

# Annual Report – 2020

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# CEO's comments

2020 was a milestone year in 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 the automotive and electrification industries as well as steel production and many other sectors.

At the same time, I am thankful that we have a following wind 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 focus 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 at the same time as a profitable company has been created 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 fashion industry needs to change

Humanity consumes around 110 million metric tons of textile fiber each year. Hundreds of billions of garments are produced from cotton, oil, forest and animal fibers that are cultivated, pumped from the earth, harvested or raised. The manufacturing process of all these garments has an enormous impact on climate and the environment. Many have surmised that the fashion industry is one of the most polluting and climate impacting sectors in the world. Fashion currently accounts for between 5 and 10 percent of global GHG emissions, has an annual freshwater consumption that would provide fresh drinking water for five million people, and accounts for 35 percent of the emissions of all microplastics found in the oceans.

Even though an incredible amount of energy and large amounts of invaluable natural resources are consumed to manufacture all of the clothes we wear, barely any of them are recycled to make new clothes. Around 95 million metric tons of textile fibers end up in landfills, in the ocean or are incinerated each year.

If nothing is done, this impact will worsen as a result of what in essence is a positive development toward a reduction of global poverty. An estimated 1.7 billion people are expected to

enter the global middle class by 2030. Consumption patterns as an effect of improved welfare will lead to an annual increase in demand for textile fibers by up to 50 million metric tons by 2030.

Time is running out. Global emissions must be almost halved by 2030 in order for the Paris Agreement's goal of limiting global warming to within a 1.5°C range to stand a chance. By 2050, if nothing happens, the textile industry will consume a quarter of the global carbon budget.

A growing group of activists, consumers, fashion designers, politicians and entrepreneurs are realizing that the fashion industry must change its ways in order to significantly reduce its carbon footprint.

Many of the world's leading fashion brands are now looking for business models, materials and production processes that can reduce their climate impact and amount of waste to secure a future for the industry and for mankind.

The major challenge for the industry is now to find and scale up technologies that can contribute to the transition.

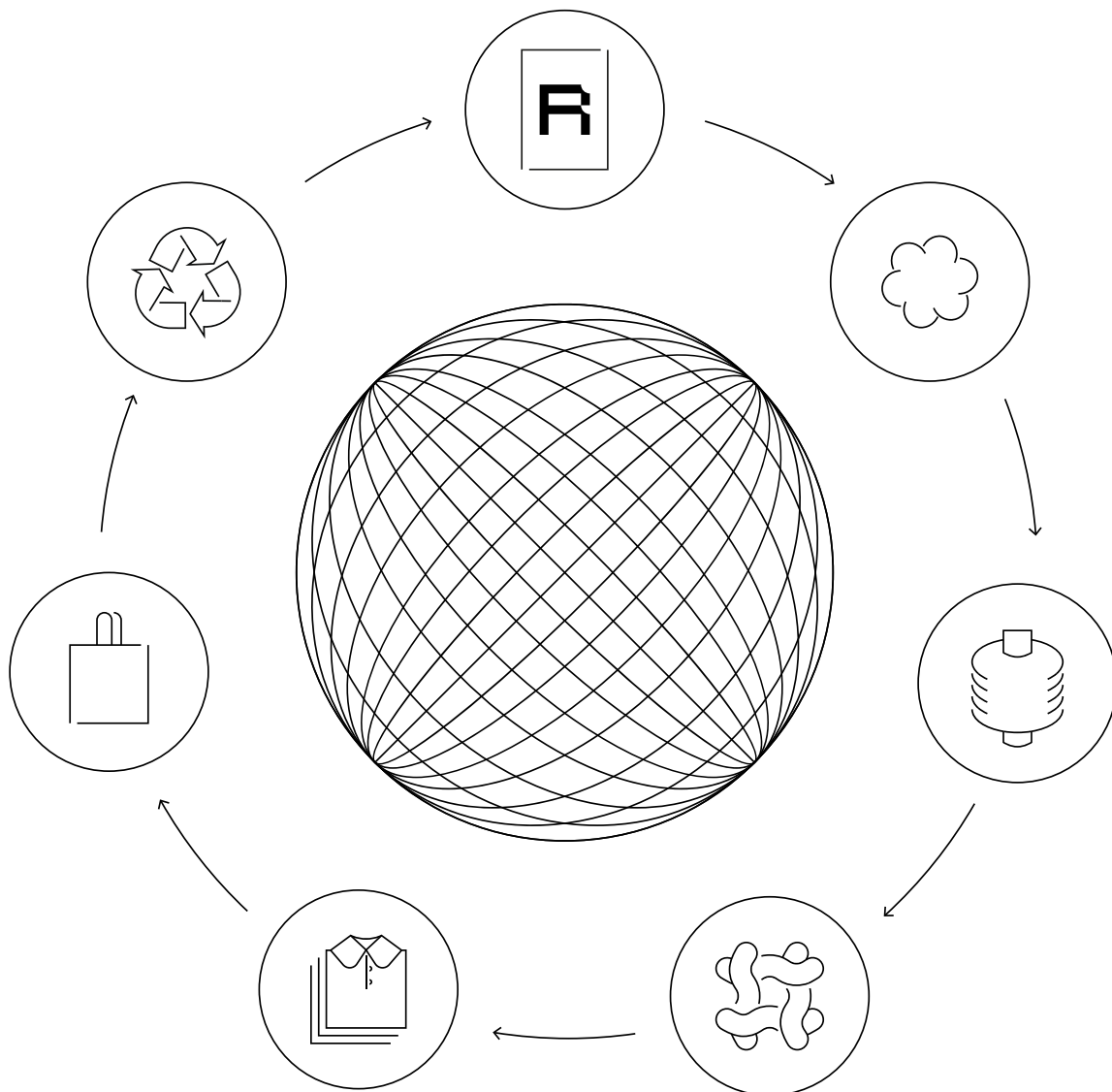


# This is Renewcell

## We close the loop

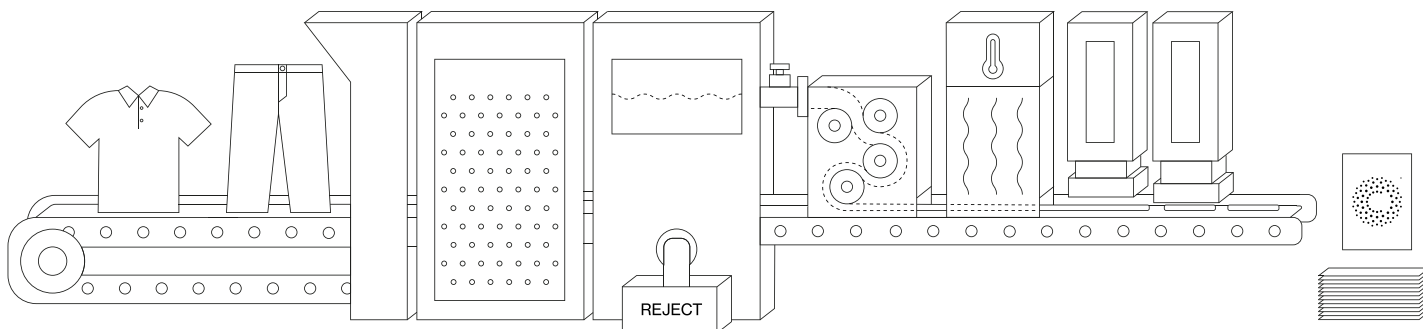
Before a garment can be worn for the first time, it goes through many stages of a value chain that often stretches across much of the world. From raw materials such as cotton, fiber is extracted that is twisted into filaments to form a yarn. The yarn is weaved or knitted into a fabric that is colored and treated to then be cut to size and sewn into a garment. The garment is then typically sold to a brand that distributes it to consumers. When the consumer no longer wishes to use the garment, it is hopefully handed in to a collector who assesses whether the garment is in a good enough condition to be sold

second hand or recycled in some way. Textile products that are too worn out to be reused eventually end up in landfills or are incinerated as waste. This typically closes the cycle – the material is lost. Renewcell closes the loop on an otherwise linear value chain by linking together the collection and sorting of textile waste with the new production of textile fibers. We make it possible to recycle textile waste into new high-quality textiles that replace virgin cotton, viscose or polyester. We make the fashion industry circular.



## Our technology

Renewcell's recycling process is built on a combination of established technology and innovation. The process is highly similar to traditional processes from the pulp and paper industry, but has been adapted to facilitate the use of cellulose textiles instead of timber as a raw material. The process in its entirety is therefore unique, and protected in the form of patents and business secrets.



### The process can be broken down into five main steps.

In the first step, bales of textiles with high cellulose content (such as cotton) are placed on the conveyor belt and mechanically shredded, after which they are ground down in a shredder to adjust the length of the fibers. Cotton fibers are considerably longer than the wood fiber used for conventional dissolving pulp made from wood. Large contaminants such as buttons and zippers are also mechanically separated in this step.

The ground-up textiles are then run through a wet stage where the fibers are further separated and certain dyes are removed with chemicals that are recycled and ultimately consumed in a closed loop. The material is also processed in a number of steps to adjust the properties of the cellulose such as viscosity and reactivity.

The wet pulp is then sent to the bleaching stage. Here, the pulp undergoes an environmentally friendly treatment that bleaches the dye that could not be removed in the preceding step. The bleaching stage corresponds to similar processes in conventional pulp processes.

Renewcell's innovative technology manages non-cellulosic contaminants through several steps that cleans the pulp of these contaminants. The result is natural cellulose. The contaminants are diverted to a reject stream and then handled as waste. The amount of reject generated depends on the amount of cellulose in the input material.

The process concludes with the wet pulp being dewatered and dried using pressure and heat, and then being cut into sheets that are baled for delivery to Renewcell's customers.

### Circulose®

Circulose® is a trademark owned by Renewcell. The name is used for the dissolving pulp product that is produced using the company's patented process. Renewcell licenses the brand for use in marketing of products that contain Circulose®.

