

Interim Report

Q3 – 2023



Q3 2023 in brief

July – September

Group, IFRS, (compared to quarter 2 2023)

- Net sales for the period amounted to SEK 84.4m (84.8)
- Operating profit before depreciation and amortization (EBITDA) amounted to SEK -50.5m (-59.3) for the period
- Net profit/loss for the period was SEK -94.5m (-105.4)
- Cash flow from operating activities amounted to SEK -83.5m (-34.8)
- Cash flow from investing activities amounted to SEK -4.6m (-13.8)
- Earnings per share, before and after dilution, amounted to SEK -2.3 (-2.8)
- The company's net debt at the end of the quarter was SEK 905.0m (833.6) of which lease liabilities amounted to SEK 313.8m

January – September

Group, IFRS

- Net sales amounted to SEK 198.9m
- Operating profit before depreciation and amortization (EBITDA) amounted to SEK -190.1m
- Net profit/loss for the period was SEK -325.3m
- Cash flow from operating activities amounted to SEK -221.5m
- Cash flow from investing activities amounted to SEK -74.3m
- Earnings per share, before and after dilution, amounted to SEK -8.4

Events during the quarter

- The production of prime quality dissolving pulp during the quarter was 6,498 tonnes and 6,443 tonnes were delivered to customers during the quarter (see table below). As expected, September production was impacted by the planned use of a number of new types of raw materials in the production process.
- On 4 July the CIRCULOSE® Supplier Network was launched, whereby yarn and textile producers promote the delivery of CIRCULOSE® through the textile value chain
- On 15 July Toby Lawton, CFO, announced his departure from Renewcell. The recruitment of a successor is ongoing.
- During the period the company issued 555,110 new shares to Patrik Lundström, the former CEO, through the exercise of warrants of series 2019/2023 at a subscription price of SEK 48.43 per share, which provided the company with proceeds of approximately SEK 26.9m (see Note 9)

Events after the quarter

- In October, the company issued 71,928 new shares to Patrik Lundström, the former CEO, through the exercise of warrants of series 2019/2023 at a subscription price of SEK 48.43 per share, which provided the company with proceeds of approximately SEK 3.5m (see Note 9)
- In October, Renewcell 1 in Ortvikén produced 1,161 tonnes of prime quality dissolving pulp. Total production was 2,043 tonnes and 129 tonnes were delivered to customers. To

avoid adversely impacting cash flow and due to lower sales volumes, production volume in October was lower than the production capacity. Production in November is also expected to be below the production capacity due to lower sales volumes.

- On 12 October, Renewcell announced the preliminary Q3 financial results and informed that the sales flow of CIRCULOSE® through the textile value chain is taking longer than expected
- On 16 October, it was announced that Patrik Lundström, the company's CEO since 2019, left the company with immediate effect
- On 16 October, Magnus Håkansson was appointed acting CEO for Renewcell

Changes in accounting principles

From 1 January 2023, Re:NewCell AB (publ) ("Renewcell") is reported as a Group using IFRS accounting principles. The Group encompasses the Parent Company from 1 January 2023 – 9 March 2023, and the Parent Company and the subsidiary from 10 March 2023 and onward. The subsidiary (acquired in March 2023) does not contribute to the Group's performance and financial position, the Parent Company is included under IFRS from 1 January 2023.

The Parent Company continues to be reported pursuant to RFR2, and the Parent Company's figures are presented in a separate section (from page 14).

Volumes

The following table presents the production and sales volumes for CIRCULOSE®

	Q1	Q2	Q3	Total
Prima production (tonnes)	2,439	5,957	6,498	14,894
Total production (tonnes)	3,388	6,315	7,554	17,257
Delivered to customer (tonnes, ADMT*)	2,030	5,848	6,443	14,321
Of which, to fiber producers (tonnes, ADMT*)	1,819	520	–	2,339
Of which, to trading house (tonnes, ADMT*)	210	5,329	6,443	11,982

* ADMT means "Air Dried Metric Tons," a standard measurement in the pulp industry.

Financial overview – Group

According to IFRS, SEKm	Jul-Sep	Apr-Jun	Jan-Mar	Jan-Sep
	2023	2023	2023	2023
Net sales	84.4	84.8	29.7	198.9
Operating profit before depreciation and amortization (EBITDA)	-50.5	-59.3	-80.3	-190.1
Net profit/loss for the period	-94.5	-105.4	-125.4	-325.3
Cash flow from operating activities	-83.5	-34.8	-101.6	-221.1
Cash flow from investing activities	-4.6	-13.8	-55.9	-74.3
Equity	797.6	865.3	739.6	797.6
Net debt	905.0	833.6	1,006.5	905.0
Equity ratio (%)	39.4	38.9	36.3	39.4
Average number of employees	125	125	121	123

CEO comments

Since I came onboard as acting CEO a few weeks ago, the work has been focused on a solid analysis primarily of the situation regarding sales processes, raw material supply, production, lead times and underlying demand. There is no doubt the world is transitioning towards green circular product flows and Renewcell is uniquely positioned to contribute to this transition. We have lessons to learn from the initial period with commercial production and we are committed to increase our transparency and predictability.

Slower sales ramp-up than expected

As we communicated in October, the flow of our product CIRCULOSE® through the textile value chain has developed more slowly than we expected. We are working hard to get the wheels turning faster but have underestimated the complexity and timing to get from consumer or brand demand to an order from a fiber producer at the start of the textile supply chain.

