

Year-end report Q4 — 2020

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Q4 – 2020 in brief

Figures in parentheses refer to the year-earlier period.

October – December

Financial information

- Net sales for the period amounted to SEK 232 thousand (508).
- The loss after financial items amounted to SEK 21,071 thousand (loss: 12,182).
- Cash flow from operating activities following changes in working capital amounted to an outflow of SEK 13,246 million (outflow: 11,292).
- Earnings per share, before and after dilution, amounted to negative SEK 0.9 (negative: 0.6).

Significant events

- As a step toward establishing Renewcell's future plant, the environmental permit application has been submitted to the County Administrative Board in Västernorrland. The process is ongoing and is expected to be completed in the second quarter of 2021.
- On October 2, Renewcell signed a lease with SCA for the establishment of the next textile recycling plant at Ortviken's industrial area in Sundsvall.
- During October, options from the 2016/2020 options program were exercised. The exercised options raised SEK 7.7 million for the company and 682,500 new shares were issued.
- Renewcell was listed on Nasdaq First North Premier Growth Market with the first day of trading on November 26, 2020. The offering to the market was oversubscribed multiple times, resulting in the company raising SEK 753 million in equity.
- On October 22, a five-year agreement with Tangshan Sanyou was signed for Renewcell to supply 40,000 metric tons of Circulose® pulp annually, beginning in the first half of 2022.
- Renewcell formally concluded the partly EU funded RENEWTEXTILE project on December 4, 2020 following EU approval. The project was concluded ahead of time since the goals of the project had already been met.
- On October 8, a bridging loan was agreed with the largest owners, H&M and Girincubator AB, who were repaid in conjunction with the listing on Nasdaq First North Premier GM.

- On November 12, 2020, Renewcell signed a loan agreement for SEK 450 million with Nordea and AB Svensk Exportkredit guaranteed by Finnvera. The loan will be used to finance the company's new plant. Renewcell's right to payment is conditional on additional debt financing of SEK 250 million and that Renewcell obtains an environmental permit.
- Construction of the new plant began in December through placing orders for some important process equipment.
- On October 7, 2020, the Danish fashion company BESTSELLER announced that its next collection was to be made using Renewcell's Circulose® product. The clothing will be released in store in spring 2021.
- Renewcell's Circulose® product was included in TIME Magazine's list of "The 100 best inventions of 2020".

January – December

Financial Information

- Net sales amounted to SEK 1,453 thousand (750).
- The loss after financial items amounted to SEK 68,722 thousand (loss: 37,657).
- Cash flow from operating activities following changes in working capital amounted to an outflow of SEK 51,990 thousand (outflow: 31,109)
- Total assets at the end of the period were SEK 827,287 thousand (103,963).
- Cash and cash equivalents at the end of the period totaled SEK 719,288 thousand (39,215).
- Earnings per share, before and after dilution, amounted to negative SEK 3.4 (negative: 2.0)

Significant events after the end of the interim period

- Renewcell has signed a contract with Valmet for the supply and installation of production equipment at the company's plant in Sundsvall. The value of the contract amounts to SEK 232 million.
- Intense work is ongoing with the contracting of suppliers to the new plant with a goal to complete the process by April at the latest. At the same time, financing work is proceeding with the goal to have a fully-financed plant before construction begins. The Board of Directors proposes that no dividend be issued for 2020.

CEO's comments

2020 was a milestone year for Renewcell's history. We began the year as a small company with promising technology for the future and ended it as a listed company with a commercially proven product, an order book of almost SEK 2 billion and a lease in place for establishing the world's largest chemical textile recycling plant. Our Circulose® product was also listed as one of the 100 best inventions of 2020 by the illustrious TIME Magazine and Fast Company listed Circulose® as one of the year's "World Changing Ideas".

All of this, as well as the two major launches completed with H&M and Levi's, took place during a pandemic that shook the entire world. Investors, companies and people have been forced to see the world around them from a new perspective. For me, it is clear that the situation has boosted commitment to the necessary transition toward sustainability in the fashion industry. One customer after another that we communicate with is resolute that they will emerge from the coronavirus crisis with a strong force for sustainable change. With new capacity underway, Renewcell will help the textile industry to achieve this.

