

Interim Report January-June 2021

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Q2 2021 in brief

Figures in parentheses refer to the year-earlier period.

Full financing and necessary permits in place in line with project plan

April – June

Financial information

- Net sales for the period amounted to SEK 228 thousand (868).
- The loss after financial items amounted to SEK -23,417 thousand (-15,819).
- Cash flow from operating activities amounted to SEK -10,527 thousand (-15,772).
- Cash flow from investing activities was SEK -40,663 thousand (-333).
- Earnings per share, before and after dilution, amounted to SEK -0.8 (-0.8).
- The net cash position equaled SEK 588,958 thousand (23,779).

Significant events during the interim period

- On 15 April, the Västernorrland County Administrative Board decided that the environmental permit application for Renewcell's operations in Sundsvall was complete and could proceed to public consultation. The decision was published on 19 April.
- In April, the Danish fashion house BESTSELLER launched its first garments made with Circulose® through the Vero Moda and Selected brands.
- On May 19, the company's Annual General Meeting was held.
- In June, the company signed an agreement with the Spanish fashion house INDITEX, one of the world's largest fashion houses and owner of brands such as Zara, Masso Dutti, Bershka and Pull and Bear, for a pilot project for closed loop textile production.
- On June 30, the loan agreement of up to SEK 311 million was signed with the EIB.

January – June

Financial information

- Net sales for the period amounted to SEK 829 thousand (893).
- The loss after financial items amounted to SEK -42,667 thousand (-31,775).
- Cash flow from operating activities amounted to SEK -33,532 thousand (-25,374).
- Cash flow from investing activities was SEK -87,780 thousand (-333).
- Earnings per share, before and after dilution, amounted to SEK -1.4 (-1.6).

Significant events after the interim period

- On July 2, Renewcell received an approved environmental permit for the planned operations in Ortviken in Sundsvall. The permit is valid with immediate effect.
- On August 4, the shareholders were called to an Extraordinary General Meeting to be held on September 3, 2021.

Financial overview

	Apr - Jun		Jan - Jun		Jan - Dec
SEK thousand	2021	2020	2021	2020	2020
Operation's net sales	228	868	829	893	1,453
Profit/loss after financial items (EBT)	-23,417	-15,819	-42,667	-31,775	-68,722
Result and total comprehensive income for the period	-23,417	-15,819	-42,667	-31,775	-68,722
Cash flow from operating activities	-10,527	-15,772	-33,532	-25,374	-60,746
Cash flow from investing activities	-40,663	-333	-87,780	-333	-24,346
Total assets	911,247	94,522	911,247	94,522	827,287
Equity	757,753	76,659	757,753	76,659	800,369
Net cash / Net debt*	-588,958	-23,779	-588,958	-23,779	-711,996
Equity ratio (%)	83,2	81,1	83,2	81,1	96,7
Average number of employees	44	17	34	15	19

* A negative number means that the total cash exceeds the total interest bearing debt.



CEO's comments

Full financing and necessary permits in place in line with project plan

During the past quarter, two crucial pieces have fallen into place in our work to make the fashion industry circular. By signing our loan agreement with the EIB, we have secured full financing until cash flow positivity in under the company's current financial plan. During the first week of July, we also received a positive verdict for an environmental permit application with immediate effect from the Västernorrland County Administrative Board, meaning that the establishment in Sundsvall can proceed without delay.

Before choosing a place of establishment, many variables are considered. One of the most important is the conditions for a smooth and fair collaboration with local permitting authorities. It is not uncommon that surprises and delays in environmental permit processes cause major problems for growing companies. I am therefore very pleased that our careful and determined work in combination with a open and efficient handling at the County Administrative Board in Västernorrland paved the way for process that reached conclusion in less than five weeks from submission of a complete application and less than seven months from initial consultation. Sundsvall is the right place for Renewcell.