It is clear that there is a strong interest and action-readiness from the fiber producers. However, the two off-take agreements with fiber producers, which have been previously signed and communicated, have so far not translated into orders according to time plan – partly due to a delayed production start from our side, but also delays in the calibration of the new material in their fiber production lines as well as their preparations to sell fiber volumes to their customers, the yarn spinners. In addition, the demand in terms of hard orders from the brands is coming along with less urgency than we had expected.

So far, up until the end of October, Renewcell 1 in Ortviken has produced approximately 16,000 tonnes of prime quality CIRCULOSE®, of which approximately 4,600 tonnes have reached the fiber producers. The brands have over the last couple of years been buying smaller volumes of fiber from our pilot production plant in Kristinehamn, which have resulted in 250 successful launches of capsule collections with multiple global brands such as H&M, Inditex, Levi's and many others. Now we need to see a transition from development projects to orders for main collections on a larger scale leading to a commercial production in Ortviken. The announced order from Inditex last week was, in that sense, an important step in the right direction.

Our action plan is clear

For Renewcell the action plan is clear:

1. Driving sales is key – we have to stay highly active in relation to ensuring availability through fiber producers and developing demand from the brands.
2. We will continue to increase efficiency and capacity in our production processes and secure a balanced mix of feedstock, production volumes and inventory levels.
3. We will continue to work on our financial stability and cash flow. This means cost and liquidity control.

Actions to stimulate the value chain

We have indeed a difficult macroeconomic environment, but we don't really see the economic trends as determinants or constraints for our success – as our product and process technology is uniquely positioned to enable change. Leadership among the brands is now required to realize their ambition statements regarding circularity. The interest in sustainable fashion continues to grow and more and more brands are setting clear circularity related targets for their businesses. But it takes intent, resources and efforts both from the fiber producers and at the same time from the leading brands, to continue the work of co-developing the specifications as well as investing in sample production for the product to be fully available where the purchasing decisions are taken.

Our sales and marketing activities are focused on ensuring that demand turns into action from the brands and that development processes are thereby established to make end products available. The CIRCULOSE® Supplier Network (CSN) – a group of over one hundred yarn and textile producers committed to offer products made from CIRCULOSE® and thus helping the circular economy forward – is a very important and targeted initiative that we launched this summer.

The existing off-take agreement with H&M is also a solid sign of commitment. Furthermore, Inditex recently increased their pace with the aim to have 40% fibers in 2030 from circular sources. As an important signal they placed an initial order of 2,000 tonnes of fiber from one of our fiber producing customers, with plans to continue to add this fully-recycled pulp to their fabrics over the coming seasons through their extensive network of suppliers.

By the end of October, we also received our first order of 1,000 tonnes of pulp from one of the other leading fiber producers. Our partner trading house continues to support our sales and marketing efforts in close contact with the leading fiber producers.

Production efficiency

Renewcell has made a number of improvements in our production processes and now see these giving clear results. We have increased our practical obtainable production capacity to a level sufficient for break-even. The bottlenecks in the shredding area have been reduced as a result of the actions implemented, but we have further improvement actions to make in this area. We are gradually on the way towards a production capacity of 60,000 tonnes per annum.

As was seen in the October production figures, the production levels are lower than the capacity in order to balance the lower sales volumes as well as cash-flow and inventory levels, and this will continue into the fourth quarter. In the meantime, we are also securing a steady inflow of the right mix of raw materials to meet demand.

Financial stability

We continue to keep tight control over the cash flow during the ramp up. Our weaker operating cash flow in the quarter was due the lower than expected sales to fiber producers as well as working capital development. Going forward it is important to firstly ramp up sales, but at the same time to carefully manage cash flow, especially working capital, and our cost base during this phase.

In summary we have sufficient production capacity for break-even levels and we are increasing capacity every month in a stable way. The focus now is primarily on securing demand from the brands and fiber producers and also on making the product available in order to secure volumes of CIRCULOSE®, and products made thereof, at all times in sufficient quantities in all parts of the value chain. Step by step.

Magnus Håkansson, acting CEO, Renewcell

Comments on the report

Financial overview

Quarter 3 (compared with Quarter 2). The figures stated below pertain to the Group (according to IFRS).

Net sales

Net sales for the period from July – September amounted to SEK 84.4m (84.8). The net sales are on par with previous quarters despite higher sales volumes due to an impairment SEK 5.6m pertaining to accounts receivable. The impairment relates to a credit note to the trading house that has arisen from longer delivery times. The agreement with the trading house stipulates payment to Renewcell of 70% of the order's total sales value on signing and payment of the remaining 30% when the trading house has sold on the product to fiber producers. Sales during the quarter comprised sales of CIRCULOSE® pulp, which amounted to 6,443 tonnes (5,848) for the period, all of which was sold to the trading house.

Operating costs

The cost for raw materials and consumables for the period amounted to SEK -93.6m (-99.6). The decrease was mainly due to lower energy costs. Due to the facility's improved efficiency and utilization rates according to plan, the cost of raw material and consumables has not increased despite the higher production volumes.

Other external costs for the period amounted to SEK -21.8m (-19.7). Personnel costs for the period amounted to SEK -27.5m (-31.3). The decrease in personnel costs was due to an adjustment pertaining to vacation pay.

Operating profit before depreciation and amortization (EBITDA)

Operating profit before depreciation and amortization amounted to SEK -50.5m (-59.3). The change was mainly attributable to improved gross margins due to the higher volumes and efficiency in production as well as to lower energy costs.

Depreciation

Depreciation for the period amounted to SEK -25.3m (-25.3). The depreciation mainly pertained to fixed assets at Renewcell 1 in Ortvikén, Sundsvall that started from 1 January 2023.