Establishing a full-scale process industry with the ambition of being world leading is no small task, which we face humbly if undaunted, for we note that world-leading sustainable companies are being created in industries such as the automotive and electrification industries. At the same time, I am thankful that we have the wind at our back as, for example, the EU is continuing work to implement the circular economy package that maintains that all local authorities in the EU must collect and separate textile waste by 2025 and that incineration and landfill will be prohibited. In Sweden, an investigation was presented for national producer responsibility for textiles in light of the EU's future regulations. Investments with a sustaintech scope are increasingly attractive in the capital markets, particularly in Sweden, where 2020 became a record year for investments in sustainability-focused companies. Renewcell's listing and subsequent share-price increase made the share the most successful listing in the Swedish stock market in several years. Despite the pandemic, I am pleased that 2020 was the launchpad for the decade of change in which sustaintech companies such as Renewcell will play a decisive role in enabling a sustainable society while creating a profitable company that generates shareholder value.

We are now underway with preparations to establish

operations at Ortviken's industrial area in Sundsvall. We are moving to a site with a historic cellulose legacy and will be the tenant of an illustrious major company that has borne the Swedish forest industry's banner high in the global arena. We will recycle millions of garments in PM5, a machine previously used for printing paper with a capacity of 255,000 metric tons per annum that was operational between 1985 and 2021. The structural transformation of the paper printing market has created the opportunity to use the knowledge, infrastructure and machines that made Sweden a world-leading forest products exporter in a new context. By thinking circularly, not just with our products but also with our investments, we are saving money and natural resources and leveraging a process expertise that cannot be found elsewhere. Sweden is unique in that regard. We view this as part of an Industrial Evolution toward sustainability.

With our listing on Nasdaq First North Premier Growth Market, Renewcell has gained thousands of new owners, established institutions as well as individual savers, who all want to support us in our journey of growth. However, funding has enabled us to quickly change tact and carry out all necessary processes and activities to deliver in line with the plan that we took to market. Thank you to all of our owners, new and old, for your confidence.

The foundations are in place, now it is time to make the textile industry circular!



Stockholm, February 2021

Patrik Lundström – CEO

The business

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

Renewcell'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 pulp product: 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-per cent 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 partners 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 Ortvikén, 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 and long-term financial targets are to have an annual EBITDA margin of 30 percent, and an equity ratio of 50 percent.

Comments on the report

Financial overview

KSEK	Oct–Dec		Jan–Dec	
	2020	2019	2020	2019
Operation's net sales	232	508	1,453	750
Profit after financial items (EBT)	-21,071	-12,182	-68,722	-37,657
Result and total comprehensive income for the period	-21,071	-12,182	-68,722	-37,657
Cash flow from operating activities incl. changes in working capital	-13,246	-11,292	-51,99	-31,109
Total assets	827,287	103,963	827,287	103,963
Equity	800,369	89,57	800,369	89,57
Equity ratio, %	96.7	86.2	96.7	86.2
Average number of employees	22	10	19	8

See definitions below.

October – December

Net sales and profit

In October, net sales amounted to SEK 232 thousand (508). Sales comprised the delivery of pulp to a new product development project. The loss for the period amounted to SEK 21,071 thousand (loss: 12,182). The increase was mainly attributable to the cost of tests and development for new fiber customers, new recruitments and consulting and legal costs in conjunction with project design and financing of the planned capacity expansion.

Orders and sales

Sales of Circulose® pulp amounted to 22 metric tons during the period, for which some second grade material was also sold from the warehouse. Sales volumes were limited by the rate of production at the plant in Kristinehamn, where machine investments for optimized runnability and qualification of customer-adapted raw-material and product specifications were prioritized over volume production.

Cash flow and investments

Cash flow from operating activities including changes in working capital for the period amounted to an outflow of SEK 13,246 thousand (outflow: 11,292). Cash flow from investing activities for the period amounted to an outflow of SEK

32,241 thousand (outflow: 487). Purchasing orders have been placed for some important process equipment and the initial payment made to secure delivery times. The total investment for the production plant including reserves has been budgeted at SEK 870 million and will be contracted at the start of 2021. Cash flow from financing activities totaled SEK 747,395 thousand (4,510). Initial financing costs have impacted cash flow by SEK 13 million. Renewcell was listed on Nasdaq First North Premier Growth Market with the first day of trading on November 26, 2020. The offering to the market was oversubscribed multiple times, resulting in the company raising SEK 753 million in new capital. In addition, the 2016/20 options program was settled and raised an additional SEK 7.7 million for the company in early November.

