%	68%
Research and development costs	**(2.6)**	(2.9)	(6.8)
Sales and marketing costs	**(6.7)**	(8.6)	(16.6)
Administrative expenses	**(3.2)**	(5.0)	(10.2)
Adjusted EBITDA[1]	**(0.1)**	(6.2)	(11.1)
Operating loss	**(2.6)**	(8.7)	(17.3)
Other gains and (losses) – net	**0.1**	(0.6)	(0.9)
Other income	**0.7**	-	-
Net finance costs	**(0.2)**	(0.1)	(0.2)
Loss before tax	**(2.0)**	(9.4)	(18.4)
Taxation	**-**	-	(8.4)
Loss for the financial period from continuing operations	**(2.0)**	(9.4)	(26.8)
Profit/(loss) for the financial period from discontinued operations	**1.1**	(8.6)	(6.7)
Loss for the financial period	**(0.9)**	(18.0)	(33.5)
Cash[2]	**11.3**	9.6	7.4

[1] Earnings before interest, tax, depreciation, amortisation and impairment.
[2] Includes cash and cash equivalents.

Revenue
NIOX® revenues for the period were £14.6 million (H1 2020: £11.4 million) which include clinical sales of £12.2 million (H1 2020: £10.5 million) and research sales of £2.4 million (H1 2020: £0.9 million). NIOX® clinical revenues represent sales to physicians and hospitals for use in clinical practice and to the Company's distributors, while research sales are those to pharmaceutical companies and contract research organisations (CROs) for use in clinical studies. The increase in NIOX® sales was due to the recovery following the COVID-19 pandemic, combined with the implementation of the Company's business strategy to focus efforts entirely on the NIOX® product.

Gross profit
Gross profit on NIOX® sales was £9.9 million (H1 2020: £7.8 million), with a gross margin of 68% (H1 2020: 68%). Gross margin was in line with prior year due to a higher proportion of higher margin direct sales in China and a higher proportion of lower margin Research sales.

Sales and marketing
Sales and marketing costs decreased to £6.7 million (H1 2020: £8.6 million) which was mainly due to a reduction in the number of dedicated NIOX® sales representatives across the Group, combined with lower third-party marketing costs incurred during the COVID-19 pandemic.

Other income
Other income relates to a £0.7 million grant received from the US government under the Payment Protection Program. There are no contingencies or conditions attaching to this grant, and the amounts are not repayable.

Loss after tax and loss per share
Basic loss per share for the period was 0p (H1 2020: 5p) reflecting a loss for the financial period of £0.9 million (H1 2020: £18.0 million). The loss per share for continuing operations of 0p (H1 2020: 3p) reflecting a loss for the financial period of £2.0 million (H1 2020: £9.4 million).

Profit from discontinued operations

Profit from discontinued operations was £1.1 million (H1 2020: £8.6 million loss). The transitional run-off period ended in March 2021, during which time minimal operating expenditure was incurred. The prior period includes several one-off items including the AstraZeneca loan write-off, offset by the associated impairment charge of the licence assets.

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
Underlying trading profit/(loss)	**1.1**	**(17.7)**
Loan write-off	**-**	**123.1**
Intangible asset impairment	**-**	**(114.0)**
Profit/(loss) from discontinued operations	**1.1**	**(8.6)**

Statement of financial position

The Group's net assets at 30 June 2021 were £65.2 million (31 December 2020: £66.1 million).

Current liabilities at 30 June 2021 were £13.7 million (31 December 2020: £26.7 million). The decrease is mainly due to lower trade payables, in particular lower rebate accruals relating to the returned COPD products.

Cash flow

The Group's cash position (including cash and cash equivalents) increased from £7.4 million at 31 December 2020 to £11.3 million at 30 June 2021.

Cash used in operations during the period aggregated £0.4 million, of which £0.8 million was used in the COPD discontinued operations.

Deleted: year

£5.0 million of equity finance was raised in the period (H1 2020: £0.2 million).

Exchange differences on cash and cash equivalents arose as a result of translation of foreign currency balances at the beginning and end of the relevant period. The exchange loss for the period was £0.2 million (H1 2020: £2.5 million gain).