In the second quarter, we have increased investments in line with the progress of the establishment in Sundsvall. The dismantling of the paper machine that previously stood in the machine hall has been completed and Renewcell has now formally taken over responsibility for the business area. We have also continued to develop the organization. Among other things, Hugo Petit became a permanent CFO and Kristina Elg Christoffersson was hired in the role of Chief Technology Officer. The Company is now expanding its organisation in connection with the building of our new plant resulting in an increase of our workforce by 19 employees compared with the previous quarter. With continued strong demand for Circulose®, it is the production rate at our facility in Kristinehamn that determines the sales volume. In the time leading up to the start of the plant in Sundsvall, however, we prioritize process and product optimization over volume in sales.

We have continued to support our partner brands in launches of garments made with Circulose®, both during the period and in preparation for autumn collections. I am particularly pleased

that during the period Renewcell signed an agreement on a pilot project with Inditex, a collaboration that provides further proof of the industry's confidence in our technology and that the transition to circular material flows is a top priority.

Looking outside the company, recent extreme weather has reminded us all of the importance of accelerating societal change to reach the 1.5-degree goal. The EU presented its Fit for 55 plan, which in Sweden has created a debate about the view of the forest as a natural resource. Regardless of which side one takes in the discussion about the future of our forest resources, it is clear to everyone that circular alternatives must be scaled up. Renewcell is well positioned to help the world get there.

Milestones for the Sundsvall project

Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
<ul style="list-style-type: none"> 75 percent of main supplier agreements signed Maintenance and upgrade of existing equipment started Recruitment of 50 full-time employees completed 	<ul style="list-style-type: none"> 90 percent of main supplier agreements signed Disassembly and removal completed Formal transfer of the site to Renewcell Environmental permit granted Project financing completed 	<ul style="list-style-type: none"> Preparation of machine hall for new layout and new installations completed Piling and adaptation of the basement in the machine hall completed 	<ul style="list-style-type: none"> Installation of drying line completed Onboarding of new full-time employees started 	<ul style="list-style-type: none"> Installation of baling line completed Machine installation completed Commissioning of certain individual process steps 	<ul style="list-style-type: none"> Commissioning of all individual process steps Commissioning of complete production line



Stockholm, May, 2021
Patrik Lundström – CEO

Renewcell's operations

Large market with high growth

The global market for textile fiber amounted to slightly more than 100 million metric tons per year. The demand for textile fiber is also expected to increase approximately 50 per cent by 2030 as a consequence of increasing numbers of people entering the global middle class and establishing a higher general level of consumption. In pace with this increase in consumption, the major negative climate and environmental impacts attributable to the textile and fashion industry will expand. Accordingly, increasing numbers of consumers and brands are becoming interested in replacing conventional raw materials, such as cotton and polyester, with recycled and circular materials. However, to date, the availability of such material is low.

A sustainable solution

Re:newcell AB's vision is to lead the way to a sustainable world by producing high quality products from recycled textiles. The company's operations are based on a new, proprietary process that has been protected as intellectual property using strategic patents and business secrets.

The company's technology is based on experience of conventional, large-scale cellulose pulp production from wood. Through a patented process, for which the company has no fewer than five approved patents, Renewcell can extract cellulose from textile waste, comprising cotton or viscose, adapt their properties and bring it back into the textile value chain without loss of quality in the form of a trademark-protected dissolving pulp: Circulose®.

Due to technical limitations, the recycled alternatives that have been available in the textile market to date have required the inclusion of virgin materials to achieve the quality that meets the demands of broad consumer groups. By replacing conventional materials with Circulose®, the company's customers can achieve large environmental and climate gains without compromising on the products' quality.

During 2019, Renewcell became first in the world to have a commercially proven product of this type and to make the first delivery to the fiber producer Tangshan Sanyou.

The company's products

Renewcell's business concept is to recycle raw materials in the form of textile waste into dissolving pulp. Renewcell sells its dissolving pulp product by the metric ton to producers of regenerated fiber, such as viscose, modal and lyocell.

Dissolving pulp is usually made of raw forest materials, but Renewcell's patented process now makes it possible to make regenerated fiber of virgin quality from 100-percent recycled textile raw materials.

Renewcell sells its product under the brand name Circulose®. The trademark is protected by registration in all relevant product classes and in all markets where the company and its customers are active. The use of the Circulose® trademark is offered as added value to the company's partner brands under a conditional royalty-free license.