Net financial items

Group net financial items for the period amounted to an expense of SEK -19.1m (-21.2) and mainly pertained to interest expenses.

Net debt

Net debt at the end of the period was SEK 905.0m (833.6). The increase was mainly due to the negative cash flow from operating activities of SEK 83.5m. The net debt includes lease liabilities according to IFRS 16, which amounted to SEK 313.8m (316.8) at the end of the period.

Cash flow, investments and liquidity

Cash flow from operating activities for the period amounted to SEK -83.5m (-34.7). The decrease was due to the increase in tied-up working capital, mainly related to increased accounts receivable and decreased accounts payable, which has been offset by continued reductions in stock inventories. As of 30 September, accounts receivable amounted to SEK 54.7m and inventory to SEK 109.8m.

Cash flow from investing activities amounted to SEK -4.6m (-13.8) for the period. The investments mainly pertained to Renewcell 1. The company estimates that the total investment required to reach an annual production capacity of 120,000 tonnes will amount to approximately SEK 1.48bn (excluding lease capex). The carrying amount for Renewcell 1 before depreciation in the balance sheet (excluding lease capex) amounted to SEK 1,306.0m (1,302.0) at the end of the period.

Cash flow from financing activities amounted to SEK 154.5m (29.2) and pertained to the new share issue completed on 29 June but received in the third quarter, the new issue of shares on the exercise of warrants of series 2019/2023 (see Note 9) and the repayment of borrowings of SEK 100.4m (of which SEK 50m relates to the credit facility).

The company's cash and cash equivalents, and cash held in reserved accounts at the end of the period amounted to SEK 228.2m (162.6) (see Note 10). The company has a credit facility of SEK 150.0m, of which SEK 100.0m had been drawn at the end of the period.

The financial position of the company depends on the scale up of sales volumes of CIRCULOSE® to fiber producers. See Note 3 for details of risks and uncertainties.

Events during the first six months

- On 22 March, there was a limited fire at Renewcell's textile recycling plant Renewcell 1 in Sundsvall. The fire occurred in a shredding unit and a filter unit in the shredding area at Renewcell 1. After clean-up and repairs, production was restarted on 31 March and normal operations were resumed on 3 April.
- On 28 March, a Letter of Intent was signed with China Textile Academy Green Fiber Co. Ltd., an innovative Chinese lyocell fiber producer, concerning a long-term commercial collaboration around cellulose fiber production. The agreement confirms the two companies' intent to work together to supply lyocell textile fibers made using CIRCULOSE®, Renewcell's 100% recycled textile pulp, to global fashion brands in the coming years.
- On 30 March, Renewcell and the leading Chinese viscose manufacturer Sanyou announced the next step in their partnership to make fashion circular that stretches back to 2018. The two companies' new shared ambition is to offer manufacturers and brands CIRCULOSE® viscose fibers made from 100% recycled textiles in commercial quantities starting in 2024.

Re:NewCell AB (publ), Org. No. 556885-6206

- Renewcell had its Annual General Meeting on 16 May. More information is available on www.renewcell.com.
- Renewcell's lenders supported the company with an additional short-term credit facility of SEK 75m on 28 April. As of 30 June, half of this credit facility had been utilized and was repaid in the third quarter. The credit facility is no longer accessible for the company.
- Renewcell was named the winner in Fast Company 2023 World Changing Ideas Award for the Sustainability/Energy category and for the Drapers Sustainable Fashion Award for the Sustainable Textile Innovation category.
- On 10 May, Renewcell announced a partnership with TextileGenesis™ for CIRCULOSE® Pulp-to-Retail transparency.
- On 21 June, Renewcell 1 in Ortviken received Recycled Claim Standard certification.
- On 29 June, the company completed a directed share issue of 3,333,333 new shares to Swedish and international institutional investors, raising gross proceeds of approximately SEK 240m.

Stockholm 7 November
Magnus Håkansson, acting CEO

Invitation to the presentation of Renewcell's interim report

Re:NewCell AB (publ) ("Renewcell") will publish its interim report for the third quarter of 2023 on Tuesday, 7 November, at around 8.00 a.m. (CET). On the same day, at 10.00 a.m. (CET) the company's acting CEO Magnus Håkansson and CFO Toby Lawton will present the report via a live webcast.

The presentation will be webcast live and will be made available thereafter. Participants will have the opportunity to ask questions in a Q&A session following the presentation. The presentation will be held in English.

The live webcast can be accessed at this link: <https://www.youtube.com/watch?v=9edqpDEstZg>

The recorded webcast, report and presentation material will be published on Renewcell's website www.renewcell.com after the broadcast.

Contact details

For questions concerning this report, please contact:

Toby Lawton, CFO, +46 70 242 29 47

Financial calendar

Interim report for the fourth quarter 2023 will be published on 13 February 2024

The 2023 Annual Report will be published on 26 April 2024

The interim report for the first quarter of 2024 will be published on 7 May 2024

The company will hold its Annual General Meeting on 17 May 2024

Note: 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 above, on 7 November 2023 at 8:00 a.m. CET.