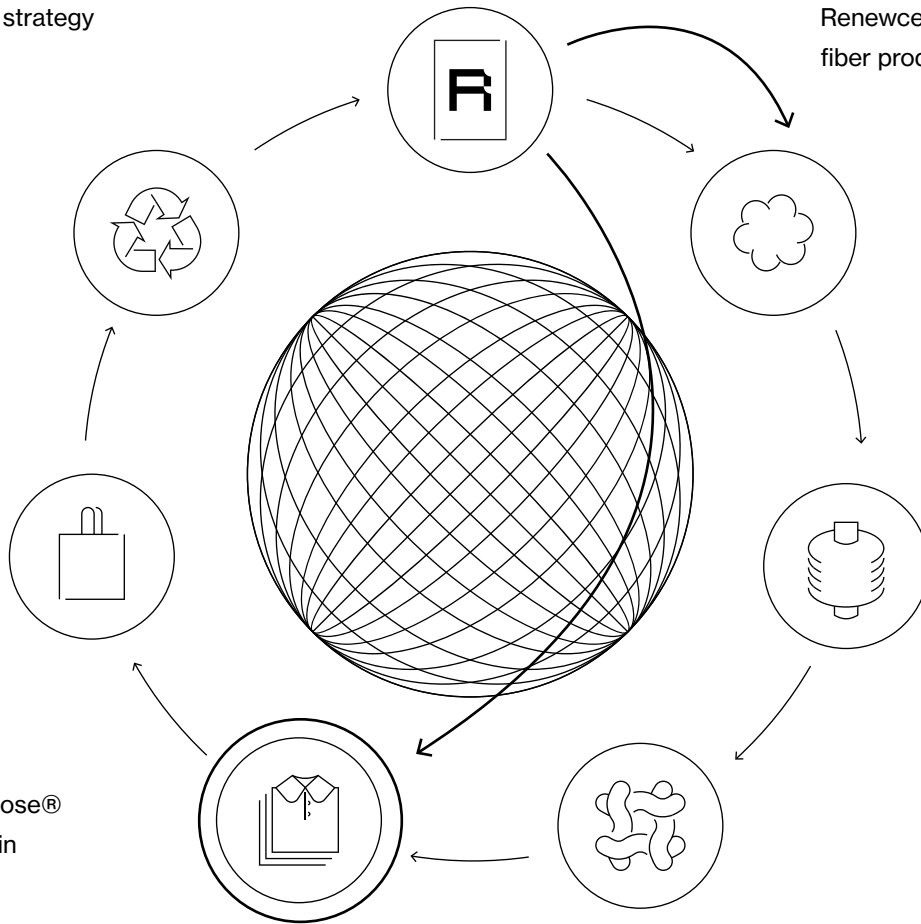
Textiles produced from Circulose® have significant climate and environmental advantages compared with virgin alternatives such as cotton or polyester:

- -2 kg CO<sub>2</sub>e per kg of produced fiber in net climate impact (SCS Global Services 2017)
- No chemical pesticides or chemical fertilizers
- Minimized water consumption
- No land use for agriculture or forestry
- No impact on habitats
- 100 percent recycled raw materials
- Recyclable using the same process up to seven times



Renewcell's push-pull strategy

Renewcell pushes Circulose® fiber producers



The brand pulls Circulose® through the value chain

## Business model

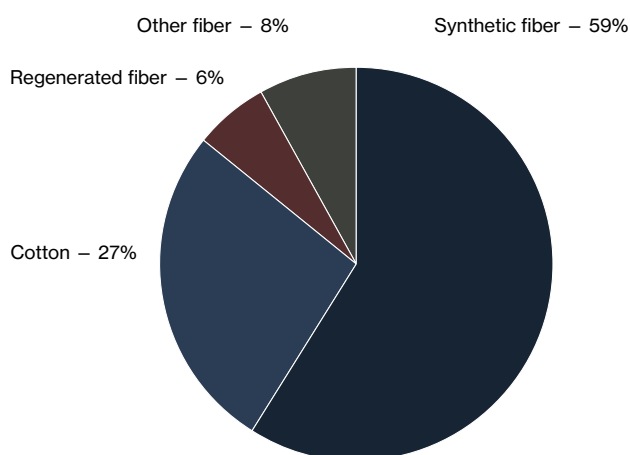
Renewcell sells dissolving pulp per metric ton globally to producers of regenerated fiber (such as the fiber types viscose, lyocell, modal, acetate and cupro) and indirectly to fashion brands under the brand Circulose®. Renewcell sells the product through its trading partner Ekman, which acts as the company's global sales representative. The company collaborates closely with Ekman, which in addition to sales adds value in credit and insurance, as well as logistics and administration.

Renewcell has established, and intends to establish, business relationships in several steps in the fashion value chain through partnerships with global clothing brands (indirect customers) and fiber producers (direct customers). Renewcell works with a "push-pull" strategy that involves marketing toward and collaborating with clothing brands, which are the most influential players in the value chain, to create demand for Circulose® at Renewcell's direct customers.

# Our market

Of the total textile fiber market of 112 million metric tons, it is estimated that 65 percent is used in the fashion industry, which means a market volume of approximately 72 metric tons in 2019, or USD 66 billion. The remaining 35 percent of the market pertains to various areas such as furnishings or the healthcare market.

## The global fiber mix in the garment industry

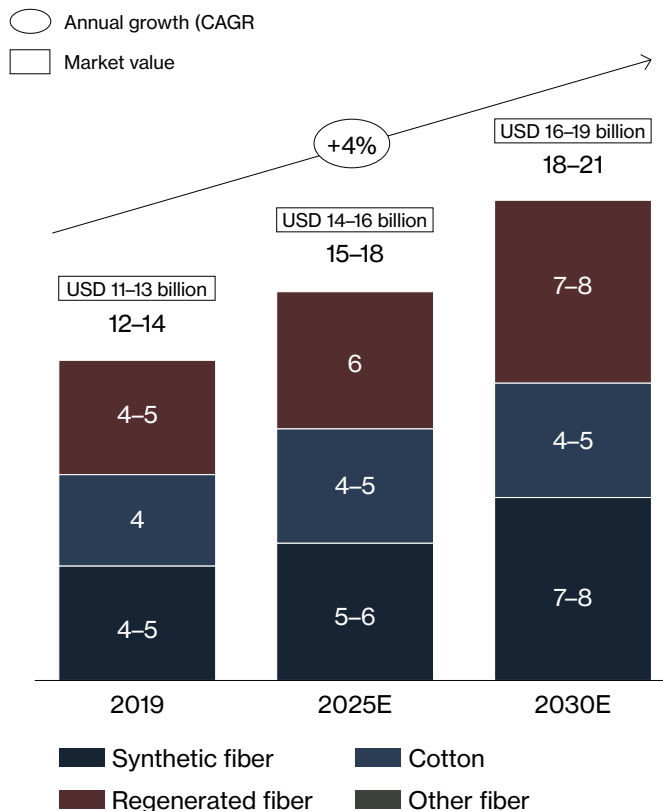


Source: The company's assessment, with the support of third-party consultants.

The market for textile fibers in the garment industry is expected to grow four percent per year through 2030 and to total 101-117 million metric tons of fiber, corresponding to a market value of USD 91-105 billion.

Renewcell's product, Circulose® can be used in several industrial applications but is currently best suited for textile production in the fashion industry, where demand for sustainable material is high. The company believes that regenerated fiber from recycled textiles could replace approximately 18 percent of fibers from non-recycled sources in the garment industry, which means an addressable market for Renewcell of approximately 12 to 14 million metric tons in 2019.

## Growth in Renewcell's addressable market



Source: The company's assessment, with the support of third-party consultants.

The market is expected to grow approximately five percent through 2030, which would mean an addressable market size of 18 to 21 million metric tons, corresponding to a market value of USD 14-17 billion.

Over the long term, Circulose® could be used in other industries besides the fashion industry, which would lead to an expanded addressable market for the company.

# Industrial evolution

The industrial revolution made Sweden a rich country with its foundations in forestry, steel and manufacturing. Now that the world is faced with the challenge of retaining and developing our welfare, and drastically reducing our climate impact, it is more of an evolution rather than a revolution that needs to take place. By building on the inventiveness and hard work that characterized the Swedish paper and pulp industry and supplying circular innovation, we contribute to an industrial evolution for base industries.

This means that we are thinking anew, refining and reusing rather than tearing out, disassembling and replacing. With small but important changes in the way that we use materials, we are helping the industry and society develop to better adapt to their environment and survive. In this way, we can create new green jobs at the same time as we decrease the climate impact from the fashion industry.

At our existing production plant in Kristinehamn and at the operations under development in Sundsvall, we are harnessing the infrastructure and machines that are already on site. The greatest advantage is that we can leverage the extensive knowledge of our colleagues who have driven world-leading large-scale manufacturing processes in the same locations for many years. This provides Renewcell with fantastic conditions to rapidly scale up and make a difference for one of the world's most polluting industries.



## Renewcell Kristinehamn

The world's first plant for industrial-scale chemical recycling of cellulose textiles

Previous operations at the site

Casco Adhesives

Commissioning

2018

Production per year (max)

4,500 metric tons



## Renewcell Ortvikén

The world's first plant for commercial-scale chemical recycling of cellulose textiles.

SCA paper mill

2022 (planned)

60,000 metric tons



# Our journey



2012	2014	2017 – 2018	2019 – 2020	2021
<p><b>Foundations</b></p> <p>A couple of scientists are beginning work to make one of the world's dirtiest industries sustainable.</p>	<p><b>Proof</b></p> <p>In partnership with designers, fabric manufacturers and fiber spinners, Renewcell is creating the world's first 100% chemically recycled garment.</p> <p>The yellow dress has astonished the world.</p>	<p><b>The leap</b></p> <p>Process operators and professors are working side by side to establish the world's first industrial textile recycling plant of its kind.</p> <p>Casco's old premises in Kristinehamn gets a breath of new life.</p>	<p><b>Breakthrough</b></p> <p>Renewcell's first sales of Circulose® pulp were shipped to China and will become garments for H&amp;M and Levi's.</p> <p>Fashion is becomes circular at an industrial scale for the first time ever.</p>	<p><b>Industrial evolution</b></p> <p>Following a successful listing on the stock market, Renewcell is preparing for the next big step – commercial scale.</p> <p>With a billion-krona investment in Ortviken, a new circular industry is being established from the legacy of the Swedish forestry industry.</p>

# Administration report

The Board of Directors and CEO of Re:newcell AB, Corp. Reg. No. 556885-6206 hereby submit the annual report for the 2020 fiscal year.

The annual report is prepared in Swedish kronor (SEK) and rounded up to the nearest thousand, unless otherwise stated. Figures in parentheses refer to the year-earlier period.

## Operations

### Information concerning operations

Re:newcell AB is a company that operates in the field of textile recycling. Operations are located in Kristinehamn and Stockholm. Renewcell's production plant is located in Kristinehamn and the head office is located in central Stockholm. The company's vision is to lead the way to a sustainable world by producing high quality products from recycled textiles. Renewcell'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 from conventional, large-scale cellulose pulp production from wood. Through a patented process, Renewcell can extract cellulose from textile waste, comprising cotton or viscose, adapt their properties and bring it back into the regular 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 Renewcell's alternatives, 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.

### The company's products

Renewcell's business concept is to process 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, primarily the viscose, modal and lyocell types. 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 downstream 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 customer group is mainly found in China, India, Indonesia, Germany, Japan, the US and Austria.

### Strategic business plan 2020–2030

Renewcell's Board of Directors has established a strategic business plan for the next ten-year period. The plan comprises geographic expansion, with full-scale production plants under our own management or in collaboration with partners. The aim is for closer ties to our customers in Asia and the US. The long-term financial target is to achieve a production volume of more than 300,000 metric tons with healthy profitability.

## Significant events during the year

- On March 26, H&M launched its first garment made with Circulose® for sale to consumers. The garment, a blue dress containing 50 percent Circulose®, was part of the collection Conscious Exclusive and was sold out almost immediately.
- On July 22, Levi's launched sales of jeans partially made of Circulose®. Under the motto "our most durable jeans ever", Levi's launched two styles where 20 percent of the cotton content was replaced by Circulose®.
- At the Annual General Meeting on July 10, Renewcell changed its company category from private to public. In addition, a share issue of SEK 146 thousand was carried out to increase the share capital to SEK 500 thousand and a split of the share in 1:65. Work on financing of the future plant was intensified during the spring and autumn.
- 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.
- On October 7, 2020, the Danish fashion company BESTSELLER announced that its next collection was to be made using Renewcell's Circulose® product. The collection will be released in store in spring 2021.
- On October 8, a bridge loan was signed with the largest the owners H&M and Girincubator AB which were repaid in connection with the listing on Nasdaq First North

remier.