The company operates in an international market and exports all of its production to customers abroad. Renewcell's direct customers are mainly found in such countries as China, India, Germany, Japan, the US and Austria.



Operational and financial targets

Renewcell has the following targets for installed annual production capacity of dissolving pulp. The production targets will be reached by increasing capacity in Ortviken, but possibly also by establishing production in new locations:

2022: 60,000 metric tons

2026: 250,000 metric tons

2030: 360,000 metric tons

Renewcell's medium-term (2026) financial targets are to have an annual EBITDA margin of 30 percent, and an equity ratio of 50 percent. Renewcell's long-term financial targets (2030) are to have an annual EBITDA margin of over 30 percent, and an equity ratio exceeding 50 percent.

Comments on the report

April – June

Net sales and order intake

During the period April-June, net sales amounted to SEK 228 thousand (868). Sales during the quarter consisted largely of sales of Circulose® pulp that during the period amounted to a total of 20 (72) tonnes. The sales volume is limited by the production rate at the plant in Kristinehamn, where machine investments for optimized runability and qualification of raw material and product specifications were prioritized over volume production.

Profit and loss

The loss for the period amounted to SEK -23,417 thousand (-15,819). The change is mainly explained by increased personnel costs due to the Company now strengthening its organization in connection with the establishment of the facility in Ortviken in Sundsvall.

The loss for the period was, except from increased personnel costs, also impacted by other revenues of SEK 1,253 thousand (1,017) and unrealised currency effects on cash in foreign currency of SEK -831 thousand (0).

Cash flow and investments

Cash flow from operating activities, including changes in working capital for the period, amounted to SEK -10,527 (-15,772) thousand. The positive change is explained mainly by a large increase in accounts payable.

Cash flow from investing activities during the period amounted to SEK -40,663 (-333) thousand. The change is almost exclusively due to investments in the facility in Ortviken, where the purchase of process equipment is ongoing and payments are now made to secure delivery times. The total investment for the production facility, including reserves, is budgeted at approximately SEK 870 million and has been contracted predominantly during the first half of 2021. Payment is based on achieved milestones.

Cash flow from financing activities amounted to SEK -1,254 (17,636) thousand. The change is due to the Company carrying out a new share issue of approximately SEK 18 million during the same period last year.

January – June

Net sales and order intake

During the period January-June, net sales amounted to SEK 829 thousand (893). Sales consisted largely of sales of Circulose® pulp that during the period amounted to a total of 36 (72) tonnes.

Profit and loss

The loss for the period amounted to SEK -42,667 thousand (-31,775). The increase is mainly explained by increased personnel costs due to the fact that the Company is now strengthening its organization in connection with the build-up of commercial production. The loss for the period was, except from increased personnel costs, also impacted by other revenues of SEK 1,656 thousand (1,019) and unrealised currency effects on cash in foreign currency of SEK -364 thousand (0).

Cash flow and investments

Cash flow from operating activities, including changes in working capital for the period, amounted to SEK -33,532 (-25,374) thousand. The change is explained mainly by a large increase in accounts payable.

Cash flow from investing activities during the period amounted to SEK -87,780 (-333) thousand. The change is almost exclusively due to investments in the facility in Ortviken, where the purchase of process equipment is ongoing and payments are now made to secure delivery times. As per June 30, the Company's capitalized value of ongoing construction amounted to SEK 222,512 thousand (0) which is an increase with approximately 139 MSEK compared to the first quarter of 2021.

Cash flow from financing activities amounted to SEK -2,613 (17,770) thousand. The change is due to the Company carrying out a new share issue of approximately SEK 18 million during the same period last year.

Assurance

The Board of Directors and CEO assure that the interim report provides a fair view of the company's operations, financial position and profits, and describes the material risks and uncertainties facing the company.

Stockholm, August 27, 2021

Henrik Ager

Mia Hemmingson

Helene Willberg

Chairman

Anna Attemark

Om Bhatia

Patrik Lundström

CEO

Note: This information is such information that Renewcell is obliged to make public pursuant to the EU's Market Abuse Regulation. This report has been prepared with a Swedish and an English version. In the event of any discrepancies between the two, the Swedish version applies. This information was published, through the agency of the contact persons below, on May 5, 2021 at 8:00 a.m. CEST. The report has not been subject to the auditors' review.