Review Report

Re:NewCell AB (publ)

Corp. ID 556885-6206

Introduction

We have reviewed the condensed interim financial information (interim report) of Re:NewCell AB (publ) as of 30 September 2023 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of the review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Material uncertainty related to going concern

We draw attention to Note 3 in the interim report, which indicates that there is a risk that the planned outcome does not materialize as expected, which could impact the Group's financial position, access to capital and its ability to discharge its undertakings. The current circumstances also give rise to uncertainty related to the Group's future fulfilment of certain covenants in the company's loan financing. These events and conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Stockholm 7 November

KPMG AB

Johanna Hagström Jerkeryd

Authorized Public Accountant

Financial statements, Group

Income statement

Group (according to IFRS)

SEKm	Note	Jul-Sep	Apr-Jun	Jan-Mar	Jan-Sep
		2023	2023	2023	2023
Net sales	4	84.4	84.8	29.7	198.9
Other operating income	4	1.7	1.2	0.4	3.3
Change in inventories		7.8	5.4	13.4	26.7
Raw materials and consumables		-93.6	-99.6	-68.3	-261.5
Other external costs		-21.8	-19.7	-24.3	-65.8
Personnel costs		-27.5	-31.3	-31.0	-89.8
Other operating expenses		-1.5	-0.2	-0.2	-1.9
Operating profit before depreciation and amortization (EBITDA)		-50.5	-59.3	-80.3	-190.1
Amortization, depreciation and impairment	7, 8	-25.3	-25.3	-25.3	-76.0
Operating profit		-75.8	-84.6	-105.7	-266.1
Financial income		1.4	0.9	0.0	2.3
Financial expenses		-20.5	-22.0	-20.1	-62.7
Financial items		-19.1	-21.2	-20.1	-60.4
Profit/loss before tax		-94.9	-105.8	-125.8	-326.4
Deferred tax		0.4	0.4	0.4	1.2
Net profit/loss for the period*		-94.5	-105.4	-125.4	-325.3
*The net profit/loss for the period also corresponds to comprehensive income for the period					
Earnings per share, before dilution		-2.3	-2.8	-3.3	-8.4
Earnings per share, after dilution		-2.3	-2.8	-3.3	-8.4
No. of shares at the end of the period		41,254,659	40,699,549	37,358,417	41,254,659
Average No. of shares before dilution		40,995,416	37,364,743	37,358,417	38,602,211
Average No. of shares after dilution		41,760,886	38,685,323	38,686,797	39,367,681

Balance sheet

Group (according to IFRS)

SEKm	Note	30 Sep 2023	30 Jun 2023	31 Mar 2023
ASSETS				
Fixed assets				
Intangible assets	7	9.1	9.7	10.3
Leasehold improvements	7	178.3	180.6	182.9
Plant and machinery	7	1,152.4	1,165.8	1,170.0
Equipment, tools, fixtures and fittings	7	2.4	2.6	2.8
Right-of-use assets	8	286.8	291.2	295.7
Other long-term financial assets		1.2	0.8	0.5
Deferred tax assets	6	0.9	0.5	0.1
Total fixed assets		1,630.9	1,651.3	1,662.3
Current assets				
Inventory		109.8	140.3	180.9
Accounts receivable		54.7	31.5	0.1
Other short-term financial assets	10	0.0	231.0	0.0
Other current receivables		0.4	1.2	2.5
Cash held in reserved accounts	10, 11	125.5	125.5	125.5
Prepaid expenses and accrued revenue		2.9	3.8	4.1
Cash and cash equivalents	10, 11	102.8	37.1	55.2
Total current assets		396.1	570.4	368.4
TOTAL ASSETS		2,027.0	2,221.7	2,030.8

SEKm	Note	30 Sep 2023	30 Jun 2023	31 Mar 2023
EQUITY AND LIABILITIES				
Share capital		1.1	1.0	0.9
Share premium reserve		1,699.6	1,672.8	1,441.7
Retained earnings, incl. net profit/loss for the period		-903.0	-808.5	-703.0
Total equity		797.6	865.2	739.6
Long-term liabilities				
Liabilities to credit institutions	10	651.0	691.0	685.2
Lease liabilities		291.8	294.5	308.9
Total long-term liabilities		942.8	985.5	994.1
Current liabilities				
Liabilities to credit institutions	10	168.4	219.5	182.4
Lease liabilities		22.0	22.2	10.8
Accounts payable		49.5	74.0	50.8
Other current liabilities		8.9	10.5	5.0
Accrued expenses and deferred income		37.7	44.8	48.1
Total current liabilities		286.6	371.0	297.1
TOTAL EQUITY AND LIABILITIES		2,027.0	2,221.7	2,030.8

Change in equity

Group (according to IFRS)

SEKm	Share capital	Share premium reserve	Retained earnings	Net profit/loss for the period	Total equity
Opening balance, 1 Jan 2023	1.0	1,441.7	-283.5	-294.3	864.9
Transfer of last year's profit	–	–	-294.3	294.3	–
Net profit/loss for the period	–	–	–	-325.3	-325.3
Transactions with owners					
New share issue	0.1	266.9	–	–	267.0
Issue costs	–	-9.0	–	–	-9.0
Closing balance, 30 Sep 2023	1.1	1,699.6	-577.7	-325.3	797.7

Statement of cash flows

Group (according to IFRS)