Michael Roller
Chief Financial Officer

16 September 2021

PRINCIPAL RISKS AND UNCERTAINTIES

Circassia has considered the principal risks and uncertainties facing the Group for the first six months of 2021 and does not consider them to have changed from those set out on pages 32 to 39 of the 2020 Annual Report and accounts. A summary of these risks is as follows:

Commercial success
The Group's competitors, many of whom have considerably greater financial and human resources, may develop safer or more effective products or be able to compete more effectively in the markets targeted by the Group. New companies may enter these markets and novel products and technologies may become available which are more commercially successful than those being developed by the Group.

Compliance with healthcare regulations
The Group must comply with complex regulations in relation to the marketing of its devices. These regulations are strictly enforced. Failure by the Group (or its commercial partners) to comply with relevant legislation and regulations, including the US Physician Payment Sunshine Act (and equivalent legislation in other countries), the US False Claims Act, the Anti-Kickback Statute and the US Foreign and Corrupt Practices Act and regulations relating to data privacy (amongst others) and similar legislation in countries outside the United States, such as China, may result in criminal and civil proceedings against the Group.

Regulatory approvals
The Group may not obtain regulatory approval for its products that are in development. Even where products are approved, subsequent regulatory difficulties may arise, or the conditions relating to the approval may be more onerous or restrictive than the Group expects, or existing approvals might be withdrawn.

Supply Chain
The Group relies on third parties for the supply of key materials, finished products and services, including shipping. Problems at these contractors, such as technical issues, contamination, and regulatory actions may lead to delays or even loss of supply or inadequate supply of these materials, products and services during commercialisation. Some materials may only be available from one source, as is currently the case for the NIOX® devices and the sensors contained in those devices, and regulatory requirements may make substitution costly and time-consuming.

Research and development risks
The Group relies upon its collaborations with various counterparties for the development of the NIOX® device and sensors contained in the NIOX® devices.

Intellectual property, knowhow, and trade secrets
The Group may be affected by challenges relating to the validity of those patents which it owns or licenses. If these challenges are successful, then the Group may be exposed to generic competition.

The Group could also be sued for infringement of third-party patent rights. If these actions are successful, then it would have to pay substantial damages and potentially remove its products from the market. Such litigation, particularly in the United States, involves significant costs and uncertainties.

The Group may rely upon knowhow and trade secrets to protect its products and maintain a competitive advantage. This may be especially important where patent protection is limited or lacking.

The Group licenses certain intellectual property rights from third parties. If the Group fails to comply with its obligations under these licence agreements, it may enable the other party to terminate the agreement.

Organisational capabilities and capacity
The Group may be unable to successfully implement its plans for growth if it does not attract and retain employees with the requisite capabilities and experience, in appropriate numbers.

Financial operations
The Group has incurred significant losses since the inception of its various businesses. However, it anticipates that it should become profit making in the near future once the effects of COVID-19 on the short-term trading of the NIOX® business have ceased.

Foreign exchange fluctuations may adversely affect the Group's results and financial condition.

COVID-19
The COVID-19 pandemic has had and continues to have an impact on healthcare systems around the world and in particular upon their ability to conduct FeNO testing at normalised pre-pandemic levels.

Brexit
There continues to be political and economic uncertainties following the United Kingdom leaving the European Union (EU) on 31 January 2020. The Group continues to face a range of risks associated with this decision. For example, the vote to leave the EU may lead to changes in the regulatory system by which medical devices are approved for use. The Group's NIOX® product is currently CE marked in accordance with European regulations. Now that the United Kingdom has left the EU, there is a plan in place to change this registration in line with the MHRA published timelines to permit sales of the device to continue in the United Kingdom.

Brexit may also result in restrictions on the movement of people which may make it harder for the Group to attract the talent it needs to support the business. The general economic uncertainty created by the process may also make it harder to enter into strategic partnerships with European companies.