Contact details

For questions concerning this report, please contact:

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Harald Cavalli-Björkman, Head of Investor Relations, +46 70 590 32 04

Financial calendar

- The interim report for the third quarter of 2021 will be published on November 5, 2021
- The year-end report for 2021 will be published on February 16, 2022
- The interim report for the first quarter of 2022 will be published on May 4, 2022
- The interim report for the second quarter of 2022 will be published on August 26, 2022

Financial reports in brief

Condensed Income statement and Statement of comprehensive income

	Apr-Jun		Jan – Jun		Jan – Dec
SEK thousand	2021	2020	2021	2020	2020
Operating income					
Net sales	228	868	829	893	1,453
Other operating income	1,253	1,017	1,656	1,019	1,639
Total operating income	1,481	1,886	2,485	1,911	3,093
Operating expenses					
Raw materials and consumables	-2,380	-2,701	-4,359	-4,424	-7,610
Other external expenses	-9,683	-8,960	-19,139	-17,309	-36,719
Personnel costs	-10,078	-4,486	-17,475	-8,284	-20,092
Total operating expenses	-22,142	-15,877	-40,973	-30,018	-64,422
Operating profit before depreciation, amortization and impairment (EBITDA)	-20,661	-13,991	-38,488	-28,106	-61,329
Depreciation and write-downs	-1,855	-1,737	-3,658	-3,458	-6,957
Operating profit (EBIT)	-22,516	-15,728	-42,146	-31,565	-68,286
Other interest income and similar income items	-	-	-	-	-
Interest expenses and similar expense items	-71	-91	-157	-210	-436
Unrealized exchange rate gains / losses	-831	-	-364	-	-
Total financial items	-901	-91	-521	-210	-436
Profit/loss after financial items (EBT)	-23,417	-15,819	-42,667	-31,775	-68,722
Result and total comprehensive income for the period	-23,417	-15,819	-42,667	-31,775	-68,722
Earnings per share, before and after dilution	-0.8	-0.8	-1.4	-1.6	-3.3
No. of shares	30,799,426	19,590,428	30,799,426	19,590,428	30,799,426
Average No. of shares before dilution	30,799,426	19,581,441	30,799,426	19,572,455	20,572,460
Average No. of shares after dilution	32,335,766	19,581,441	32,335,766	19,572,455	20,700,489

Condensed balance sheet

SEK thousand	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
ASSETS			
Intangible fixed assets	736	-	-
Tangible fixed assets	53,369	58,869	56,079
Assets under construction	222,512	-	31,531
Total fixed assets	276,617	58,869	87,611
Inventory	3,076	1,190	886
Accounts receivables	1,476	868	386
Other current receivables	16,353	2,000	5,142
Prepaid expenses and accrued income	18,726	316	13,975
Total current receivables	39,631	4,374	20,389
Cash and bank balances			
Cash and bank balances	594,999	31,279	719,288
Total cash and bank balances	594,999	31,279	719,288
TOTAL ASSETS	911,247	94,522	827,287
EQUITY AND LIABILITIES			
Share capital	786	354	786
Share premium reserve	953,466	193,145	953,466
Profit or loss brought forward	-153,832	-85,066	-85,161
Result for the period and the year	-42,667	-31,775	-68,722
Total equity	757,753	76,659	800,369
Other long-term liabilities	3,542	6,250	4,792
Total long-term liabilities	3,542	6,250	4,792
Other liabilities to credit institutions	2,500	1,250	2,500
Accounts payable	130,712	6,573	12,395
Tax liabilities	420	56	298
Other current liabilities	1,438	874	842
Accrued expenses and prepaid income	14,883	2,860	6,092
Total current liabilities	25,004	13,136	22,127
TOTAL EQUITY AND LIABILITIES	911,247	94,522	827,287