SEKm	Note	Jul-Sep	Apr-Jun	Jan-Mar	Jan-Sep
		2023	2023	2023	2023
Operating activities					
Operating profit/loss		-75.8	-84.6	-105.6	-266.1
Interest received		2.3	0.0	0.0	2.3
Interest paid		-16.6	-7.4	-11.4	-35.5
Adjustments for items not included in cash flow:					
Amortization, depreciation and impairment		25.3	25.3	25.3	76.0
		-64.8	-66.7	-91.8	-223.3
Change in working capital					
Change in inventories		30.4	40.6	-3.4	67.7
Change in accounts receivable		-23.2	-31.4	3.4	-51.2
Change in other receivables		-2.8	5.2	19.4	21.8
Change in accounts payable		-24.5	23.2	-40.7	-42.0
Change in other current operating liabilities		1.4	-5.7	11.3	7.0
Cash flow from operating activities		-83.5	-34.7	-101.6	-219.9
Investing activities					
Investments in intangible assets		0.0	-0.6	-0.1	-0.7
Investments in tangible assets		-4.2	-12.8	-55.8	-72.9
Change in other long-term receivables		-0.3	-0.3	0.0	-0.6
Cash flow from investing activities		-4.6	-13.8	-55.9	-74.3
Financing activities					
Share issue for cash		266.9	0.0	0.1	267.0
Issue costs		-9.0	0.0	0.0	-9.0
New borrowings		0.0	37.5	61.7	99.2
Transaction costs for new borrowings		0.0	-1.3	-0.3	-1.6
Lease payments		-2.9	-3.0	-2.8	-8.8
Repayment of borrowings		-100.4	-4.0	-12.9	-117.3
Cash flow from financing activities		154.5	29.2	45.7	229.5
Cash flow for the period		66.5	-19.4	-111.8	-64.7
Cash and cash equivalents, and cash held in reserved accounts at the beginning of the period		162.6	180.7	292.9	292.9
Translation differences in cash and cash equivalents		-0.9	1.2	-0.3	0.0
Cash and cash equivalents, and cash held at reserved accounts at the end of the period	10	228.2	162.6	180.7	228.2
Of which, cash held in reserved accounts		125.5	125.5	125.5	125.5

Comments, Parent Company

The following section includes the financial statements for the Parent Company, Re:NewCell AB (publ) ("Renewcell"). This company contains all the business and operations of Renewcell. The Parent Company reports according to RFR2 accounting principles (Accounting for Legal Entities), as in previous years. Comparative figures for the prior year are therefore available for the Parent Company.

For further information in relation to the accounting principles applied for the Group and for the Parent Company see notes 1 and 2.

Financial overview, Parent Company

According to RFR2, SEKm	Jul-Sep	Apr-Jun	Jan-Sep	Jan-Dec
	2023	2023	2023	2022
Net sales	84.4	84.8	198.9	12.6
Operating profit before depreciation and amortization (EBITDA)	-56.1	-65.0	-207.1	-252.0
Net profit/loss for the period	-93.0	-103.9	-320.8	-300.0
Equity	801.1	867.2	801.1	863.9
Net debt	591.2	516.9	591.2	516.8
Equity ratio (%)	46.7	45.5	46.7	47.1
Average number of employees	125	125	123	130

Financial statements, Parent Company

Income statement

Parent Company (according to RFR2)

SEKm	Note	Jul-Sep	Apr-Jun	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
		2023	2023	2022	2023	2022	2022
Net sales	4	84.4	84.8	3.0	198.9	7.5	12.6
Other operating income	4	1.7	1.2	1.6	3.3	4.1	6.3
Change in inventories		7.8	5.4	-0.9	26.7	1.1	5.5
Raw materials and consumables		-93.6	-99.6	-8.7	-261.5	-30.0	-69.6
Other external costs		-27.5	-25.4	-21.7	-82.8	-59.3	-87.0
Personnel costs		-27.5	-31.3	-29.9	-89.8	-79.1	-116.2
Other operating expenses		-1.5	-0.2	-1.7	-1.9	-3.2	-3.5
Operating profit before depreciation and amortization (EBITDA)		-56.1	-65.0	-58.2	-207.1	-158.9	-252.0
Amortization, depreciation and impairment	7	-20.5	-20.5	-2.7	-61.6	-7.8	-11.0
Operating profit		-76.7	-85.5	-61.0	-268.7	-166.8	-263.0
Other interest income and similar income items		1.4	0.9	-0.0	2.3	1.2	0.9
Interest expenses and similar expense items		-17.8	-19.3	-40.5	-54.4	-58.3	-37.8
Financial items		-16.4	-18.4	-40.5	-52.1	-57.1	-36.9
Profit/loss after financial items (EBT)		-93.0	-103.9	-101.5	-320.8	-223.9	-299.9
Net profit/loss for the period*		-93.0	-103.9	-101.5	-320.8	-223.9	-299.9

*The net profit/loss for the period also corresponds to comprehensive income for the period

Balance sheet

Parent Company (according to RFR2)

SEKm	Note	30 Sep 2023	30 Jun 2023	31 Dec 2022
ASSETS				
Fixed assets				
Intangible fixed assets		9.1	9.7	10.9
Total intangible assets		9.1	9.7	10.9
Tangible fixed assets				
Leasehold improvements		178.3	180.6	185.2
Plant and machinery		1,124.1	1,137.2	1,129.9
Equipment, tools, fixtures and fittings		2.4	2.6	3.1
Total intangible assets		1,304.8	1,320.4	1,318.2
Participations in Group companies		0.0	0.0	0.0
Other long-term financial assets		1.2	0.8	0.5
Total financial assets		1.2	0.8	0.5
Total fixed assets		1,315.0	1,331.0	1,329.7
Current assets				
Inventory		109.8	140.3	177.5
Accounts receivable		54.7	31.5	3.5
Other short-term financial assets	10	0.0	231.0	0.0
Other current receivables		0.4	1.2	22.3
Cash held in reserved accounts	10, 11	125.5	125.5	175.5
Prepaid expenses and accrued revenue		8.5	9.5	9.3
Total current receivables		298.9	539.0	388.1
Cash and bank balances	10, 11	102.8	37.1	117.4
Total current assets		401.7	576.1	505.5
TOTAL ASSETS		1,716.7	1,907.1	1,835.2