- 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.
- 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 in Sundsvall. Renewcell's right to payment is conditional on additional debt financing of SEK 250 million and that Renewcell obtains an environmental permit.
- 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.
- 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.
- In December, construction of the new plant began through placing purchase orders for key equipment.
- Renewcell's Circulose® product was included in TIME Magazine's list of "The 100 best inventions of 2020".

## Significant events after the end of the fiscal year

In January 2021, Renewcell signed a contract with the Finnish industrial machinery manufacturer Valmet as a main supplier for its planned 60,000 metric ton capacity textile recycling plant at Ortviken industrial site in Sundsvall. The contract, worth SEK 232 million, covers 40 percent of the value of the equipment to be installed. A large share of the equipment will be manufactured at Valmet's own plant in Sundsvall. The contract with Valmet marks a major milestone in the establishment of the first commercial scale textile recycling plant of its kind in the world.

In March, Renewcell was named in Fast Company's prestigious annual list of the World's Most Innovative Companies for 2021 by placing among those top-ranked in the Style category.

On March 25, Hugo Petit was appointed as the company's interim CFO. Petit.

On April 15 the Västernorrland County Administrative Board decided that Renewcell's application for an environmental permit for its planned plant at Ortviken's industrial area will be posted for public consultation on April 19, 2021.

## Revenue and earnings

In 2020, net sales amounted to SEK 1,453 thousand (750). Operating loss for the year totaled SEK 68,286 thousand (-37,126). The increase was mainly the result of increased expenses attributable to preparations and work with the capacity expansion in Ortviken.

## Liquidity and financial position

At the end of the year, equity was SEK 800,369 thousand (89,570) and the equity ratio was 96.7 percent (86.2). 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 First North Premier at the end of November, 2020. As of December 31, 2020, fixed assets amounted to SEK 87,611 thousand (61,465) and current assets excluding cash and cash equivalents totaled SEK 20,389 thousand (3,775) at the same date, and mostly comprised of prepayments and accrued income.

## 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 (-31,109). Cash flow from investing activities amounted to SEK -33,103 thousand (-973) and mainly comprised of investments in production capacity and lab equipment. Cash flow from financing activities totaled SEK 765,165 thousand (51,674). The change is a result of the company having completed a new share issue in November 2020, in conjunction with the listing on First North Premier, corresponding to SEK 805,147 million before transaction costs.

## Personnel

During the year, the build-up of the head office in Stockholm and the production site in Kristinehamn continued. The average number of employees during the year was 21 (10). Renewcell has a work environment policy with the aim of ensuring a healthy work environment for all employees. The company also has an equality and discrimination policy.

## Environment

A large part of Renewcell's operations are subject to permits or involve reporting according to the Environmental Code. This pertains to pulp production, air emissions and water discharges and chemical storage. Renewcell actively works to reduce any negative environmental impact and to be a sustainable company.

## Operations and future prospects

Renewcell is analyzing various alternatives for a considerable expansion of operations that requires increasing the company's equity and of external financing.

The capital increase aims to enable the build-up of a full-scale plant for the recycling of textiles with an annual capacity of 60,000 metric tons. The planning for this plant commenced at the end of 2019. In 2020, it was decided that the company's future production plant would be located in Ortviken where personnel, buildings, machines, inventory and infrastructure that previously belonged to SCA's paper mill would be utilized.

## 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.)
- Production plants
- Price fluctuations
- Availability and price of raw materials
- Government decisions (e.g., environmental permits)
- 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

Renewcell AB works using a target-oriented approach to minimize potential effects of the risks by acting preventive or, where this is not possible, through currency hedging and insurance policies. Many of the above risks could impact Renewcell's future operations, financial position and

profitability negatively. A description of the most material risks that could affect the company in its current phase of growth are provided below. Work with risks is governed on an overall level by the Board of Directors and on an operative level by the CEO and the management team.

### **Structural changes, price variation and access to raw materials**

The market for dissolving pulp is characterized by global competition, technological development and extensive investment requirements. Competitors that possess substantial economic resources exist, and there is the risk that competitors develop competing products that could impact the competitive situation for the company negatively. Renewcell is offering its customers a licensed use of the Circulose® brand on products based on the material. There is a risk of the brand's value being undermined by false and misleading use of Circulose® through among others greenwashing. The company owns patents but theft of know-how in terms of the company's research and development is a risk for the company's continued development.

Additional structural risks include changed purchasing behavior from customers and disruptions for access and demand in the company's markets as a result of a financial downturn, war, a natural disaster or a pandemic. A further risk is that access to raw materials will not be enough to provide for the future needs of the plants and/or that the price of materials and input goods increase substantially.

### **Plants**

Renewcell is planning to expand its production capacity considerably in the years ahead. Risks for scale-up issues or delivery delays in the form of production disruptions and construction delays can lead to higher costs than expected and lost sales as a consequence of lost customer confidence due to lost deliveries. If the company is unable to achieve the expected prices or if costs increase, this will impact Renewcell's future operations, financial position and profitability.

### **Financial risks**

A lack of financing possibilities could impact the company's existence and expansion. An increase in interest rates could have a considerable adverse impact on the company's long-term earnings. The company is exposed to a certain extent to various currencies, which could impact the company's operating profit where, for example, purchasing and production costs could arise in another currency than that of sales revenue. This risk can be partly offset by currency



hedging.

### Sustainability reporting

Renewcell AB works continuously to monitor and develop the company's environmental targets as well as areas such as employee issues, social conditions and corruption. There is no current legal requirement for Renewcell AB to provide a sustainability report, but the company works actively to integrate sustainability in daily operations and financial monitoring.

### Environmental responsibility

Renewcell's operations are subject to authorization or involve reporting according to the Environmental Code. In 2019, the company commenced a project to improve water treatment in terms of capacity and efficiency at the production plant in Kristinehamn. Renewcell's operations in Kristinehamn support efforts to reach many of the UN Sustainable Development



Goals that were adopted in 2015 with such measures as reduced water and electricity consumption, supporting recycling and reducing emissions of microplastics. In 2020, Renewcell purchased climate compensation corresponding to the entire company's collective Scope 3 emissions of 733 metric tons of CO<sub>2</sub>e.

### Research and development

Renewcell The company currently has five patent families within its core operations. Two additional patent applications are being processed. In 2020, a large amount of R&D activities focused on the optimization of existing processes and the new processes ahead of the scaling up in Ortvikén. In addition to the work on process optimization, significant focus has also been placed on optimizing product quality and mapping customer requirements and processes.

## The Board of Directors

Re:newcell AB's Board of Directors consists of five members and is domiciled in Stockholm, Sweden. The elected Board

members together with information about their shareholding in the company at the time of publication of this annual report are:

### Chairman: Mia Hemmingson (born 1977)

Board member in Röhnisch SE Holding AB, Röhnisch Sportware Aktiebolag, Estrid Sweden AB and MiaHem AB. M.Sc. in Business and Economics from Lund University. Shareholding, through company: 17,094 shares and 130,000 call options. Independent in relation to the company/major shareholders: Yes/yes

### Full Board members: Henrik Norlin (born 1983)

Co-founder of Renewcell. Board member of Bafco Invest AB and Cleanflow Black AB. M.Sc. in Industrial Engineering and Management from KTH Royal Institute of Technology, Stockholm. Shareholding, through company: 3,867,500. Independent in relation to the company/major shareholders: Yes/no

### Erik Karlsson (born 1983)

Investment Manager at H&M Co:Lab. Responsible for the management of H&M sustainability investments. M.Sc. in Environmental Engineering from Lund University. Shareholding, 0. Represents H&M's holdings. Shareholding, 0 shares. Independent in relation to the company/major shareholders: Yes/no

### Mikael Lindström (born 1967)

Co-founder of Renewcell Professor, dean at School of Engineering Sciences in Chemistry, Biotechnology and Health (CBH) at KTH Royal Institute of Technology, Stockholm. M.Sc. in Pulp and Paper Technology and Ph.D. in Chemical Engineering from KTH Royal Institute of Technology. Shareholding, 511,485 shares. Independent in relation to the company/major shareholders: Yes/yes

### Om Bhatia (born 1956)

CFO and CRO of Paracel S.A, CEO and Principal of Orcas Global LCC, Board member of Sherwa Inc., Consensus Core and Bellingham Angel Investors. MBA from the University of Notre Dame. Shareholding, 19,825 shares.

Independent in relation to the company/major shareholders: Yes/yes

## Senior executives

### Patrik Lundström (born 1967)

CEO since 2019. M.Sc. in Chemical Engineering from KTH Royal Institute of Technology in Stockholm and

Executive MBA from Stockholm School of Economics, SSE. Shareholding, private and through company's 46,229 shares, and 22,236 warrants that entitle to subscription of 1,445,340 shares.

**Hugo Petit (born 1970)**

Interim CFO since March 25, 2021. MBA from Uppsala University. Shareholding, 0 shares.

**Martin Stenfors (born 1973)**

COO since 2020. M.Sc. in Industrial Engineering and Management from Linköping University. Shareholding, 65,000 shares and 500 employee stock options that entitle to subscription of 32,500 shares.

**Harald Cavalli-Björkman (born 1987)**

CMO & Head of Investor Relations since 2020. B.Sc. in Economics from Uppsala University. Shareholding, through company 11,964 shares and 300 employee stock options that entitle to subscription of 19,500 shares.

**Tahani Kaldéus (born 1978)**

**Kajsa Fougner (born 1972)**

Plant Manager Kristinehamn since 2019. M.Sc. in Chemical Engineering from KTH Royal Institute of Technology in Stockholm. Shareholding, 1,950 shares.

**Viktoria Flygare (born 1971)**

Chief Human Resources Officer (CHRO) since 2020. M.Sc. in International Business Administration from Lund University. Shareholding, 0 shares.

**Henrik Dahlbom (born 1973)**

Plant Manager Ortvikén since 2021. M.Sc. in Mechanical Engineering from KTH Royal Institute of Technology in Stockholm. Shareholding, 0 shares.

Head of R&D since 2019. Ph.D. in Fibre and Polymer Science from KTH Royal Institute of Technology in Stockholm. Shareholding, 23,825 shares.

**Christer Johansson (born 1967)**

Project Director since 2020. M.Sc. in Mechanical Engineering from Chalmers University of Technology in Gothenburg. Shareholding, 163,734 shares.

**Jenny Fredricsdotter (born 1974)**

Circular Business Manager since 2017. B.Sc. in Textile Economics from the University of Borås. Shareholding, 2,275 shares and 300 employee stock options that entitle to subscription of 19,500 shares.