The uncertainties surrounding Brexit also caused a significant depreciation in the value of sterling and continue to result in further foreign exchange volatility. This may affect the Group as indicated in the more general risk relating to financial operations set out above.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	**Six months ended 30 June 2021** **Unaudited** **£m**	Six months ended 30 June 2020 Unaudited £m	Twelve months ended 31 December 2020 Audited £m
Continuing operations				
Revenue from contracts with customers	3	**14.6**	11.4	23.9
Cost of sales		**(4.7)**	(3.6)	(7.6)
Gross profit		**9.9**	7.8	16.3
Research and development costs		**(2.6)**	(2.9)	(6.8)
Sales and marketing costs		**(6.7)**	(8.6)	(16.6)
Administrative expenses		**(3.2)**	(5.0)	(10.2)
Operating loss	3	**(2.6)**	(8.7)	(17.3)
Other gains and (losses) - net		**0.1**	(0.6)	(0.9)
Other income		**0.7**	-	-
Finance costs		**(0.2)**	(0.2)	(0.3)
Finance income		**-**	0.1	0.1
Loss before tax		**(2.0)**	(9.4)	(18.4)
Taxation		**-**	-	(8.4)
Loss from continuing operations		**(2.0)**	(9.4)	(26.8)
Profit/(loss) from discontinued operations (attributable to equity holders of Circassia Group plc)	4	**1.1**	(8.6)	(6.7)
Loss for the period		**(0.9)**	(18.0)	(33.5)
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translation of foreign operations		**4.7**	6.2	7.8
Other comprehensive income for the period, net of tax		**4.7**	6.2	7.8
Total comprehensive income/(expense) for the period		**3.8**	(11.8)	(25.7)

Loss per share attributable to owners of the parent during the period (expressed in £ per share)

Basic and diluted loss per share		**Six months ended 30 June 2021** **Unaudited** **£**	Six months ended 30 June 2020 Unaudited £	Twelve months ended 31 December 2020 Audited £
Loss per share from continuing operations	7	**(0.00)**	(0.03)	(0.07)
Total loss per share	7	**(0.00)**	(0.05)	(0.09)

The notes below are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	**30 June 2021**	30 June 2020	31 December 2020
		£m	£m	£m
		Unaudited	Unaudited	Audited
Assets				
Non-current assets				
Property, plant and equipment		**0.1**	0.2	0.1
Right-of-use assets		**1.5**	1.7	1.3
Goodwill		**5.0**	5.2	5.3
Intangible assets		**40.6**	46.7	45.1
Deferred tax assets	5	**20.9**	28.3	21.6
		68.1	82.1	73.4
Current assets				
Inventories		**2.2**	7.1	4.0
Trade and other receivables		**7.9**	23.2	18.3
Current tax assets		**-**	0.2	-
Cash and cash equivalents		**11.3**	9.6	7.4
		21.4	40.1	29.7
Total assets		**89.5**	122.2	103.1
Equity				
Share capital		**0.3**	0.3	0.3
Share premium		**640.3**	630.6	635.4
Other reserves		**19.6**	21.6	24.5
Accumulated losses		**(595.0)**	(578.6)	(594.1)
Total equity		**65.2**	73.9	66.1
Liabilities				
Non-current liabilities				
Lease liabilities		**1.1**	1.3	0.8
Deferred tax liabilities	5	**9.5**	9.3	9.5
		10.6	10.6	10.3
Current liabilities				
Trade and other payables	6	**13.1**	36.6	25.6
Lease liabilities		**0.6**	0.6	0.8
Contingent consideration		**-**	0.5	0.3
		13.7	37.7	26.7
Total liabilities		**24.3**	48.3	37.0
Total equity and liabilities		**89.5**	122.2	103.1

Deleted: and liabilities

The notes below are an integral part of these condensed interim consolidated financial statements.

Ian Johnson
Executive Chairman
Circassia Group plc

Michael Roller
Chief Financial Officer
Circassia Group plc

Registered number: 05822706

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	**Six months ended 30 June 2021 Unaudited £m**	Six months ended 30 June 2020 Unaudited £m	Twelve months ended 31 December 2020 Audited £m
Cash flows from operating activities				
Cash used in operations	8	**(0.4)**	(19.3)	(23.9)
Interest paid		**(0.1)**	(0.1)	(0.2)
Tax credit received		**-**	-	0.2
Net cash used in operating activities		**(0.5)**	(19.4)	(23.9)
Cash flows from investing activities				
Payments for property, plant and equipment		**-**	-	(0.1)
Payments for intangible assets		**-**	(0.3)	(0.4)
Interest received		**-**	0.1	-
Net cash used in investing activities		**-**	(0.2)	(0.5)
Cash flows from financing activities				
Proceeds from issue of shares		**5.0**	0.2	5.0
Principal elements of lease payments		**(0.4)**	(0.5)	(0.7)
Net cash generated from/ (used in) financing activities		**4.6**	(0.3)	4.3
Net increase/(decrease) in cash and cash equivalents		**4.1**	(19.9)	(20.1)
Cash and cash equivalents at 1 January		**7.4**	27.0	27.0
Effects of exchange rate changes on cash and cash equivalents		**(0.2)**	2.5	0.5
Cash and cash equivalents at end of period		**11.3**	9.6	7.4

The notes below are an integral part of these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Circassia Group plc is a public limited company which is listed on the AIM Market of the London Stock Exchange and incorporated and domiciled in England and Wales. The address of its registered office is Northbrook House, Robert Robinson Avenue, Oxford Science Park, Oxford, Oxfordshire, England, OX4 4GA.

