

Interim Report Q1 – 2021

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Q1 2021 in brief

Figures in parentheses refer to the year-earlier period.

New partnerships ensure a start in Sundsvall in line with project plan

January – March

Financial information

- Net sales for the period amounted to SEK 601 thousand (24).
- The loss after financial items amounted to SEK 19,250 thousand (-15,956).
- Cash flow from operating activities following changes in working capital amounted to SEK -18,311 thousand (-9,510).
- Earnings per share, before and after dilution, amounted to SEK -0.6 (-0.8).

Significant events

- On January 28, Renewcell signed a contract with Valmet for the supply and installation of production equipment at the company's plant in Sundsvall. The value of the contract amounts to SEK 232 million.
- On March 5, Renewcell commenced recruitment for a new CFO to succeed Maria Vallejo.

- In the beginning of March, Renewcell was included as an Honoree in Fast Company's 2021 World's Most Innovative Companies list.
- On March 25, Hugo Petit assumed the role of Interim CFO at the company.

Significant events after the end of the interim period

- On April 15, the Västernorrland County Administrative Board decided that Renewcell's application for an environmental permit for its operations in Sundsvall will be posted for public consultation. The posting was made on April 19, 2021.
- On May 4, Renewcell hired Kristina Elg Christoffersson as Chief Technology Officer. She will assume her position at the company in August 2021.
- Danish fashion house BESTSELLER launched its first garment made of Circulose® through the brands Vero Moda and Selected.

Financial overview

SEK thousand	Jan – Mar		Jan – Dec
	2021	2020	2020
Operation's net sales	601	24	1,453
Profit/loss after financial items (EBT)	-19,250	-15,956	-68,722
Result and total comprehensive income for the period	-19,250	-15,956	-68,722
Cash flow from operating activities incl. changes in working capital	-18,311	-9,510	-51,990
Total assets	810,316	92,952	827,287
Equity	781,145	74,399	800,369
Equity ratio (%)	96.4	80.0	96.7
Average number of employees	24	13	19

CEO's comments

Following on the preparations for our listing on First North that dominated the end of 2020, the company has now fully shifted its focus toward execution. For us, 2021 will entail a determined effort to deliver according to the plan we went to the market with. In Kristinehamn, we are prioritizing the validation of raw materials, process parameters and product specifications ahead of the start-up in Ortviken. At the same time, we are building a team to be able to support rapid upscaling. I am pleased to note that we are on track.

The first quarter has in many ways been signified by partnerships. We have worked intensely to secure the necessary network of suppliers and consultants needed to deliver the Sundsvall project on time and within budget.

At the time of writing, around one hundred people are working at Renewcell and at our partners and suppliers with the Sundsvall project. Being part of driving the transition of the fashion industry inspires a sense of pride among not just our employees but also our partners. The level of enthusiasm and commitment for the project that I have seen from our partners is inspiring. With companies such as AFRY, Citec, Valmet, Xylem, SCA, Nordea and SEK involved in the project, we have

all the necessary prerequisites for success.

There is also tangible enthusiasm for our scaling to be found among policymakers at the local, regional and national level. In March, our Site Manager at Ortviken, Henrik Dahlbom and myself had the honor of presenting Renewcell's investment plans to Prime Minister Stefan Löfven during a virtual tour of the new site. The plant we are building at Ortviken in Sundsvall is fully aligned with the government's priorities to transition Swedish industry and engage in a green restart following the coronavirus pandemic.

With a vaccination campaign that is beginning to gain momentum, the world is starting to sense an end to the pandemic. Rising demand for dissolving pulp is noticeable in our niche as is accelerated activity in a fashion industry, which has experienced a difficult 2020. The restart has a clear theme; brand after brand across the globe is now making the transition to sustainability and circularity their highest priorities. We are making this transition possible with our new plant in Ortviken.



Stockholm, May, 2021
Patrik Lundström – CEO

Operations

Large market with high growth

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

A sustainable solution

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

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

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

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

The company's products

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

Dissolving pulp is usually made of raw forest materials, but Renewcell's patented process now makes it possible to make regenerated fiber of virgin quality from 100-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 partners under a conditional royalty-free license.

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



Operational and financial targets

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

2022: 60,000 metric tons

2026: 250,000 metric tons

2030: 360,000 metric tons

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

Comments on the report

January – March

Net sales and profit

Net sales amounted to SEK 601 thousand (24) for the January–March period. Sales comprised the delivery of pulp to a new production development project.

The loss for the period amounted to SEK -19,250 thousand (-15,956). The loss was mainly due to increased personnel costs as the company is now strengthening its organization in conjunction with the build-up of its commercial production.

Orders and sales

Sales of Circulose® pulp amounted to 36 metric tons (22) during the period, for which some second grade material was also sold from the warehouse. Sales volumes were limited by the rate of production at the plant in Kristinehamn, where machine investments for optimized runnability and qualification of customer-adapted raw-material and product specifications were prioritized over volume production.

Cash flow and investments

Cash flow from operating activities including changes in working capital for the period amounted to SEK -18,311 thousand (-9,510). The change was mainly due to increased operational costs.

Cash flow from investing activities for the period amounted to SEK -52,545 thousand (-92).

The change was mainly due to investments in the plant in Ortviken for which purchases of process equipment are ongoing and payments are now being made to secure delivery times. The total investment for the production plant including reserves has been budgeted at SEK 870 million and will be contracted predominately in the first half of 2021.

Cash flow from financing activities amounted to SEK -625 thousand (-134).