## Proposed appropriation of the



## company's profit or loss

<b>SEK thousand</b>	
Loss brought forward	-85,161
Share premium reserve	953,466
Profit/loss for the year	-68,722
	<b>799,583</b>
The Board of Directors and Chief Executive Officer propose that retained earnings are appropriated so that:	
<b>SEK thousand</b>	
is carried forward	799,583
	<b>799,583</b>

## Dividend policy

Renewcell is in an expansive growth phase in which any business surplus in capital is invested in operations. The company has to date not distributed a dividend to its shareholders since the company's formation. As such, Renewcell has not yet adopted any dividend policy.

## Five-year overview

<b>SEK THOUSAND</b>	<b>2020</b>	<b>2019</b>	<b>2018*</b>	<b>2017*</b>	<b>2016*</b>
Operation's net sales	1,453	750	0	0	0
Profit/loss after financial items (EBT)	-68,722	-37,657	-18,418	-23,211	-6,821
Profit/loss after tax	-68,722	-37,657	-18,418	-23,211	-6,821
Total assets	827,287	103,963	88,934	79,904	73,935
Equity	800,369	89,570	73,993	63,611	57,952
Equity ratio, %	96.7	86.2	83.2	79.6	78.4

\* Not recalculated in accordance with RFR2

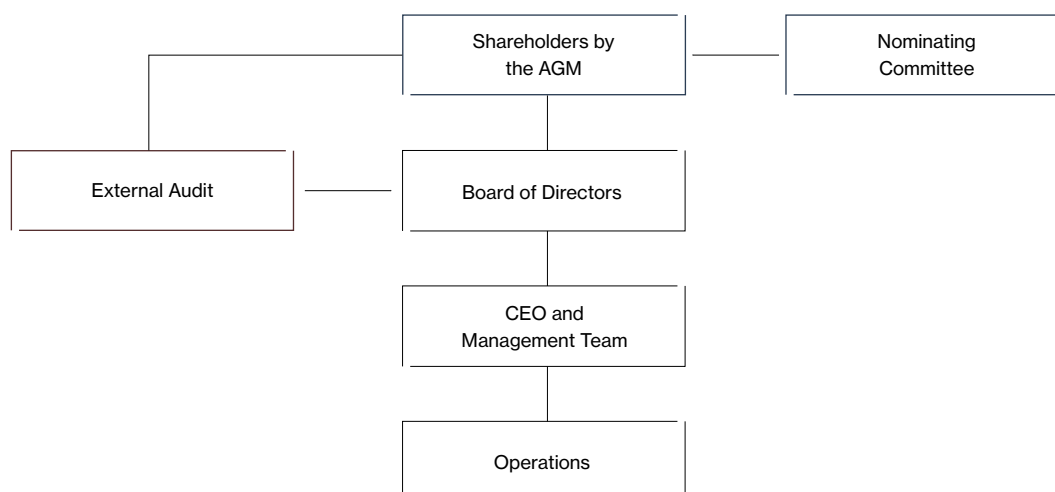
# Corporate Governance Report

## Introduction

Renewcell AB is a Swedish public company that has been listed on First North Premier in Stockholm since November 26, 2020. Renewcell is governed via the general meeting of shareholders, the Board of Directors and the Chief Executive Officer as well as Renewcell's Group management in accordance with, inter alia, the Companies Act, First North Premier's Rulebook for Issuers, the Swedish Corporate Governance Code, the articles of association, Renewcell's Code of Conduct (policy for responsible ownership, management and responsible investments in Renewcell) as well as the Board of Directors' and the CEO's Rules of Procedure.

Renewcell applies the Swedish Corporate Governance Code (the "Code") from November 26, 2020 and hereby submits this Corporate Governance Report. Since the company has only applied the Code since November 26, some provisions in the Code have yet to be applied for the first time by Renewcell. Some circumstances concerning Renewcell's corporate governance and application of the Code will, therefore, for natural reasons, be described for the first time in the company's 2021 Corporate Governance Report. The Corporate Governance Report has been prepared by the Board of Directors of Renewcell AB in accordance with the rules of the Code and the Swedish Annual Accounts Act.

## Corporate governance structure



## Articles of association

The current articles of association were adopted at the EGM held on November 13, 2020. The articles state, inter alia, that the Board of Directors is to be domiciled in Stockholm, that Board members are to be elected by the AGM annually until the close of the next AGM and that the Board of Directors is to consist of no less than three Board members and no more than seven Board members and a maximum of seven deputy members. The complete articles of association is available on Renewcell's website, [www.renewcell.com](http://www.renewcell.com).

## Annual General Meeting

The Annual General Meeting (AGM) is the company's highest decision-making body. At the general meeting, shareholders resolve on central issues. The AGM adopts, inter alia, the income statement and balance sheet, appropriation of the company's earnings, discharge of liability for the Board members and the CEO, election of the Board of Directors and auditors as well as remuneration to the Board of Directors and auditors. The company's total shares amount to 30,799,426 common shares with each share entitling the holder to one vote. Renewcell's shares have been listed on First North Premier since November 26, 2020. For information on the company's largest shareholders, refer to page 44.

The notice convening Renewcell's AGM must, in accordance with the Swedish Companies Act, be given no earlier than six weeks and no later than four weeks before the AGM. Notice to other general meetings of shareholders is to be given no earlier than six weeks and no later than three weeks before the general meeting of shareholders. Notice convening the AGM is to take place through advertising in Post- och Inrikes Tidningar and on Renewcell's website. An advertisement that official notice has been issued is to be announced in Dagens Industri.

Shareholders wishing to attend the AGM must notify the company before the final date stated in the convening notice. This date may not be a Saturday or Sunday, a public holiday, Midsummer Eve, Christmas Eve or New Year's Eve and must not fall earlier than five banking days before the AGM. Shareholders may nominate one or two deputies for the AGM provided that the shareholder has notified the company in line with the terms set out above.

Shareholders who wish to propose a matter to be addressed at the general meeting must send a written request to this effect to the Board of Directors. Such a request must typically be received by the Board of Directors no later than seven weeks prior to the general meeting.

Renewcell's 2020 AGM took place before the company had begun to apply the Code. The AGM was therefore not carried out in accordance with what is stated in the Code. The 2021 Corporate Governance Report will contain more detailed information concerning the AGM that took place during the year.

## **2021 AGM**

The next AGM for the shareholders of Renewcell will be held on May 19, 2021. Due to the coronavirus the board has decided that the annual general meeting shall be held without the physical presence of shareholders, agents and outsiders and that shareholders shall have the opportunity to exercise their voting rights only by post before the meeting. Information about the of the resolutions of the general meeting are published as soon as the outcome of the postal vote is finally compiled. More information about The Annual General Meeting is available on Renewcell's website.

## **Nomination Committee**

At the EGM that was held on July 10, 2020, it was resolved that the Nomination Committee, ahead of the 2021 AGM, was to comprise of the Chairman of the Board and one member appointed by each of the three largest shareholders based on ownership of the company on the closing date of the third quarter of the fiscal year. In the event that any of three largest shareholders waive their right to appoint a member to the Nomination Committee, this right is transferred to the shareholder who, following these three shareholders, has the next largest ownership in the company. The Board of Directors must convene the Nomination Committee. The Board member appointed as Chairman of the Nomination Committee is appointed by the largest shareholder unless the Nomination Committee unanimously appoint another Board member.

If the shareholder that appointed the Nomination Committee member no longer belongs to the three largest shareholders no later than three months prior to the AGM, the Committee member that was appointed by this owner surrenders their position and the shareholder who is now among the three largest shareholders has the right to appoint a member to the Nomination Committee. However, unless there is a specific reason, no change should be made to the composition of the Nomination Committee if only a marginal change in ownership has taken place or if the change has occurred later than three months prior to the AGM. In the event that a Committee member steps down from the Nomination Committee before their work is complete, the shareholder who appointed the member must appoint a new member. If this shareholder no longer belongs to the three largest shareholders, a new member is appointed pursuant to the order stipulated above. A shareholder who has appointed a Nomination Committee member has the right to dismiss this member and appoint a new member of the Nomination Committee.

Changes to the composition of the Nomination Committee must be publicized immediately. The mandate period for the Nomination Committee runs until a new Nomination Committee is appointed. The Nomination Committee must carry out the work that is incumbent upon the Nomination Committee in accordance with the Code.

The Nomination Committee for the 2021 AGM consists of Per Olofsson (appointed by Girincubator AB and Girindus Investments AB together), Nanna Andersen (appointed by H&M Fashion AB), Boris Gyllhamn (appointed by Almi Invest GreenTech AB) and Mia Hemmingson (Chairman of the Board).

## **The Board of Directors and its work**

The work of the Board of Directors is conducted pursuant to the Code and other applicable Renewcell rules and regulations. The Board of Directors' overriding task is to administer Renewcell's affairs and organization and to develop its strategy and issue overall guidelines. In accordance with Renewcell's articles of association, the Board of Directors is to comprise no less than three and no more than seven Board members with no more than seven deputy members. The Board of Directors currently comprises five members. For a more detailed description of the Board members, including background information and other significant appointments, refer to page 12. The Code contains rules pertaining to the independence of the Board members and stipulates a requirement that the majority of Board members must be independent in relation to the company, company

management and the company's largest shareholders. All current Board members are independent in relation to the company and company management. In addition, three of Renewcell's Board members are also independent in relation to the company's largest shareholders, refer also to page 12. Information about the remuneration of Board members is available in the Annual Report, Note 7.

The Board of Directors works pursuant to established rules of procedure that regulate, inter alia, the frequency and agenda of Board meetings, distribution of material to the meetings and information that is presented to the Board as well as issues to be resolved. Rules of procedure regulate the allocation of work between the Board of Directors, the Chairman of the Board and the CEO and define the authority of the CEO. The Chairman of the Board prepares the Board meetings together with the CEO. In addition to making decisions on the company's strategy, business plans and financial plans, the Board evaluates the company's operations and development. The CEO and company management report on operations, development, progress and financial reporting at each board meeting.

The Board resolves on important issues such as material agreements, the budget and major investments. In accordance with the rules of procedure, the Board of Renewcell intends to hold at least four regular meetings per calendar year in addition to the inaugural meetings and meetings in conjunction with the approval of quarterly reports.

#### **Board procedures and Board meetings.**

At the inaugural Board meeting following the AGM, Renewcell's Board of Directors establishes rules of procedure with instructions pertaining to the allocation of work between the Board of Directors and the CEO and instructions for financial reporting. The Board is convened to at least four scheduled meetings in addition to the statutory meeting. The meetings are coordinated insofar as possible to coincide with the timing of financial reporting and the general meeting of shareholders. In addition to the ordinary meetings, the Board of Directors can be convened for additional meetings if required. The Board of Directors held one minuted Board meeting between November 26 and December 31, 2020. All Board members were present at this meeting.

In addition to the Board meetings, the Chairman of the Board and CEO maintain an ongoing dialogue concerning the management of the company. The CEO, Patrik Lundström, is responsible for the business plan being pursued and the ongoing management of the company's matters as well as daily operations in the company. On a continuous basis,

the Board receives information containing follow-up of the development of the company's investments, sales, operating results and operating capital as well as comments concerning how various parts of operations are developing. The outcomes of several key performance indicators are also reported.