Condensed change in equity

SEK thousand	Share capital	Share premium Reserve	Profit or loss brought forward	Comprehensive income for the period	Total equity
Opening balance, Jan 1, 2020	322	174,317	-47,412	-37,657	89,570
Transfer of last year's result	-	-	-37 657	37,657	-
Redemption of shares	-	-25,680	-	-	-25,680
Bonus issue	-	-	-48	-	-48
New share issue	32	44,508	-	-	44,540
Employee options	-	-	51	-	51
Total comprehensive income for the period	-	-	-	-31,775	-31,775
Closing balance Jun 31, 2020	354	193,145	-85,066	-31,775	76,659
Opening balance, Jul 1, 2020	354	193,145	-85,067	-31,775	76,658
Redemption of shares	-48	-	-	-	-48
Bonus issue	194	-	-146	-	48
New share issue	286	807,400	-	-	807,686
Issue costs	-	-47,080	-	-	-47,080
Employee options	-	-	51	-	51
Total comprehensive income for the period	-	-	-	-36,947	-36,947
Closing balance Dec 31, 2020	786	953,466	-85,161	-68,722	800,369
Opening balance, Jan 1, 2021	786	953,466	-85,161	-68,722	800,369
Transfer of last year's result	-	-	-68,722	68,722	-
Employee options	-	-	51	-	-
Total comprehensive income for the period	-	-	-	-42,667	-
Closing balance, Jun 31, 2021	786	953,466	-153,832	-42,667	757,753

Condensed statement of cash flows

	Apr - Jun		Jan - Jun		Jan - Dec
SEK thousand	2021	2020	2021	2020	2020
Operating activities					
Operating profit/loss before financial items	-22,516	-15,728	-42,146	-31,565	-68,286
Interest paid	-71	-91	-157	-210	-436
Adjustments for items not included in cash flow:					
Depreciation and write-downs	1,855	1,737	3,658	3,458	6,957
Employee options	26	26	51	51	102
Cash flow from operating activities before changes in working capital	-20,706	-14,057	-38,594	-28,265	-61,664
Change in working capital					
Change in inventory	-1,768	-105	-2,190	-490	-186
Change in accounts receivable	-227	-390	-1,091	-841	-359
Change in other receivables	-13,319	-510	-14,599	240	-3,557
Change in accounts payable	16,548	-1,623	13,432	1,943	-462
Change in other current operating liabilities	8,944	912	9,509	2,039	5,481
Cash flow from operating activities	-10,527	-15,772	-33,532	-25,374	-60,746
Investing activities					
Investments in intangible fixed assets	-	-	-	-	-
Investments in tangible fixed assets	-40,663	-333	-87,780	-333	-24,346
Cash flow from investing activities	-40,663	-333	-87,780	-333	-24,346
Financing activities					
New issue of shares	-	18,053	-	44,540	852,227
Issue costs	-	-	-	-	-47,080
Prepayments for financing	-629	-	-1,363	-	-13,004
Redemption of shares	-	-	-	-25,728	-25,728
Repayment of interest-bearing liabilities	-625	-417	-1,250	-1,042	-1,250
Cash flow from financing activities	-1,254	-17,636	-2,613	17,770	765,165
Cash flow for the period	-52,444	1,532	-123,924	-7,396	680,073
Cash and cash equivalents at the beginning of the period	648,274	29,747	719,288	39,215	39,215
Exchange differences in cash and cash equivalents	-831	-	-364	-	-
Cash and cash equivalents at the end of the period	594,999	31,279	594,999	31,279	719,288

Notes

Note 1 Accounting and measurement policies

General information and compliance with IAS 34

This interim report has been prepared pursuant to IAS 34 Interim Financial Reporting. The company was founded on October 30, 2012 and has its registered office in Stockholm, Sweden. The company does not comprise a group and the company therefore applies IFRS with the adjustments required pursuant to RFR2 Accounting for Legal Entities. The accounting and measurement methods applied are in accordance with those stated in the 2020 Annual Report.

Financial assets and liabilities

All financial assets and liabilities are measured at amortized cost. In all cases, carrying amounts are deemed to correspond to fair value. No change occurred during the period in the classification or transfer of financial assets between measurement hierarchies.

Significant accounting and measurement policies

This interim report was prepared in accordance with the accounting and measurement policies applied in the company's 2020 Annual Report.