SEKm	Note	30 Sep 2023	30 Jun 2023	31 Dec 2022
EQUITY AND LIABILITIES				
Share capital		1.1	1.0	1.0
Called-up share capital not paid		0.0	231.0	0.0
Share premium reserve		1,699.6	1,441.8	1,441.7
Retained earnings, incl. net profit/loss for the period		-899.5	-806.5	-578.7
Total equity		801.1	867.2	863.9
Liabilities to credit institutions	10	651.0	691.0	676.6
Total long-term liabilities		651.0	691.0	676.6
Liabilities to credit institutions	10	168.4	219.5	133.0
Accounts payable		49.5	74.0	118.8
Current tax liabilities		–	–	1.4
Other current liabilities		9.0	10.5	4.0
Accrued expenses and deferred income		37.7	44.8	37.5
Total current liabilities		264.6	348.8	294.7
TOTAL EQUITY AND LIABILITIES		1,716.7	1,907.1	1,835.2

Notes

Note 1 – Accounting and measurement principles

General information

Re:NewCell AB (publ) with subsidiaries (“Renewcell” or the “Group”) operates in the field of textile recycling. The business is located in Kristinehamn, Sundsvall and Stockholm. Kristinehamn is the location of Renewcell’s first development facility and the new production facility, completed in the second half of 2022, is located in Ortviken, Sundsvall.

Renewcell sells its product under the CIRCULOSE® product trademark.

The Group operates in an international market and exports, either direct or through trading houses, to fiber producers abroad. The fiber producers are mainly located in China, India, Indonesia, Germany, Japan, the USA and Austria.

The Parent Company (Re:NewCell AB, org. no. 556885-6206) is a limited company in Sweden with its registered office in Stockholm. The visiting address for the head office is Cardellgatan 1, 114 36 Stockholm.

All amounts are reported in SEK million (SEKm) unless otherwise stated.

Preparation of consolidated accounts

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the applicable regulations in the Annual Accounts Act. The interim report for 1 January – 31 March 2023 was the company’s first published consolidated financial statements in accordance with IFRS. The Group was formed on 10 March 2023 when the subsidiary (Renewcell Sweden AB) was acquired. No Group existed in 2022. The Parent Company has prepared its annual report for 2022 in accordance with the Swedish accounting principles RFR 2 Accounting for Legal Entities. The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act, Chapter 9, Interim Report. Certain disclosures are made pursuant to IAS 34.16A in the financial statements and the accompanying notes as well as in other sections of the interim report.

Renewcell Sweden AB (org. no. 559419-5306) is a limited company registered in Sweden with its registered office in Stockholm. Renewcell Sweden AB has 25,000 shares with a carrying amount of SEK 25,000. The shares in Renewcell Sweden AB are wholly owned by Re:NewCell AB.

Comparative figures for 2022 are not included in the consolidated accounts as the Group was formed on 10 March 2023. The Parent Company’s income statement has been included in the consolidated accounts from 1 January, 2023. The consolidated cash flow has been prepared with a start as of 1 January 2023. The Group encompasses the Parent Company from 1 January 2023 – 9 March 2023, and the Parent Company and the subsidiary from 10 March 2023 and onward. The subsidiary does not contribute to the Group’s performance and financial position, the Parent Company is restated pursuant to IFRS from 1 January 2023.

Note 2 – Summary of important accounting principles

The Group was formed on 10 March 2023, which is the reason why there are no reconciliations to present as a first-time adopter of IFRS. The difference between the Parent Company’s accounting principles RFR2 and IFRS consists of IFRS 16 Leases and IAS 23 – Borrowing Costs. The right-of-use asset and lease liabilities mainly relate to the factory premises in Ortviken. The adjustment according to IAS 23 refers to the capitalization of interest during the build-up phase of Renewcell 1 in Ortviken.

For a full statement of the accounting principles see Renewcell AB’s website: <https://www.renewcell.com/en/accounting-principles/>

Note 3 – Risks and uncertainties

Renewcell is exposed to various risks including those described in the 2022 Annual Report on pages 39–46. These factors include commercial risks with variation in demand, product price and market acceptance; the influence of political decisions; financial risks primarily liquidity and refinancing risk including the risk that covenants in the company’s financing agreements are not met, interest rate risk and currency exposure; operational risks including scale up of the production plant; legal risks; and environmental risks.

On 12 October, a press release was issued with information that, despite continued strong interest in Renewcell’s products from a large number of consumer brands, the ramp up of sales through the textile value chain is taking longer than expected. As a consequence of the above, the company launched an activity plan with intensive actions within a number of different areas in order to accelerate the introduction of CIRCULOSE® in the textile value chain and to improve cash flow. The activities focus primarily on sales at different stages of the value chain with brands and fiber producers as well as actors in between, and to ensure that the ramp-up of production goes according to plan. The plan is to increase sales of CIRCULOSE® to fiber producers so that sales volumes are in line with production volumes.

There is a risk that the plan does not materialize as expected and that the sales growth continues to take longer than expected, which could impact the Group’s financial position, access to capital and its ability to discharge its undertakings. In the current circumstances there is also uncertainty related to the Group’s future fulfillment of certain financial covenants in the company’s loan financing, particularly from 31 March 2024. Discussions with banks are ongoing but no agreement has yet been reached. In

parallel, discussions are ongoing related to the renewal of the credit facility which falls due in April 2024. The Group is monitoring developments closely and taking any necessary actions.

Note 4 – Revenue

The figures in the table below refer both to the Group and the Parent Company in 2023 and to the Parent Company in 2022.