In addition, the main shareholders, Board members and CEO complete a detailed annual evaluation of the Board based on the established rules of procedure. The evaluation consists of, inter alia, the composition of the Board of Directors, individual Board members and the Board's work and procedures.

#### **Board committees**

##### *Audit Committee*

The Board of Directors has chosen not to establish an audit committee, but rather to allow the entire Board of Directors to carry out the duties incumbent on such a committee under the Code. These duties consist of:

- Monitoring and ensuring the quality of the company's financial reporting to the Board of Directors
- Monitoring the efficiency of financial reporting concerning the company's internal control, auditing and risk management
- Keeping informed about the audit of the Annual Report
- Reviewing and supervising the work of the auditors
- Assist with the AGM's choice of auditors and remuneration
- Regularly meet with the auditor, discuss and keep informed of the focus and coordination of the external and internal audits
- Evaluate the auditor and inform the Nomination Committee of the outcome

##### *Remuneration Committee*

The Board of Directors has chosen not to appoint a remuneration committee, but rather to allow the entire Board of Directors to carry out the duties incumbent on the remuneration committee under the Code. In terms of remuneration issues, this means that the Board must:

- Prepare proposals concerning remuneration policies, remuneration and other terms of employment for the CEO and senior executives.
- Review and evaluate ongoing and completed programs concerning variable remuneration for company management.
- Review and evaluate application of the guidelines

for the remuneration of senior executives that are determined by the AGM and other remuneration structures and remuneration levels in Renewcell. Issues concerning remuneration and other terms of employment for the CEO are prepared by the Chairman of the Board. Decisions on these issues are resolved at meetings of the Board of Directors, in which the CEO does not participate. Remuneration and other terms of employment for other senior executives is negotiated and agreed on together with the CEO. In addition, the Board monitors and evaluates all programs for variable remuneration to company management. The Board monitors and evaluates application of the guidelines for the remuneration of senior executives that are determined by the AGM and other remuneration structures and remuneration levels in the company. No remuneration is issued for the completion of these duties.

#### **Evaluation of the work of the Board of Directors**

The Board of Directors carries out an annual evaluation of the work of the Board. The evaluation provides the Board members with the opportunity to present their views on working methods, Board material, their own and other Board members' efforts and the scope of their assignment. The evaluation is carried out internally each year. Board members may respond to a number of questions in writing. The Chairman of the Board compiles, analyzes and presents proposals for possible measures to be taken. When desired, the proposals are discussed within the Board of Directors. Since the company has only applied the Code for a short period of time, an evaluation of the 2020 operational year has not been conducted.

#### **Management team**

The company's management team comprises ten individuals including the CEO. Refer to page 12 and 13 for further information about each individual in the management team. The management team convene on an ongoing basis primarily to discuss the Group's financial development, ongoing projects and other strategic issues.

#### **Remuneration during the 2020 fiscal year**

For information concerning remuneration to the CEO, the Board of Directors and other senior executives, refer to Note 7.

#### **Auditors**

Pursuant to the articles of association, the company is to have one auditor, with or without deputies, or alternatively, one auditing firm. Renewcell's auditors are appointed on an annual basis by the AGM. The nomination of auditor will be made by

the Nomination Committee prior to the 2021 AGM. The auditor is tasked with, on behalf of the shareholders, examining the company's annual accounts and consolidated accounts, the Board of Directors' and the CEO's administration and the Corporate Governance Report. This examination and the Auditors' report are presented at the AGM. At the 2020 AGM, Mazars AB was re-elected as Renewcell's auditor until the close of the 2021 AGM. Michael Olsson is the auditor-in-charge.

#### **Internal audit**

In accordance with the provisions of the Code item 7.3, the Board of Directors must annually evaluate the need for a separate audit function (internal auditing). The Board is of the opinion that there is currently no need for such a function. Instructions are in place for an ongoing evaluation to be conducted to ensure that the individuals in the organization who are responsible for preparing the financial reports have the necessary expertise and resources to do so.

#### **The Board of Directors' description of internal control concerning financial reporting for the 2020 fiscal year**

Renewcell's Board of Directors is responsible for the company's internal control. The internal control is to ensure:

- Reliable financial reporting and information about operations. Compliance with applicable laws, instructions, guidelines, etc.
- Appropriate and cost-efficient operations.

Renewcell's internal control is designed to ensure that reporting is prepared in accordance with applicable laws and regulations and that it follows the requirements that applicable to companies whose shares are admitted to trading on First North Premier.

With the aim of creating and maintaining functioning control, the Board has established a number of fundamental significant documents for financial reporting, including separate rules of procedure for the Board of Directors and instructions to the CEO. It is primarily the responsibility of the CEO to ensure compliance with these documents in daily operations. The CEO reports regularly to the Board in accordance with established procedures. In addition, reports are provided by the company's auditors.

Other important fundamental control documents include the company's Insider policy and Information policy. The documents set out above are reviewed annually and revised if required. In addition to the documents listed above, the company's accounting and financial handbook is applied

that covers accounting guidelines, policies, principles and procedures.

#### **Control activities**

Control activities comprise the policies and procedures that contribute to ensuring management's directives are complied with and that necessary measures are taken to identify the risks that can prevent the company from reaching its goals. Control activities are present across all levels of the organization and in all functions. These comprise a number of divergent activities such as approvals, permits, controls, reconciliations, evaluation of operational performance, hedging of assets and the allocation of responsibilities. The company's CFO is responsible for ensuring that all control activities are carried out and maintained. Most control activities are a natural part of the company's key processes and comprise of a mix of preventive and detective controls including: approvals of authorized individuals at different levels in the organization via the arm's length principle, two-party approval for payments, clear attestation and decision-making procedures, clear decision-making processes, ongoing sampling from business systems to identify material deviations from the organization's goals or policies, monthly earnings analyses, regular contact with the organization's personnel outside of the ordinary decision hierarchy.

#### **Information and communication**

External and internal information is governed by the Group's Communication and IR policy. A separate section addresses responsibility, procedures and rules. The policy is continually evaluated to ensure that information to the stock market maintains a high quality and complies with stock exchange regulations. Financial information such as interim reports, annual reports and important events are published via press releases and on Renewcell's website. Management reporting is directly connected to financial reporting as far as is possible. Renewcell has a predefined reporting package, which also includes financial reporting. The reporting package is distributed each month to the Board of Directors and senior management. The most important control documents concerning financial reporting are regularly updated and are communicated to relevant individuals through regular meetings.

#### **Follow-up**

Ongoing evaluation is carried out continuously to assess whether or not internal control is still efficient. The most important monitoring control in Renewcell is the continual follow-ups of operations that management carry out and the principle that all material decisions are made based on a duality principle.





# Income statement and Statement of comprehensive income

SEK thousand	Note	2020	2019
<b>Operating income</b>			
Net sales		1,453	750
Change in inventory	15	186	700
Other operating income	6	1,639	5,946
<b>Total operating income</b>		<b>3,279</b>	<b>7,396</b>
<b>Operating expenses</b>			
Raw materials and consumables		-7,796	-5,106
Other external expenses	10, 11	-36,719	-23,503
Personnel costs	7	-20,092	-8,860
<b>Total operating expenses</b>		<b>-64,607</b>	<b>-37,469</b>
<b>Operating profit/loss before depreciation, amortization and impairment (EBITDA)</b>		<b>-61,329</b>	<b>-30,073</b>
Depreciation and write-downs	14	-6,957	-7,053
<b>Operating profit (EBIT)</b>		<b>-68,286</b>	<b>-37,126</b>
Interest expenses and similar expense items	12	-436	-531
<b>Total financial items</b>		<b>-436</b>	<b>-531</b>
<b>Profit/loss after financial items (EBT)</b>		<b>-68,722</b>	<b>-37,657</b>
<b>Result and total comprehensive income for the period</b>	13	<b>-68,722</b>	<b>-37,657</b>
Earnings per share before and after dilution		Neg	Neg
No. of shares		30,799,426	20,946,380*
Average No. of shares before dilution		20,572,460	20,308,145*
Average No. of shares after dilution		20,700,489	20,308,145*

\* recalculated for share split 1:65

# Balance sheet – Assets

SEK thousand	Note	2020	2019
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Plant and machinery		54,862	61,128
Equipment, tools and installations		1,218	337
Assets under construction		31,531	–
<b>Total tangible fixed assets</b>	14	<b>87,611</b>	<b>61,465</b>
<b>Total fixed assets</b>		<b>87,611</b>	<b>61,465</b>
<b>Current assets</b>			
Inventories	15	886	700
Accounts receivables		386	27
Other current receivables		5,142	2,310,407
Prepaid expenses and accrued income		13,975	738
<b>Total current receivables</b>		<b>20,389</b>	<b>3,775</b>
<b>Cash and bank balances</b>			
Cash and bank balances	16	719,288	39,215
<b>Total cash and bank balances</b>		<b>719,288</b>	<b>39,215</b>
<b>TOTAL ASSETS</b>		<b>827,287</b>	<b>104,456</b>

# Balance sheet – Equity and liabilities

SEK thousand	Note	2020	2019
<b>EQUITY AND LIABILITIES</b>			
<b>Restricted equity</b>			
Share capital	17, 18	786	322
<b>Total restricted equity</b>		<b>786</b>	<b>322</b>
<b>Unrestricted equity</b>			
Share premium reserve		953,466	174,317
Loss brought forward		-85,161	-47,412
Profit/loss for the year		-68,722	-37,657
<b>Total unrestricted equity</b>		<b>799,583</b>	<b>89,248</b>
<b>Total equity</b>		<b>800,369</b>	<b>89,570</b>
<b>Long-term liabilities</b>			
Other long-term liabilities to credit institutions		4,792	6,042
<b>Total long-term liabilities</b>		<b>4,792</b>	<b>6,042</b>
<b>Current liabilities</b>			
Other liabilities to credit institutions		2,500	2,500
Accounts payable		12,395	4,100
Tax liabilities		298	181
Other current liabilities	19	841	602
Accrued expenses and prepaid income	20	6,092	1,461
<b>Total current liabilities</b>		<b>22,126</b>	<b>8,843</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>827,287</b>	<b>104,456</b>

# Change in equity

SEK thousand	Share capital	Share premium reserve	Profit or loss brought forward	Comprehensive income for the year	Total equity
<b>Equity at Jan 1, 2019</b>	<b>270</b>	<b>121,656</b>	<b>-29,515</b>	<b>-18,418</b>	<b>73,993</b>
Transfer of last year's result	-	-	-18,418	18,418	-
New share issue	52	54,947	-	-	54,999
Transaction costs	-	-2,286	-	-	-2,286
Warrant proceeds	-	-	284	-	284
Warrant proceeds	-	-	135	-	135
Employee options	-	-	102	-	102
Comprehensive income for the year	-	-	-	-37,657	-37,657
<b>Equity at Dec 31, 2019</b>	<b>322</b>	<b>174,317</b>	<b>-47,412</b>	<b>-37,657</b>	<b>89,570</b>
SEK thousand	Share capital	Share premium reserve	Profit or loss brought forward	Comprehensive income for the year	Total equity
<b>Equity at Jan 1, 2020</b>	<b>322</b>	<b>174,317</b>	<b>-47,412</b>	<b>-37,657</b>	<b>89,570</b>
Transfer of last year's result	-	-	-37,657	37,657	-
Repurchase of own shares	-48	-25,680	-	-	-25,728
Bonus issue	194	-	-194	-	-
New share issue	318	851,908	-	-	852,227
Issue costs	-	-47,080	-	-	-47,080
Employee options	-	-	102	-	102
Total comprehensive income for the period	-	-	-	-68,722	-68,722
<b>Equity at Dec 31, 2020</b>	<b>786</b>	<b>953,466</b>	<b>-85,161</b>	<b>-68,722</b>	<b>800,369</b>