The condensed consolidated interim financial statements were approved for issue on 16 September 2021.

The condensed consolidated interim financial statements have not been audited or reviewed. The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 were approved by the Board of Directors on 24 March 2021 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

Basis of preparation

This condensed consolidated interim financial report for the period ended 30 June 2021 has been prepared in accordance with Accounting Standard IAS 34 *Interim Financial Reporting.*

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report and accounts for the year ended 31 December 2020 and any public announcements made by Circassia Group plc during the interim reporting period.

Going concern

In assessing the appropriateness of the going concern assumption, the Board has considered the availability of funding alongside the possible cash requirements of the Group and Company, taking into account the unprecedented circumstances caused by COVID-19. After due consideration, the directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of this report.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The below accounting policy has been adopted in the current financial period:

Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and is not repayable, and the Group will comply with all attached conditions. The grant is recognised as other income in the statement of comprehensive income in the period which the costs are incurred that the grant is intended to compensate.

Use of estimates and assumptions

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2020.

Financial instruments

The Group's financial instruments comprise cash and cash equivalents, receivables and payables arising directly from operations, and derivatives. The directors consider that the fair values of the Group's financial instruments do not differ significantly from their carrying values.

2. Financial and capital risk management

The condensed interim financial statements do not include all financial and capital risk management information and disclosures required in the annual financial statements; they should be read in conjunction

with the Group's annual financial statements for the year ended 31 December 2020. The viability consideration has been disclosed in the last Annual Report and the directors believe that the position remains unchanged.

The majority of operating costs are denominated in British pound sterling, United States dollar, Swedish krona, euro and Chinese yuan. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The directors expect foreign exchange volatility to continue to affect the Group's results and the resulting impact will be assessed in the annual report.

3. Operating segments

The chief operating decision-maker, the Executive Chairman, examines the Group's performance from a product perspective, and has identified two reportable segments of the business:

- NIOX® relates to the portfolio of products used to improve asthma diagnosis and management by measuring fractional exhaled nitric oxide (FeNO); and
- COPD relates to the Tudorza® and Duaklir® Pressair® products marketed in the United States, where they are indicated for the maintenance treatment of patients with COPD.

The COPD business has been classified as a discontinued operation. Information about this discontinued segment is provided in note 4.

The table below presents operating loss information regarding the Group's operating segments for the periods ended 30 June 2021 and 2020, and the year ended 31 December 2020. Only the results for the Group's continuing activities are included in order to aid comparison.

	NIOX®	Head office costs	Total
	£m	£m	£m
Six months ended 30 June 2021			
Revenue	14.6	-	14.6
Operating loss	(1.9)	(0.7)	(2.6)
Six months ended 30 June 2020			
Revenue	11.4	-	11.4
Operating loss	(7.4)	(1.3)	(8.7)
Twelve months ended 31 December 2020			
Revenue	23.9	-	23.9
Operating loss	(13.0)	(4.3)	(17.3)

There were no sales between the segments in either reporting period.

There have been no material changes in total assets or total liabilities from the amounts disclosed in the previous financial statements.

4. Discontinued operations

On 27 May 2020, Circassia signed an agreement to hand back the Tudorza® and Duaklir® licences to AstraZeneca and as such, the results of the COPD operating segment are reported as a discontinued operation.

There were no assets or liabilities classified as held for sale in relation to the discontinued operation.

Financial information relating to the discontinued operation is set out below:

Loss for the period

	Six months ended 30 June 2021	Six months ended 30 June 2020	Twelve months ended 31 December 2020
	£m	£m	£m
Revenue	**2.4**	11.6	22.1
Cost of sales	**(0.4)**	(1.2)	(6.4)
Gross profit	**2.0**	10.4	15.7
Expenditure	**(1.0)**	(16.6)	(20.0)
Goodwill and intangible asset impairment	**-**	(114.0)	(114.0)
Operating profit/(loss)	**1.0**	(120.2)	(118.3)
Other gains and (losses) - net	**0.1**	114.8	114.8
Finance costs	**-**	(3.2)	(3.2)
Profit/(loss) from discontinued operations	**1.1**	(8.6)	(6.7)
Cashflow			
Net cash outflow from operating activities	**(0.8)**	(6.1)	(9.8)
Net cash used in discontinued operations	**(0.8)**	(6.1)	(9.8)

Other gains and losses include £nil (30 June 2020: £123.1 million gain) relating to the write off of the AstraZeneca loan and accrued interest, and £0.1 million gain (30 June 2020: £8.3 million loss) on foreign exchange.