When interim reports are prepared, the Board of Directors and the CEO, in accordance with the applicable accounting and measurement policies, must make certain estimates, assessments and assumptions that affect the accounting and measurement of assets, provisions, liabilities, revenues and costs.



The outcome could deviate from these estimates and assessments and seldom amount to the same amount as the estimated outcome.

The estimates and assessments made in the interim report, including assessment of the most important reasons for uncertainty, are the same as those applied in the 2019 Annual Report.

Note 2 Risks and uncertainties

The company is exposed to various risks, both operational and financial. Operational risks pertain mainly to risks of:

- Structural change (technology, competitors, etc.)
- Stoppages and disruptions in production plants
- Technology risks such as upscaling risks, etc.
- Delays and cost increases in conjunction with the establishment of the new plant in Ortvikén
- Market and price fluctuations
- Availability and price of raw materials
- Political decisions
- Sustainability and responsibility
- Environment

Financial risks mainly comprise liquidity and refinancing risk, interest-rate risk and currency exposure:

- Liquidity and refinancing
- Interest rates
- Currency transaction exposure including conversion differences on cash in foreign currency

The significant changes in the risks and uncertainties during the period compared with those presented in the 2020 Annual Report are the risks associated with the establishment of the new production plant in Ortvikén.

Note 3 Transactions with related parties

		Apr - Jun		Jan - Jun		Jan - Dec
SEK thousand	Description	2021	2020	2021	2020	2020
CEO (until September 2019)						
Trudvang & Partners AB (Mattias Jonsson)	Consultancy services	-	149	-	149	149
Board of Directors						
Hassi Consulting Oy (Heikki Hassi)	Consultancy services	-	60	-	60	60

Note 4 Pledged assets

	Apr - Jun		Jan - Jun		Jan - Dec
SEK thousand	2021	2020	2021	2020	2020
Floating charges	10,000	10,000	10,000	10,000	10,000

Note 5 Going concern

Currently, the company has very limited sales, implying that the Company's current operations to a large extent depend on external financing. At the end of 2020, a new share issue of approximately SEK 800 million was carried out in connection with the Company's listing on First North Premier. In addition, the company has signed a loan agreement with Nordea, Swedish Export Kredit AB and the European Investment Bank (EIB) corresponding to up to SEK 700 million. It is the Company's assessment that the above-mentioned financing ensures the company's current operations for the next 12 months as well as until the Company reaches a positive cash flow.

Note 6 Definitions of KPIs

Equity ratio

Equity as a percentage of total assets.

Earnings per share, before dilution

Profit for the period divided by the weighted average number of shares outstanding for the period.

Earnings per share, after dilution

Earnings per share adjusted to the number of common shares assessed to be subscribed as a result of the company's share price exceeding the option's subscription price.

Equity per share

Equity divided by number of shares outstanding at the end of the period. Significant estimates and assessments.

Net cash/ net debt

Cash minus interest bearing debt. In case cash exceeds interest bearing debt, the term net cash is used. Otherwise the term net debt is used.

Share information

Largest shareholders on June 30, 2021

Shareholder	No. of shares and votes	Share of capital and votes
Girincubator AB	3,933,290	12.77
H&M AB	3,124,440	10.14
Capital Group	2,462,272	6.83
Girindus Investments AB	1,926,048	6.25
AMF Pension & Fonder	1,194,169	3.88
ALMI	1,021,605	3.32
Swedbank Robur Fonder	1,004,277	3.26
Handelsbanken Fonder	915,706	2.97
Swedoccean AB	722,215	2.34
Cliens Fonder	655,000	2.13
AB Gripen Industri & Invest	592,705	1.92
Norron Fonder	582,705	1.89
Mikael Lindström	511,600	1.66
Christofer Tobago Lindgren	493,500	1.60
Göran Näsholm	376,268	1.22
Tomas Gahn	362,244	1.18
Gunnar Haglund	348,140	1.13
Livförsäkringsbolaget Skandia	342,589	1.11
BlackRock	340,283	1.10
Aktia Asset management	315,789	1.03
The twenty largest shareholders	20,867,073	67.75
Other	9,932,353	32.25
Total	30,799,426	100.00

Share price trend