Net sales by geographic market	Jul–Sep	Apr–Jun	Jan–Sep	Jan–Dec
SEKm	2023	2023	2023	2022
Asia*	83.1	84.7	196.1	12.2
Other	1.3	0.1	2.9	0.4
Total	84.4	84.8	198.9	12.6
Net sales per product area	Jul–Sep	Apr–Jun	Jan–Sep	Jan–Dec
SEKm	2023	2023	2023	2022
Dissolving pulp	83.0	83.6	195.7	10.3
Fiber	1.4	1.3	3.2	2.3
Total	84.4	84.9	198.9	12.6
Other operating income	Jul–Sep	Apr–Jun	Jan–Sep	Jan–Dec
SEKm	2023	2023	2023	2022
Exchange rate gains	1.4	1.1	2.7	3.3
Excise tax refund electricity	0.0	0.0	0.0	1.2
Sales of scrap	0.2	0.1	0.4	1.0
Government grants received	0.0	0.0	0.1	0.6
Total	1.6	1.2	3.2	6.3

*Sales to Asia include sales to trading houses with the intended destination in Asia.

Note 5 – Financial assets and financial liabilities

The figures in the table below refer both to the Group and the Parent Company in 2023 and to the Parent Company in 2022.

Financial instruments per category

Assets	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
SEKm	30 Sep 2023	30 Sep 2023	30 Jun 2023	30 Jun 2023	31 Mar 2023	31 Mar 2023	31 Dec 2022	31 Dec 2022
Other long-term receivables	1.2	1.2	0.8	0.8	0.5	0.5	0.0	0.0
Accounts receivable	54.7	54.7	31.5	31.5	0.1	0.1	1.7	1.7
Other receivables	0.4	0.4	232.2	232.2	0.0	0.0	0.0	0.0
Cash held in reserved accounts	125.5	125.5	125.5	125.5	125.5	125.5	350.0	350.0
Cash and cash equivalents	102.8	102.8	37.1	37.1	55.2	55.2	65.7	65.7
Total	284.5	284.5	427.1	427.1	181.3	181.3	417.4	417.4

Liabilities								
Accounts payable	49.5	49.5	74.0	74.0	50.8	50.8	160.8	160.8
Liabilities to credit institutions	819.4	933.9	910.5	1,025.1	867.6	971.1	438.4	486.9
Other liabilities	4.3	4.3	4.8	4.8	0.0	0.0	0.0	0.0
Accrued liabilities	40.3	40.3	46.9	41.4	25.9	25.9	3.7	3.7
Total	913.5	1,028.0	1,036.2	1,145.3	944.3	1,047.8	603.0	651.4

The carrying amounts for accounts receivable, other receivables, cash and cash equivalents, accounts payable and other liabilities constitute a reasonable approximation of fair value. The fair value of borrowing (liabilities to credit institutions) is provided for information purposes and is calculated by discounting future cash flows of principal amounts and interest discounted at the current market interest rate. Valuation at fair value has been performed in accordance with level 3. See Note 3 for information on risks and uncertainties related to financial commitments.

Note 6 – Deferred tax assets

Group

SEKm	30 Sep 2023	30 Jun 2023
Deferred tax attributable to:		
Leases	6.7	6.4
Capitalized interest expenses	-5.8	-5.9
Net deferred tax assets	0.9	0.5

Interest expenses have been capitalized in the Group in relation to investments in fixed assets in accordance with IAS 23 (see Note 2).

Note 7 – Fixed assets

Group

Intangible fixed assets		
SEKm	30 Sep 2023	30 Jun 2023
Cost, opening balance	12.4	12.4
Cost, closing balance	12.4	12.4
Opening amortization	-1.5	-1.5
Amortization for the year	-1.9	-1.2
Closing amortization	-3.3	-2.7
Carrying amount	9.1	9.7

The intangible assets consist mainly of IT systems.

Leasehold improvements		
SEKm	30 Sep 2023	30 Jun 2023
Cost, opening balance	185.2	185.2
Cost, closing balance	185.2	185.2
Opening depreciation	0.0	0.0
Depreciation for the year	-6.9	-4.6
Closing depreciation	-6.9	-4.6
Carrying amount	178.3	180.6

Plant and machinery		
SEKm	30 Sep 2023	30 Jun 2023
Cost, opening balance	1,189.0	1,188.9
Purchases	46.2	42.0
Cost, closing balance	1,235.2	1,230.9
Opening depreciation	-29.7	-29.7
Depreciation for the year	-53.1	-35.4
Closing depreciation	-82.8	-65.1
Carrying amount	1,152.4	1,165.8

Equipment, tools, fixtures and fittings		
SEKm	30 Sep 2023	30 Jun 2023
Cost, opening balance	4.8	4.8
Cost, closing balance	4.8	4.8
Opening depreciation	-1.8	-1.8
Depreciation for the year	-0.7	-0.5
Closing depreciation	-2.5	-2.2
Carrying amount	2.4	2.6

Note 8 – right-of-use assets

Group

SEKm	30 Sep 2023	30 Jun 2023
Cost, opening balance	327.3	327.3
Additions, right-of-use assets	0.0	0.0
Cost, closing balance	327.3	327.3
Opening depreciation	-27.2	-27.2
Depreciation for the year	-13.4	-8.9
Closing depreciation	-40.5	-36.1
Carrying amount	286.8	291.2

Note 9 – Share-based remuneration and option programs

During the quarter, Patrik Lundström, the former CEO, exercised 10,464 series 2019/2023 warrants to subscribe for 680,160 new shares in the company at a subscription price of SEK 48.43 per share.