January – December

Net sales and profit

Net sales amounted to SEK 1,453 thousand (750). Sales primarily consisted of deliveries during the third quarter ahead of the coming brand launches. The loss for the period amounted to SEK 68,722 thousand (loss: 37,657). The increase was mainly attributable to the cost of new recruitments to supplement the management team and increase production shifts in Kristinehamn, tests and development for new fiber customers, and consulting and legal costs in conjunction with project design and financing of the planned capacity expansion.

Orders and sales

Sales of Circulose® totaled 142 metric tons during the period. At the end of 2020, production increased to two shifts with the goal of producing in 2021 for initiated brand projects. A contract was signed with the Chinese fiber producer Tangshan Sanyou for delivery of up to 40,000 metric tons of Circulose pulp per annum from the plant in Ortviken for a period of five years.

Cash flow and investments

Cash flow from operating activities including changes in working capital for the year amounted to an outflow of SEK 51,990 thousand (outflow: 31,109). Cash flow from investing activities amounted to an outflow of SEK 33,103 thousand (outflow: 973). Cash flow from financing activities amounted to SEK 765,165 thousand (51,674). Cash flow for the full year was dominated by a new issue in conjunction with the listing, financing expenses and the construction start of the new plant.

Liquidity and financial position

At the end of the period, equity amounted to SEK 800,369 thousand (89,570) and the equity ratio to 97 percent (86). At the end of the period, cash and cash equivalents amounted to SEK 719,288 thousand (39,215), strengthened by the new issue in conjunction with the listing. On December 31, fixed assets amounted to SEK 87,611 thousand (61,465) and current assets, excluding cash and cash equivalents amounted to SEK 20,388 thousand (3,283). The change was largely the result of prepaid financing costs.

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 policies and calculation methods applied are in accordance with those stated in the 2019 Annual Report..

Transactions with related parties

A bonus program, encompassing five individuals in the management team, was prepared in June. The bonus program runs from July 7, 2020 to December 31, 2023. Any bonus will be based on the value of the company's shares at the end of 2023 and could total a maximum amount of SEK 6.8 million overall. In addition to the remuneration paid to senior executives, no major transactions with related parties occurred during the period.

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 2019 Annual Report.

Significant estimates and assessments

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 in the 2019 Annual Report.

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
- Delays and cost increases in conjunction with the establishment of the new plant in Ortviken
- Potential delays in obtaining permits
- 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
- Translation exposure

The significant changes in the risks and uncertainties during the period compared with those presented in the 2019 Annual Report are the risks associated with the establishment and

permitting of the plant in Ortviken and the negative impact that COVID-19 could cause on Renewcell's commercialization.

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 warrants outstanding. The option program is an instrument that can lead to dilution, but since the company has negative earnings, there is no dilutive impact.

Equity per share

Equity divided by number of shares outstanding at the end of the period.

Share information

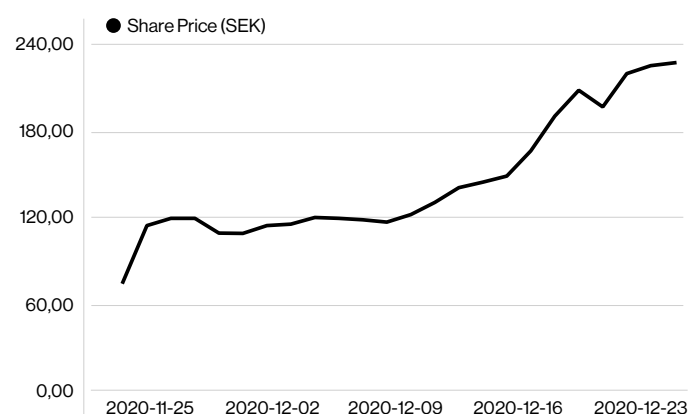
	Oct – Dec		Jan – Dec	
	2020	2019	2020	2019
Total number of shares at the end of the period	30,799,426	322,252	30,799,426	322,252
Average number of outstanding shares	23,554,382	20,747,437	19,990,519	18,587,503
Result and total comprehensive income for the period	-21,071	-12,182	-68,722	-37,657
Profit per share, before and after dilution	-0.9	-0.6	-3.4	-2.0
Equity per share	26	278	26	278