# Statement of cash flows

KSEK	2020	2019
<b>Operating activities</b>		
Profit/loss before financial items	-68,286	-37,126
Paid interest	-436	-531
Adjustments for non-cash items:		
Amortisation and depreciation	6,957	7,053
Option program	102	102
<b>Cash flow from operating activities before changes in working capital</b>	<b>-61,663</b>	<b>-30,502</b>
<b>Changes in working capital</b>		
Change in inventories	-186	-700
Change in accounts receivables	-359	-27
Change in other receivables	-3,557	-790
Change in accounts payable	8,295	1,266
Change in other liabilities	5,480	-356
<b>Cash flow from operating activities</b>	<b>-51,990</b>	<b>-31,109</b>
<b>Investing activities</b>		
Investments in tangible assets	-33,103	-973
<b>Cash flow from investing activities</b>	<b>-33,103</b>	<b>-973</b>
<b>Financing activities</b>		
Share issue	852,227	52,713
Share issue costs	-47,080	-
Issue of warrants	-	419
Prepaid financing costs	-13,004	-
Repurchase of shares	-25,728	-
repayment of debt	-1,250	-1,458
<b>Cash flow from financing activities</b>	<b>765,165</b>	<b>51,674</b>
<b>Cash flow for the year</b>	<b>680,073</b>	<b>19,592</b>
Cash and cash equivalents at the beginning of the year	39,215	19,623
Cash and cash equivalents at the end of the year	<b>719,288</b>	<b>39,215</b>

# Notes

## Note 1 – General information

This Annual Report covers the Swedish company Re:newcell AB with the corporate registration number 556885-6206. The company is registered and domiciled in Stockholm, Sweden. The company was founded on October 30, 2012. The address of the head office is Cardellgatan 1, SE-114 36 Stockholm, Sweden.

Re:newcell AB is a company that operates in the field of textile recycling. Operations are located in Kristinehamn, where the company has a plant, and in central Stockholm, the location of the company's head office. The company's vision is to lead the way to a sustainable world by producing high quality products from recycled textiles. Renewcell's operations are based on a new, proprietary process that has been protected as intellectual property using strategic patents and business secrets. For more information, please visit [www.renewcell.com](http://www.renewcell.com)

## Note 2 – Accounting policies

The note includes a list of the significant accounting policies applied in the preparation of this annual report. These policies have been consistently applied for all the years presented unless otherwise stated.

Re:newcell AB has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities (RFR 2). RFR 2 stipulates that the legal entity applies the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) as far as possible within the framework of the Swedish Annual Accounts Act and the Act respecting retirement pensions, taking into consideration the connection between accounting and taxation. The recommendation describes the exceptions and additions required in relation to IFRS.

The Annual Report has been prepared in accordance with the cost method.

### Foreign currency translation

Transactions in foreign currency are translated to the accounting currency at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currency are translated to the accounting currency at the exchange rate on the balance-sheet date. Translation differences arising from the translations are recognized in net profit. Exchange rate gains and losses on operating receivables and liabilities are recognized in operating profit, while exchange rate gains and losses on financial assets and liabilities are recognized as financial items.

### Revenue from contracts with customers

Revenue comprises remuneration for delivered dissolving pulp, and is recognized when a performance commitment is considered fulfilled at a certain point in time or over time. All income in the company essentially pertains to goods for which a performance commitment is considered fulfilled at a certain point in time. The delivery terms are ex works.

Income is presented on the basis of the transaction price that is established in accordance with IFRS 15, after taking into account variable remuneration and any discounts or returns. Standard guarantees do not fall into the same framework for IFRS 15 but are instead presented in accordance with IAS 37. Collective experience is used to assess and make provisions for discounts and returns. The assessment of quantitative discounts is based on expected annual purchases. No financial components are assessed to exist since sales take place with a credit time of 30–60 days, which is pursuant to market practice.

### Other income – Recognition of state grants

State grants are recognized at fair value. Grants received to cover expenses are recognized in the item Other operating income in the same period in which the eligible expenses arose. Grants received for investments in depreciable assets are recognized as a reduction in the cost.

### Operating expenses

Operating expenses are recognized in earnings when the service is used or when the event has taken place.



### **Interest expenses and similar items**

Interest expenses and similar items are recognized in the period in which they arise and are recognized under the item Interest expenses and similar items, and mainly comprise interest expenses on loans.

### **Employee benefits**

Since October 1, 2019, Re:newcell AB has collective agreements for blue and white-collar workers; TEKO – IF Metall for blue-collar workers and TEKO – Unionen/Ledarna/Swedish Association of Graduate Engineers for white-collar workers.

### **Pension benefits**

The company's pension obligations comprise solely defined-contribution plans, under which the company pays fixed contributions into a separate legal entity. The company does not have any obligations to pay additional contributions if this legal entity has insufficient assets with which to make all pension payments to employees that are associated with the current or past service of employees.

### **Short-term employee benefits**

Liabilities for salaries and benefits, including non-monetary benefits and paid leave, that are expected to be settled within 12 months of the end of the financial year, are recognized as current liabilities at the undiscounted amounts expected to be disbursed on settlement of the liabilities. The expense is recognized at the rate at which services are performed by the employees. The liability is recognized as an obligation for employee benefits in the balance sheet.

### *Post-employment benefits*

The company does not have any obligation for post-employment benefits.

### **Employee option programs**

#### *Warrants*

*Warrant programs are issued at estimated market values and are thus not of such a nature that they entail requirements for disclosure of the theoretical costs for the Company in accordance with IFRS 2 accounting. Because the programs have issued at market values, the Company has not had to hedge any changes in value. The impact of the option programs on the reporting takes place only for cash payment for the option right, and for conversion to share capital.*

#### *Employee options*

*The employee stock option program, which is judged to be a so-called "qualified employee stock options", reports a staff cost in the income statement as the options are earned. Estimated dilution effect of the option programs is stated under information on earnings per share.*

The market price is determined using the Black-Scholes model for significant assumptions. Payments received, net after direct transaction costs, are reported in share capital (quotient value) and other contributed capital when the warrants are exercised.

### **Termination benefits**

Termination benefits are paid when an employee's employment has been terminated by the company before the normal time of retirement or when an employee accepts voluntary redundancy in exchange for such compensation. The company recognizes termination benefits when a decision has been taken to terminate employment.

### **Income tax**

The recognized tax expense comprises current and deferred tax calculated on the taxable income for the period at the applicable tax rates. Tax is estimated on the basis of the enacted or substantively enacted tax rules on the balance-sheet date.

Deferred tax assets pertaining to loss carryforwards are only recognized as assets to the extent that there are compelling factors to suggest that these loss carryforwards can be utilized against future taxable surpluses. Such future use may be

impacted by changes in ownership, funding rounds and the jurisdiction in which the taxable profits arise.

#### *Intangible assets*

Expenses for proprietary intangible assets or patents are recognized as costs on an ongoing basis as they arise.

#### **Tangible fixed assets**

Tangible fixed assets are recognized at cost less any state or other grants received to finance the fixed asset together with accumulated depreciation and any impairment. When the components have substantially different useful lives, tangible fixed assets have been divided into significant components. Depreciable amounts comprise cost less an estimated residual value if this is material. Costs for repair and maintenance are recognized as expenses in the period in which they arise.

Depreciation, based on net cost, is recognized in profit or loss, on a straight-line basis over the estimated life of each tangible fixed asset. In general, the estimated economic life is 5–20 years for machinery and equipment. Depreciation is included in Operating expenses.

When an indication exists at the closing date that a tangible fixed asset has decreased in value, it is tested for any impairment. Impairment is included in Operating expenses.

#### **Inventories**

Raw material, work-in-progress and finished goods

Inventories are recognized at the lower of cost and net realizable value. The cost comprises the direct cost of the goods, direct labor costs and attributable indirect production costs (based on normal production capacity). The cost of individual inventory items is allocated based on weighted average costs. The cost of goods for sale is determined after deduction of discounts. The net realizable value is the estimated sales price in operating activities reduced by applicable variable sales costs, such as freight.

#### *Accounts receivables*

Accounts receivables are initially measured at cost and then tested in accordance with the rules of IFRS 9 regarding a simplified method of impairment testing for accounts receivables. The simplification entails the company's accounting for accounts receivables reports full lifetime expected credit losses. This is where the expected shortfalls in contractual cash flows exist given the risk of non-payment at some point of the financial instruments' lifetime. In the calculation, the company uses its historical data, external indications and forward-looking information to calculate the expected credit losses. The company assesses the impairment of accounts receivables where the receivables are grouped based on the number of days past due because they have shared credit characteristics.

#### **Financial liabilities**

Financial liabilities are recognized when the company is bound by the contractual commitments attributable to the instrument. Financial liabilities cease to be recognized in the balance sheet when they expire, that is, when the contractual undertaking has been discharged, annulled or extinguished.

Long-term liabilities are initially recognized at fair value and subsequently at amortized cost by applying the effective interest method.

#### **Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows include cash, bank deposits and other short-term investments. Other short-term investments are classified as cash and cash equivalents when they fall due within three months of the acquisition date, can be readily converted into cash at a known amount and are exposed to an insignificant risk of fluctuations in value.

### Contingent liabilities

A contingent liability is recognized when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is an undertaking that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required.

### Equity

The company's equity comprises the following items:

- Share capital as represented by the value of common and preference shares
- Share premium reserve comprising the premium paid over the nominal value received on new issues of share capital. Any transaction costs arising in conjunction with the new issue of shares are deducted from the premium after taking into consideration any income tax effects.
- Retained earnings, in other words, all earnings retained for the current and previous periods.

### Earnings per share

Earnings per share before dilution

Earnings per share before dilution are calculated by dividing the company's net profit after tax, excluding dividends, by the weighted average number of shares outstanding during the period.

### Earnings per share after dilution

The calculation of earnings per share after dilution adjusts the amounts used to calculate earnings per share before dilution by taking into account any additional shares that would arise on exercise of the warrants and employee options at the end of the year.

### Statement of cash flows

The statement of cash flows has been prepared according to the indirect method. The recognized cash flow includes only transactions that involve receipts or payments. The company classifies balances held at banks as cash and cash equivalents.

## Note 3 Financial risk management

The factors with the greatest impact on the company's earnings are linked to currency risk, credit risk and liquidity risk. Renewcell strives to minimize potential unfavorable effects on the company's financial results.