During the quarter, Patrik Lundström, the former CEO, made payment for 555,110 of the 680,160 subscribed for shares, which provided the company with approximately SEK 26.9m.

After the end of the quarter, on 6 October, the company issued to Patrik Lundström, former CEO, 71,798 of the shares subscribed for during the quarter, whereupon the company received approximately SEK 3.5m.

No payment has been received for the remaining 53,122 new shares that were subscribed for during the quarter by Patrik Lundström, former CEO, by exercising series 2019/2023 warrants, and accordingly, these shares have not been issued and are forfeited. There are no more warrants of series 2019/2023 outstanding.

For more information about the company's incentive programs, please refer to the company's website and the latest annual report.

Note 10 – Cash and cash equivalents, cash held in reserved accounts and financing

The figures in the table below refer both to the Group and the Parent Company in 2023 and to the Parent Company in 2022.

SEKm	30 Sep 2023	30 Jun 2023	31 Dec 2022
Cash held in reserved accounts	125.5	125.5	175.5
Cash and cash equivalents	102.8	37.1	117.4
Total cash and cash equivalents, and cash held in reserved accounts	228.2	162.6	292.9

SEKm	30 Sep 2023	30 Jun 2023	31 Dec 2022
Long-term liabilities to credit institutions	651.0	691.0	676.6
Short-term liabilities to credit institutions	168.4	219.5	133.0
Total liabilities to credit institutions	819.4	910.5	809.6

		30 Sep 2023	30 Jun 2023	31 Dec 2022
Terms and repayment profile, SEKm	Due date	Carrying amount	Carrying amount	Carrying amount
Almi	2023	0.4	1.0	2.0
Credit facility	2023–2024	100.0	187.5	100.0
ECA/EIB	2023–2030	719.0	722.0	707.6
Total liabilities to credit institutions		819.4	910.5	809.6

Cash held in reserved accounts consists of SEK 100m in the Debt Service Reserve account and SEK 25m in the Completion Reserve account. The Debt Service Reserve consists of reserved cash to enable repayment of principal and interest expenses on the loans for the next 12 months. The Completion Reserve consists of cash reserved up until the Production Test Date when the production line can produce at a rate corresponding to 84% of maximum capacity.

Net debt

Net debt for both the Parent Company and the Group is presented below. Lease liabilities are only recognized in the Group according to IFRS 16.

SEKm	30 Sep 2023	30 Jun 2023	31 Dec 2022
Total cash and cash equivalents, and cash held in reserved accounts	-228.2	-162.6	-292.9
Other short-term financial assets	0.0	-231.0	0.0
Total liabilities to credit institutions	819.4	910.5	809.6
Net debt, Parent Company	591.2	516.9	516.8
Long-term lease liabilities	291.8	294.5	
Short-term lease liabilities	22.0	22.2	
Net debt, Group	905.0	833.6	

Note 11 – Pledged assets

The figures in the table below refer both to the Group and the Parent Company in 2023 and to the Parent Company in 2022.

SEKm	30 Sep 2023	30 Jun 2023	31 Dec 2022
Floating charges	10.0	10.0	10.0
Total cash and cash equivalents, and cash held in reserved accounts	228.2	162.6	292.7
Pledged fixed assets	1 225,2	1,254.9	1,280.0
Total pledged assets	1,463.4	1,427.5	1,582.7

As security for the company's commitments and obligations under the loan agreements, the company has, inter alia, pledged cash, insurance, guarantees and material agreements as well as certain movable property related to the company's production facilities.

Note 12 – Transactions with related parties

Remuneration to senior executives has been paid in accordance with the guidelines described in the latest annual report, see Note 9. Aside from this, there were no transactions with related parties.

Definitions of alternative performance indicators

Alternative performance measures

In order to optimally present the company's operations and performance, Renewcell uses a number of alternative performance indicators that are not defined under IFRS or the Swedish Annual Accounts Act. The alternative performance indicators used by Renewcell can be seen below. These alternative performance indicators are unchanged in relation to prior periods.

Equity ratio

Equity as a percentage of total assets.

Net debt

Interest-bearing liabilities less cash and cash equivalents, cash held in reserved accounts and short-term financial assets. Lease liabilities are included in net debt.

Earnings before interest, tax, depreciation and amortization (EBITDA)

Profit before financial items and depreciation and amortization of tangible and intangible fixed assets.

Share information

Largest shareholders as of 30 September 2023

Shareholder	No. of shares and votes	Share of capital and votes (%)
H&M	4,243,290	10.37
Girincubator AB	3,933,290	9.61
Handelsbanken Fonder	3,593,914	8.78
Capital Group	2,691,474	6.61
Fidelity International (FIL)	2,077,851	5.09
AMF Pension & Fonder	1,666,835	4.07
Swedoccean AB	1,008,689	2.70
Patrik Lundström	905,346	2.21
Deka Investments	799,390	2.14
Norron Fonder	797,863	1.95
ALMI	688,878	1.68
Prioritet Finans	627,321	1.53
Cliens Fonder	600,000	1.47
Handelsbanken Liv Försäkring AB	597,284	1.46
Fjärde AP-fonden	510,000	1.25
Girindus Investments AB	505,719	1.24
Premier Miton Investors	489,888	1.20
Storebrand Fonder	484,348	1.18
Nordea Liv & Pension	477,482	1.17
Michael Berg	400,000	1.07
The twenty largest shareholders	27,098,862	66.78
Other	13,827,797	33.22
Total	40,926,659	100.00

Re:NewCell AB's shares are traded on Nasdaq First North Premier Growth Market.

Source: Monitor/Modular Finance