Largest shareholders on December 30, 2020

Owner	Number of shares and votes	Equity and vote share %
Girincubator AB	3,933,290	12.77
H&M AB	3,124,440	10.14
Capital World Investors	2,260,121	7.34
Girindus Investments AB	1,926,048	6.25
Handelsbanken fonder	1,151,042	3.74
AMF Aktiefond Småbolag	1,055,089	3.43
Almi Invest Greentech AB	1,021,605	3.32
Swedbank Robur Fonder	986,842	3.2
Nord Fondkommission AB	867,725	2.82
Futur Pension	726,211	2.36
Gripen Industri & Invest AB	692,705	2.25
Cliens Sverige Fokus	650,000	2.11
SEB AB Luxembourg Branch	563,039	1.83
Christofer Lindgren	520,000	1.69
Mikael Lindström	511,485	1.66
15 largest shareholders	19,989,642	64.9
Other shareholders	10,809,784	35.1
Sum	30,799,426	100.00

recent program issued in the framework of the employee option program was for 2018/2025. During October, options from the 2016/2020 option program were exercised. The exercised options raised SEK 7.7 million for the company and 682,500 new shares were issued. In the event that the options are utilized in full, the dilution of current shareholders will amount to 4.8 percent.

Share price trend



Share information

The number of shares in Renewcell amounts to 30,799,426 with a quotient value of 2.6 öre. The Annual General Meeting held on July 10, 2020 resolved on a split of 1:65 and that the share capital would be increased through a bonus issue to SEK 500 thousand. At the same time, the Board of Directors was authorized to decide on new share issues prior to the next Annual General Meeting. On November 26, 2020, the company carried out a share issue of 10,526,316 shares in conjunction with the listing on Nasdaq First North Premier Growth Market.

Warrant program

The company has issued warrants in four different programs 2016/2020, 2018/2022, 2019/2023 and 2019/2027. The most

Financial calendar

- The 2020 Annual Report will be published on April 28, 2021
- The interim report for the first quarter will be published on May 5, 2021
- The AGM will be held on May 19, 2021
- The interim report for Q2 will be published on August 27, 2021
- The interim report for Q3 will be published on November 5, 2021

Contact details

For questions concerning this report, please contact:

Patrik Lundström, CEO, +46 76 183 47 17

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

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 23 February 2021



Henrik Norlin



Mia Hemmingson – Ordförande



Erik Karlsson



Mikael Lindström



Om Bhatia



Patrik Lundström – VD

Note: This information is such information that Renewcell is obliged to make public pursuant to the EU's Market Abuse Regulation and the Securities Market Act. 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 February 23, 2021 at 8:00 a.m. CET. The report has not been subject to the auditors' review.

Financial reports in brief

Condensed income statement and Statement of comprehensive income

SEK thousand	Oct–Dec		Jan–Dec	
	2020	2019	2020	2019
Operating income				
Net sales	232	508	1,453	750
Change in inventory	-326	700	186	700
Other operating income	507	48	1,639	5,946
Total operating income	414	1,256	3,279	7,396
Operating expenses				
Raw materials and consumables	-2,16	-4,372	-7,796	-5,106
Other external expenses	-10,963	-4,172	-36,719	-23,503
Personnel costs	-6,503	-2,817	-20,092	-8,86
Total operating expenses	-19,626	-11,362	-64,608	-37,469
Operating profit before depreciation, amortization and impairment (EBITDA)	-19,212	-10,105	-61,329	-30,073
Depreciation and write-downs	-1,743	-1,952	-6,957	-7,053
Operating profit (EBIT)	-20,955	-12,057	-68,286	-37,126
Other interest income and similar income items	0	0	0	0
Interest expenses and similar expense items	-116	-125	-436	-531
Total financial items	-116	-125	-436	-531
Profit after financial items (EBT)	-21,071	-12,182	-68,722	-37,657
Result and total comprehensive income for the period	-21,071	-12,182	-68,722	-37,657
Earnings per share, SEK				
Before dilution	-0.9	-0.6	-3.4	-2.0
After dilution	-0.9	-0.6	-3.4	-2.0