### Currency risk

Re:newcell AB is exposed to currency risk in several currencies, primarily EUR and USD, through purchases, sales and state grants. Reported amounts, net receivables in foreign currencies, expressed in SEK thousand:

	2020	2019
Liabilities in EUR	179	253
Liabilities in USD	334	315
Liabilities in GBP	-	13
Liabilities in CNY	75	-
Receivables in EUR	-	5
Receivables in USD	374	474

If the exchange rates for EUR, GBP and USD had differed 1 percent from the closing rate on December 31, 2020, earnings would have been impacted by SEK 2 thousand (1).

### Interest-rate risk

Since the company does not have any material interest-bearing assets, income and cash flow from operating activities are essentially independent from market rate fluctuations.

The company's interest-rate risk arises through long-term borrowing. Borrowing that is conducted with variable interest exposes the company to interest-rate risk concerning the cash flow. The company's interest-rate risk is currently limited but borrowing is assessed to increase substantially in 2021 in line with the increase in investments in the production plant in Ortviken.

Total borrowing as of December 31, 2020 amounted to SEK 7,292 thousand (8,542). If borrowing interest rates in SEK as of December 31, 2020 had been 1 percent higher with all other variables constant, profit after tax for the fiscal year would have been SEK 0.1 thousand (0.1) lower, primarily as a result of higher interest expenses for borrowing with variable interest rates.

#### **Credit risk**

Credit risk arises at Renewcell AB in the form of deposits and investments with banks and financial institutions. All bank deposits are with well-reputed banks with high credit ratings.

#### **Liquidity risk**

Since starting operations, Re:newcell AB has reported negative earnings and cash flow is expected to remain primarily negative until such time as Re:newcell AB succeeds in generating revenue from production on a commercial scale, which is planned for the end of 2022.

In 2020, the company worked with securing the required financing for the planned expansion of capacity and commercialization. As part of this work, a new issue was completed corresponding to about SEK 800 million in conjunction with the company's IPO on First North Premier at the end of November, 2020. In addition, the company worked with obtaining loan financing corresponding to about SEK 700 million. Activities to secure this financing are progressing according to plan and approximately SEK 450 million is secured provided that a number of agreed milestones will be met, and that the Company receives an environmental permit. Work with remaining financing of approximately SEK 250 million is ongoing and the Company assesses that an agreement may be ready during Q2 2021.

The company assesses that the chance to obtain the loans are good.

Renewcell AB prepares rolling forecasts to maintain an overview of the expected need for liquidity. This follow-up is conducted in the form of reports to the Board in which outcomes and forecasts are compared with the budget and other plans that are regularly prepared and addressed by the Board.

The company assesses that current operating capital combined with the intended loan facility will be sufficient to achieve commercial production at the end of 2022.

## **Note 4 Financial assets and financial liabilities**

### **Classification and valuation**

Renewcell's policies for the classification and valuation of financial assets are based on an assessment of the company's business model for the management of financial assets and the properties of the contracted cash flows from the financial assets. Financial instruments are initially recognized at fair value including transaction costs except for derivatives and instruments that belong to the category financial assets that are recognized at fair value through profit or loss, which are recognized excluding transaction costs. All financial assets at Renewcell belong to the categories below:

### **Financial assets measured at amortized cost**

Assets that are held within the framework of a business model where the goal is to hold financial assets with the aim of collecting contractual cash flows and where the contracted terms of the assets give rise to cash flows at specified points in

time that solely comprise payments of principal and interest on the amounts outstanding are recognized here. Financial assets measured at amortized cost are included in current assets with the exception of the items that fall due later than 12 months after the balance-sheet date, which are classified as fixed assets. Measurement after the acquisition date is recorded at amortized cost less any provisions for credit losses.

Financial instruments by category:

<b>SEK thousand</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Advance payments	–	611
Accounts receivables	386	27
Cash and cash equivalents	719,288	39,215
<b>Total</b>	<b>719,674</b>	<b>39,853</b>
<b>LIABILITIES</b>		
Accounts payable	12,395	4,100
Financial liabilities	7,292	8,684
<b>Total</b>	<b>19,686</b>	<b>12,784</b>

The fair value of current receivables corresponds to their carrying amounts, since the discounting effect is insignificant. No liabilities fall due later than within five years. Financial assets are derecognized from the balance sheet when the contractual rights to receive cash flows from the financial asset expire. Financial liabilities are derecognized when the contractual obligation is discharged, annulled or extinguished.

Accounts receivables are amounts due from customers for goods or services sold in operating activities. Accounts receivables generally fall due for payment within 30 days and all accounts receivables have therefore been classified as current assets. Accounts receivables are initially recognized at the transaction price.

Accounts payable are normally paid within 30 days. The fair value of accounts payable and other liabilities are assessed as corresponding to their carrying amounts, since they are short-term by nature.

Renewcell AB met all of its loan covenants in the 2020 and 2019 reporting periods.

#### **Liabilities relating to leases**

The company leases all of its premises. The contracts expire over the next 12–15 months. The company has chosen the exemption not to apply IFRS, which means that the rental costs are recognized directly in profit or loss. This decision will be evaluated when all requirements, for the lease agreements for the facility in Ortvikén to take effect, are met.

## **Note 5 Critical accounting estimates and assessments**

The preparation of financial statements requires a number of critical estimates for accounting purposes, it also requires that management make some assessments in the application of the company's accounting policies. Estimates and assessments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the existing circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For Renewcell, the area that includes a higher degree of judgment and where

assumptions and estimates are of material importance for the financial statements is the company's ability to raise financing for the company's continued existence and expansion. The company manages this risk by preparing new issues and securing favorable financing in good time. The assumptions pertaining to the fixed assets' useful lives, residual values and any need for impairment are subject to annual assessments.

## Note 6 Other operating income

	2020	2019
State grants received	1,037	5,420
Other	602	526
Other operating income	1,639	5,946

## Note 7 Employee benefits, etc.

Remuneration of the Board of Directors, CEO and senior executives

	2020			2019		
	The Board of Directors and CEO	Senior executives	Other employees	The Board of Directors and CEO	Senior executives	Other employees
Salaries and other benefits	1,903	6,927	4,987	560	3,199	2,126
Social security contributions	644	2,428	1,243	180	1,005	593
Pension costs	360	1,026	247	120	379	245
Value of allocation under employee option program (Note 8)	–	102	–	–	122	58
Other personnel costs	19	38	67	50	200	101
<b>TOTAL</b>	<b>2,926</b>	<b>10,521</b>	<b>6,543</b>	<b>910</b>	<b>4,905</b>	<b>3,123</b>

### Remuneration policies

The Chairman and members of the Board of Directors are paid fees in accordance with the resolution of the general meeting of shareholders.

Guidelines for remuneration and other employment terms and conditions for the company management primarily entail that the company offer its senior executives remuneration at market rates. Remuneration to the CEO and other senior executives consists of fixed monthly remuneration. A notice period of not more than six months applies in the event Re:newcell AB was to terminate employment of the CEO or other senior executives. No other termination benefits, such as severance pay, are payable. In the event employment is terminated by the CEO, a notice period of not less than six months applies and for other senior executives, the notice period is not less than three months.

All pension obligations must be defined-contribution plans. Contractual agreements between the company and representatives

from the Board and management team are in place.

The Board decides on the remuneration of the company's CEO. Decisions pertaining to the remuneration of employees in senior positions are taken by the CEO in consultation with the Chairman of the Board. The CEO is authorized to decide on the remuneration of other employees.

#### Remuneration and fees to the Board of Directors and CEO

Total remuneration received by the CEO and the Board of Directors in 2020 was SEK 1,903 thousand (560).

2020	Basic remuneration / Board fee	Variable remuneration	Pension costs	Share related compensation	Other remuneration
Verkställande direktör	1 678	-	360	-	19
Mia Hemmingsson	150	-	-	-	-
Om Bhatia	75	-	-	-	-
Mikael Lindström	-	-	-	-	-
Erik Karlsson	-	-	-	-	-
Henrik Norlin	-	-	-	-	-
<b>Summa</b>	<b>1 903</b>	<b>-</b>	<b>360</b>	<b>-</b>	<b>19</b>

2019	Basic remuneration / Board fee	Variable remuneration	Pension costs	Share related compensation	Other remuneration
Verkställande direktör	560	-	120	-	50
Mia Hemmingsson	-	-	-	-	-
Om Bhatia	-	-	-	-	-
Mikael Lindström	-	-	-	-	-
Erik Karlsson	-	-	-	-	-
Henrik Norlin	-	-	-	-	-
<b>Summa</b>	<b>560</b>	<b>-</b>	<b>120</b>	<b>-</b>	<b>50</b>

#### Number of employees

	2020			2019		
	Men	Women	Total	Men	Women	Total
Total full-time employees	11	10	21	6	4	10
of which, CEO	1	-	1	1	-	1
of which, other management	3	4	7	1	3	4



## Note 8 Share-based remuneration

### Employee options

In November 2018, the Board of Directors exercised its power of attorney to offer employees the opportunity to acquire a total of 1,700 employee options pursuant to the rules covering free employee share options. Six employees participated in the issue. The options, following a 1:65 share split carried out in November 2020, carry the right to subscribe for 91,000 common shares in the company in the period from December 31, 2021 to December 31, 2025 at a subscription price of SEK 13.54 per share. The options can only be settled with newly issued shares. The right to subscribe for shares under the employee option program is subject to the condition that the employee must remain employed with the company for three years from the date of subscription.

All 1,700 employee options were subscribed for in December 2018 free of any charge. During 2020, 300 option have been redeemed. Accordingly, 1,400 options remained outstanding at the end of 2020. , The remaining term of the options was 12 months as from December 31, 2020.

Share price based on the applied issue prices*	SEK 13.54
Exercise price*	SEK 13.54
Expected volatility based on data from relevant comparative groups:	30%
Term	3 years
Expected dividend	SEK 0
Risk-free interest rate	0%

\*Recalculated for share split 1:65

Under the option agreement, the options cannot be subject to early redemption.

Accordingly, the total value of the options has been assessed at SEK 306 thousand, which is deemed to correspond to the value that the services performed by the option subscribers have added to the company.

For each of the years from 2019–2021, the company must recognize personnel costs of SEK 102 thousand per year.

## Note 9 Audit fees

For 2020, the company's auditors received fees of SEK 1,114 thousand (56) for the audit assignment. Of these, SEK 165 thousand were related to audit services. Fees for other services amounting to SEK 950 thousand were related to the Company's IPO.

## Note 10 Leases

Lease expenses for assets and rented premises held under leases are recognized under other external expenses. Contracted lease expenses are detailed below.

	2020	2019
Lease expense recognized during the financial year	2,735	1,112
Nominal value of future lease payments pertaining to non-cancellable leases:		
Due for payment within one year	5,235	1,112

Due for payment later than one year but within five years	69,100	766
Due for payment after five years	110,000	-

Lease expenses pertain primarily to the rental of premises. Approximately SEK 182 million pertains to future rental costs for the upcoming production plant in Ortviken for which the company has signed a 10-year lease. The lease agreement is conditional on that the environmental permit for the production plant is obtained.