Finance costs include £nil (30 June 2020: £3.0 million) of interest charged on the loan from AstraZeneca, and £nil (30 June 2020: £0.2 million) relating to the unwinding of discounts on amounts payable to AstraZeneca.

5. Deferred taxation

	Intangibles	Tax losses	Net deferred tax asset
	£m	**£m**	**£m**
At 31 December 2020	9.5	(21.6)	(12.1)
At 30 June 2020	9.3	(28.3)	(19.0)
At 30 June 2021	**9.5**	**(20.9)**	**(11.4)**

	30 June 2021	30 June 2020	31 December 2020
	£m	£m	£m
Deferred tax liabilities	9.5	9.3	9.5
Deferred tax assets	(20.9)	(28.3)	(21.6)
Total deferred tax position	**(11.4)**	**(19.0)**	**(12.1)**

The Group has the following unrecognised potential deferred tax assets as at:

	30 June 2021	30 June 2020	31 December 2020
	£m	£m	£m
Losses	76.2	64.4	76.0
Total unrecognised deferred tax asset	**76.2**	**64.4**	**76.0**

6. Trade and other payables

	30 June 2021	30 June 2020	31 December 2020
	£m	£m	£m
Trade payables	**1.1**	6.3	5.2
Social security and other taxes	**0.2**	0.6	0.5
Accruals	**11.7**	18.2	18.9
Other payables	**0.1**	11.5	1.0
Total trade and other payables	**13.1**	36.6	25.6

7. Loss per share

Basic and diluted loss per share	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Twelve months ended 31 December 2020
	£	£	£
From continuing operations	(0.00)	(0.03)	(0.07)
From discontinued operations	(0.00)	(0.02)	(0.02)
Total basic and diluted loss per share attributable to the ordinary equity holders of the Company	(0.00)	(0.05)	(0.09)

	Six months ended 30 June 2021	Six months ended 30 June 2020	Twelve months ended 31 December 2020
Weighted average number of shares	**408,599,132**	348,722,920	381,859,840

8. Cash used in operations

Reconciliation of loss before tax to net cash used in operations

	Six months ended 30 June 2021	Six months ended 30 June 2020	Twelve months ended 31 December 2020
	£m	£m	£m
Loss from continuing operations before tax	**(2.0)**	(9.4)	(18.4)
Profit/(loss) from discontinued operations before tax	**1.1**	(8.6)	(6.7)
Loss before tax	**(0.9)**	(18.0)	(25.1)
Adjustment for:			
Finance income	**-**	(0.1)	(0.1)
Finance costs	**0.1**	3.3	3.5
Depreciation charge of property, plant and equipment	**-**	0.2	0.3
Depreciation charge of right-of-use assets	**0.4**	0.4	0.8
Amortisation charge of intangible assets	**2.1**	5.7	7.9
Impairment of intangible assets	**-**	-	0.8
Impairment of property, plant and equipment	**-**	-	0.1
Loss on disposal of intangible assets	**-**	114.0	114.0
Gain on loan write off	**-**	(123.1)	(123.0)
Share based payment (credit)/charge	**(0.2)**	0.7	2.0
Foreign exchange on non-operating cash flows	**(0.9)**	7.6	8.7
Changes in working capital:			
Decrease/(increase) in trade and other receivables	**8.5**	(6.7)	(3.9)
Decrease in inventories	**1.7**	-	2.9
Decrease in trade and other payables	**(11.2)**	(3.3)	(12.8)
Cash used in operations	**(0.4)**	(19.3)	(23.9)

9. Related party transactions

There have been no new IAS 24 related-party transactions in the first six months of the current financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report. The directors of Circassia Group plc are listed on pages 42 to 45 of the annual report.

The directors are responsible for the maintenance and integrity of the Group's website www.circassia.com. Legislation in the UK governing the preparation and dissemination of interim financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Ian Johnson
Executive Chairman
16 September 2021

Michael Roller
Chief Financial Officer