Condensed balance sheet

SEK thousand	31 Dec 2020	31 Dec 2019
ASSETS		
Machinery and equipment	56,08	61,465
Assets under construction	31,531	0
Total fixed assets	87,611	61,465
Inventory	886	700
Accounts receivables	386	27
Other current receivables	5,141	1,818
Prepayments and accrued income	13,975	738
Total current receivables	20,388	3,283
Cash and bank balances		
Cash and bank balances	719,288	39,215
Total cash and bank balances	719,288	39,215
TOTAL ASSETS	827,287	103,963
EQUITY AND LIABILITIES		
Share capital	786	322
Share premium reserve	953,466	174,317
Profit or loss brought forward	-85,161	-47,412
Result for the period and the year	-68,722	-37,657
Total equity	800,369	89,57
Other long-term liabilities	4,792	6,042
Total long-term liabilities	4,792	6,042
Other liabilities to credit institutions	2,5	2,5
Accounts payable	12,395	4,1
Tax debt	298	181
Other current liabilities	841	109
Accrued expenses and prepaid income	6,092	1,461
Total current liabilities	22,126	8,351
TOTAL EQUITY AND LIABILITIES	827,287	103,963

Condensed change in equity

	Share capital	Share premium reserve	Profit or loss brought forward	Comprehensive income for the period	Total equity
SEK thousand					
Opening balance, Jan 1, 2019	270	121,656	-29,515	-18,418	73,993
Transfer of last year's result			-18,418	18,418	-
New share issue	52	54,947	0		54,999
Issue costs		-2,286	0		-2,286
Warrants proceeds			419		419
Employee options			102		102
Total comprehensive income for the period				-37,657	-37,657
Closing balance, Dec 31, 2019	322	174,317	-47,412	-37,657	89,57
Opening balance, Jan 1, 2020	322	174,317	-47,412	-37,657	89,57
Transfer of last year's result			-37,657	37,657	-
Repurchase of own shares	-48	-25,68			-25,728
Bonus issue	194		-194		-
New share issue	318	851,908			852,227
Issue costs		-47,08			-47,08
Employee options			102		102
Total comprehensive income for the period				-68,722	-68,722
Closing balance Dec 31, 2020	786	953,466	-85,161	-68,722	800,369

Condensed statement of cash flows

	Oct–Dec		Jan–Dec	
SEK thousand	2020	2019	2020	2019
Operating activities				
Operating profit/loss before financial items	-20,955	-12,057	-68,286	-37,126
Interest paid	-116	-125	-436	-531
<i>Adjustments for items not included in cash flow:</i>				
Depreciation and write-downs	1,743	1,952	6,957	7,053
Employee options	26	102	102	102
Cash flow from operating activities before changes in working capital	-19,302	-10,129	-61,664	-30,502
Change in working capital				
Change in inventory	326	-700	-186	-700
Change in accounts receivable	18	7	-359	-27
Change in other receivables	-4,387	-1,082	-3,557	-790
Change in accounts payable	6,723	1,675	8,295	1,266
Change in other current operating liabilities	3,377	-1,065	5,481	-356
Cash flow from operating activities	-13,246	-11,292	-51,999	-31,109
Investing activities				
Investments in intangible fixed assets	0	0	0	0
Investments in tangible fixed assets	-32,241	-487	-33,103	-973
Cash flow from investing activities	-32,241	-487	-33,103	-973
Financing activities				
New issue of shares	760,607	5	805,147	52,713
Repurchase of own shares	0	0	-25,728	0
Issue of warrants	0	135	0	419
Prepayments for financing	-13,004	0	-13,004	0
Repayment of interest-bearing liabilities	-208	-625	-1,25	-1,458
Cash flow from financing activities	747,395	4,51	765,165	51,674
Cash flow for the period	701,909	-7,269	680,072	19,592
Cash and cash equivalents at the beginning of the period	17,379	46,484	39,215	19,623
Cash and cash equivalents at the end of the period	719,288	39,215	719,287	39,215