## Note 11 Other external expenses

	2020	2019
IT expenses	301	529
Consultancy services	17,908	6,977
Consultancy costs listing	4,620	-
Temporary personnel	2,225	3,095
Audit	149	56
Rent and other costs for premises	2,612	1,906
Other	8,903	10,940
<b>Total</b>	<b>36,719</b>	<b>23,503</b>

## Note 12 Financial items

	2020	2019
<b>Interest income</b>	<b>22</b>	<b>-</b>
<b>Interest expenses</b>		
Interest expenses on liabilities to credit institutions	-455	-528
Other	-4	-3
<b>Total</b>	<b>-436</b>	<b>-531</b>
<b>Net interest income</b>	<b>-436</b>	<b>-531</b>

## Note 13 Income tax

SEK thousand	2020	2019
Recognized earnings before tax	-68,722	-37,657
Tax according to applicable tax rate	14,707	8,059
Tax effect of non-deductible expenses	-16	-9
Tax effect of expenses recognized in equity	10,075	489

Deficit for which deferred tax assets are not recognized	-24,766	-8,539
<b>Tax expense recognized</b>	-	-

<b>SEK thousand</b>	<b>2020</b>	<b>2019</b>
Accumulated loss carryforwards at the end of the year	208,278	92,549
Change tax rate	-1,666	-
<b>Nominal value of deferred tax assets</b>	<b>42,905</b>	<b>19,805</b>

Re:newcell AB has chosen not to recognize the deferred tax assets pertaining to loss carryforwards in the balance sheet. Such future use may be impacted by changes in ownership, funding rounds and the jurisdiction in which the taxable profits arise.

## Note 14 Tangible fixed assets

### Plant and machinery

	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>
Opening cost	67,951	67,006
Changes in cost		
Purchases	525	1,388
Grants received pertaining to fixed assets	-	-443
Closing cost	68,476	67,951
Opening depreciation	-6,823	
Changes in depreciation		
Depreciation for the year		-6,823
Closing depreciation	-6,791	-6,823
<b>Carrying amount</b>	<b>54,862</b>	<b>61,128</b>

### Equipment, tools and installations

	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>
Opening cost	445	417
Changes in cost		
Purchases	1,046	28
Closing cost	1,491	445
Opening depreciation	-108	-19
Changes in depreciation		
Depreciation for the year	-166	-89
Closing depreciation	-274	-108
<b>Carrying amount</b>	<b>1,218</b>	<b>337</b>

Assets are depreciated on a straight-line basis to allocate their cost over their estimated useful lives. The useful lives are as follows:

- Plant for the development of methods and processes to recycle textiles 10 years
- Computers 5 years

## Note 15 Inventory

	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>
Carrying amount	886	700

Finished goods have been measured at net realizable value, while raw material and consumables have been measured at the lower of cost and replacement value less deductions for obsolescence.

Inventory had the following composition:

	<b>Dec 31, 2020</b>
Finished goods	268
Raw materials	270
Chemicals	217
Diverse	131
<b>Total</b>	<b>886</b>

## Note 16 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include the following:

	<b>Dec 31, 2020</b>	<b>Dec 31, 2019</b>
Available bank funds	718,489	39,207
USD currency account	799	3
EUR currency account	–	5
	<b>719,288</b>	<b>39,215</b>

## Note 17 Option program

The following summary pertains to the option program for the management team as of December 31, 2020.

The Board of Directors exercised its power of attorney encompassing the private placement of warrants conveying the right to subscribe for new common shares in Re:newcell AB. The issues were conducted with a departure from the preferential rights of shareholders and encompassed a total of not more than 1,445,340 new shares in the company. The issue prices are presented in the following table and were calculated using the Black–Scholes model at the time in question.

The calculation of subscription prices was conducted by an independent valuation expert.

In the event that the warrants and employee options are utilized in full, the dilution of current shareholders will amount to 4.8 percent based on the ownership structure on the release date of this annual report.

## Option program as of 31 December 2020

Program	Allotment date	Subscription period	Price	Number of options	Exercise price	No. of common shares	Purchase consideration	Total exercise price
2018/2022	Jun 18, 2019	Dec 20, 2021– Dec 31, 2022	0.37	11,772	32.68	765,180	283,706.20	25,003,728
2019/2023	Nov 19, 2019	Sep 3, 2022– Sep 3, 2023	0.20	10,464	48.43	680,160	134,989.60	32,940,672
<b>Total</b>				<b>22,236</b>		<b>1,445,340</b>		<b>57,944,400</b>

## Note 18 Transactions with related parties

### Transactions with related parties

In 2019 and 2020, the company made contracted payments for services performed to companies, wholly- or part-owned by the individuals, comprising related parties to Re:newcell AB, who conducted the services. Such payments are detailed in the following table:

	Description	2020	2019
<b>CEO (until September 2019)</b>			
Trudvang & Partners AB (Mattias Jonsson)	Consultancy services	149	1,194
<b>Board of Directors</b>			
Hassi Consulting Oy (Heikki Hassi)	Consultancy services	60	82
Girindus Investments AB (Henrik Norlin)	Consultancy services	-	47
Cleanflow AB (Mikael Lindström)	Consultancy services	-	7

## Note 19 Other liabilities

	2020	2019
Personnel-related liabilities	841	451
Other liabilities	-	151
<b>Total</b>	<b>841</b>	<b>602</b>

## Note 20 Accrued expenses and prepaid income

	2020	2019
Accrued holiday pay	1,390	647
Accrued social security contributions	739	203
Other accrued expenses	3,963	611
<b>Total</b>	<b>6,092</b>	<b>1,461</b>

## Note 21 Contingent liabilities

	2020	2019
Conditional liability for customer compensation	-	1,000

Conditional repayment undertaking for received state grants A royalty in the form of 3 percent of revenue is to be paid to the Swedish Energy Agency starting in 2021, subject to an upper limit of 120 percent of the financing received, which corresponds to not more than the following undiscounted amounts	5,914	5,914
<b>Total</b>	<b>5,914</b>	<b>6,914</b>

## Note 22 Pledged assets

	2020	2019
Floating charges	10,000	10,000

## Note 23 Events after the end of the 2020 fiscal year

In January 2020, Renewcell signed a contract with the Finnish industrial machinery manufacturer Valmet as a main supplier for its planned 60,000 metric ton capacity textile recycling plant at Ortviken industrial site in Sundsvall. The contract, worth SEK 232 million, covers 40 percent of the value of the equipment to be installed. A large share of the equipment will be manufactured at Valmet's own plant in Sundsvall. The contract with Valmet marks a major milestone in the establishment of the first commercial scale textile recycling plant of its kind in the world.

In March, Renewcell was named in Fast Company's prestigious annual list of the World's Most Innovative Companies for 2021 by placing among those top-ranked in the Style category.

On March 25, Hugo Petit was appointed as the company's interim CFO.

On April 15 the Västernorrland County Administrative Board decided that Renewcell's application for an environmental permit for its planned plant at Ortviken's industrial area will be posted for public consultation on April 19, 2021

## Note 24 Proposed appropriation of the company's profit or loss

The following amounts are at the general meetings disposal:

<b>KSEK</b>	
Retained earnings	-85 161
Share premium reserve	953 466
Profit for the year	-68 722
	<b>799 583</b>
The Board proposes that the profits be appropriated as follows:	
<b>KSEK</b>	
To be carried forward to new account	799 583

## Definitions of performance indicators

### Equity ratio

Defined as equity in relation to total assets.




# Annual Report's signatures

Stockholm, April 27, 2021



Mia Hemmingson

Chairman



Om Bhatia



Erik Karlsson



Mikael Lindström



Henrik Norlin



Patrik Lundström

CEO

Our auditor's report was submitted April 27, 2021

Mazars AB

Michael Olsson

Authorized Public Accountant

# Auditor's report

To the general meeting of the shareholders of Re:Newcell AB, corporate identity number 556885-6206

## Report on the annual accounts

### *Opinions*

We have audited the annual accounts of Re:Newcell AB for the year 2020. The annual accounts of the company are included on pages 10-41 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the company as of December 31st 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

### *Basis for Opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### **Other information than the annual accounts**

This document also contains other information than the annual accounts and is found on pages 1-9 and 46-47. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information. In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise

obtained in the audit and assess whether the information otherwise appears to be materially misstated. If I we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director are responsible for the preparation of the annual and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### *Auditor's responsibility*

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient

and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

#### **Report on other legal and regulatory requirements**

##### *Opinions*

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Re:Newcell AB for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

##### *Basis for Opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

##### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

##### *Auditor's responsibility*

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

#### **The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for that the corporate governance statement on pages 16-20 has been prepared in accordance with the Annual Accounts Act. Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards

on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions. A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and are in accordance with the Annual Accounts Act.

Stockholm, April 27, 2021

Mazars AB

Michael Olsson

Authorized Public Accountant

# The Renewcell share

## Shareholders at December 31, 2020

The company's shareholders at December 31, 2020, before dilution.

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 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	3.20
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
<b>The 15 largest shareholders</b>	<b>19,989,642</b>	<b>64.90</b>
Other	10,809,784	35.10
<b>Total</b>	<b>30,799,426</b>	<b>100.00</b>

## Share capital development

			<b>Number of shares and votes after the transaction</b>	<b>Share capital (SEK)</b>	
<b>Date</b>	<b>Transaction</b>	<b>Change in No. of shares and votes</b>	<b>Shares</b>	<b>Change</b>	<b>Total</b>
Feb 29, 2012	New formation	500	500	50,000	50,000
Jan 26, 2016	New share issue	388	888	38,800	88,800
Oct 7, 2016	New share issue	960	1,848	96,000	184,800
Nov 26, 2016	New share issue	190	2,038	19,000	203,800
Oct 23, 2017	New share issue <sup>1)</sup>	230	2,268	23,000	226,800
Oct 26, 2017	Split	224,532	226,800	–	226,800
Dec 18, 2017	New share issue	8,648	235,448	8,648	235,448
Sep 3, 2018	New share issue	34,090	269,538	34,090	269,538
Sep 3, 2019	New share issue	48,123	317,661	48,123	317,661
Dec 13, 2019	New share issue	4,591	322,252	4,591	322,252
Jan 16, 2020	Reduction	-48,000	274,252	-48,000	274,252
Jan 16, 2020	Bonus issue			48,000	322,252
May 18, 2020	New share issue	26,960	301,212	31,679	353,931
Jul 2, 2020	New share issue	182	301,394	214	354,144
Aug 3, 2020	Bonus issue			145,856	500,000
Aug 3, 2020	Split	19,289,216	19,590,610		500,000
Nov 3, 2020	Warrants exercised	682,500	20,273,110	17,419	517,419
Nov 26, 2020	New share issue	10,526,316	30,799,426	268,657	786,076

# Annual Report 2020

Re:newcell AB  
Corp. Reg. No: 556885-6206

The Board of Directors and CEO submit the following annual report for

The fiscal year Jan 1, 2020 – Dec 31, 2020.

Unless otherwise stated, amounts are presented in SEK thousand.

## Certification

I certify that the income statement and balance sheet have been adopted at the AGM.

The AGM resolved to approve the Board of Directors' proposal for the distribution of profit.

I certify that the contents of these documents comply with the original and that the original is signed by all of the individuals who must sign it in accordance with law.

Stockholm, 2021

Patrik Lundström  
CEO

RENEWCELL