Assurance

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

Stockholm, May 5, 2021



Henrik Norlin



Mia Hemmingson

Chairman



Erik Karlsson



Mikael Lindström



Om Bhatia



Patrik Lundström

CEO

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

Contact details

For questions concerning this report, please contact:

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

Financial calendar

The Annual General Meeting will be held on May 19, 2021

- The interim report for the second quarter of 2021 will be published on August 27, 2021
- The interim report for the third quarter of 2021 will be published on November 5, 2021
- The year-end report for 2021 will be published on February 16, 2022
- The interim report for the first quarter of 2022 will be published on May 4, 2022

Financial reports in brief

Condensed Income statement and Statement of comprehensive income

	Jan – Mar		Jan – Dec
SEK thousand	2021	2020	2020
Operating income			
Net sales	601	24	1,453
Other operating income	403	1	1,639
Total operating income	1,004	26	3,093
Operating expenses			
Raw materials and consumables	-1,979	-1,723	-7,610
Other external expenses	-9,456	-8,620	-36,719
Personnel costs	-7,396	-3,798	-20,092
Total operating expenses	-18,831	-14,141	-64,422
Operating profit before depreciation, amortization and impairment (EBITDA)	-17,827	-14,115	-61,329
Depreciation and write-downs	-1,803	-1,722	-6,957
Operating profit (EBIT)	-19,630	-15,837	-68,286
Other interest income and similar income items	467	-	-
Interest expenses and similar expense items	-86	-119	-436
Total financial items	381	-119	-436
Profit/loss after financial items (EBT)	-19,250	-15,956	-68,722
Result and total comprehensive income for the period	-19,250	-15,956	-68,722
Earnings per share, before and after dilution	Neg	Neg	Neg
No. of shares	30,799,426	19,563,468	30,799,426
Average No. of shares before dilution	30,799,426	19,563,468	20,572,460
Average No. of shares after dilution	32,335,766	19,563,468	20,700,489

Condensed balance sheet

SEK thousand	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
ASSETS			
Tangible fixed assets	54,423	59,836	56,079
Assets under construction	83,930	-	31,531
Total fixed assets	138,352	59,836	87,611
Inventory	1,308	1,085	886
Accounts receivables	1,250	478	386
Other current receivables	6,152	1,668	5,142
Prepaid expenses and accrued income	14,980	138	13,975
Total current receivables	23,689	3,369	20,389
Cash and bank balances			
Cash and bank balances	648,274	29,747	719,288
Total cash and bank balances	648,274	29,747	719,288
TOTAL ASSETS	810,316	92,952	827,287
EQUITY AND LIABILITIES			
Share capital	786	341	786
Share premium reserve	953,466	175,106	953,466
Profit or loss brought forward	-153,858	-85,092	-85,161
Result for the period and the year	-19,250	-15,956	-68,722
Total equity	781,145	74,399	800,369
Other long-term liabilities	4,167	5,417	4,792
Total long-term liabilities	4,167	5,417	4,792
Other liabilities to credit institutions	2,500	2,500	2,500
Accounts payable	14,707	7,758	12,395
Tax liabilities	349	43	298
Other current liabilities	865	316	842
Accrued expenses and prepaid income	6,583	2,519	6,092
Total current liabilities	25,004	13,136	22,127
TOTAL EQUITY AND LIABILITIES	810,316	92,952	827,287

Condensed change in equity

SEK thousand	Share capital	Share premium Reserve	Profit or loss brought forward	Comprehensive income for the period	Total equity
Opening balance, Jan 1, 2020	322	174,317	-47,412	-37,657	89,570
Transfer of last year's result	-	-	-37 657	37,657	-
Repurchase of own shares	-	-25,680	-	-	-25,680
Bonus issue	-	-	-49	-	-49
New share issue	19	26,468	-	-	26,487
Employee options	-	-	26	-	26
Total comprehensive income for the period	-	-	-	-15,956	-15,956
Closing balance Mar 31, 2020	341	175,106	-85,092	-15,956	74,399
Opening balance, Apr 1, 2020	341	175,106	-85,092	-15,956	74,399
Repurchase of own shares	-48	-	-	-	-48
Bonus issue	175	-	-145	-	30
New share issue	318	825,440	-	-	825,758
Issue costs	-	-47,080	-	-	-47,080
Employee options	-	-	76	-	76
Total comprehensive income for the period	-	-	-	-52,766	-52,766
Closing balance Dec 31, 2020	786	953,466	-85,161	-68,722	800,369
Opening balance, Jan 1, 2021	786	953,466	-85,161	-68,722	800,369
Transfer of last year's result	-	-	-68,722	68,722	-
Employee options	-	-	26	-	-
Total comprehensive income for the period	-	-	-	-19,250	-
Closing balance, Mar 31, 2021	786	953,466	-153,857	-19,250	781,145

Condensed statement of cash flows

	Jan – Mar		Jan – Dec
SEK thousand	2021	2020	2020
Operating activities			
Operating profit/loss before financial items	-19,630	-15,837	-68,286
Interest paid	-86	-119	-436
Adjustments for items not included in cash flow:			
Depreciation and write-downs	1,803	1,722	6,957
Employee options	26	26	102
Cash flow from operating activities before changes in working capital	-17,888	-14,209	-61,664
Change in working capital			
Change in inventory	-422	-385	-186
Change in accounts receivable	-864	-451	-359
Change in other receivables	-2,014	750	-3,557
Change in accounts payable	2,312	3,658	8,295
Change in other current operating liabilities	565	1,127	5,481
Cash flow from operating activities	-18,311	-9,510	-51,990
Investing activities			
Investments in tangible fixed assets	-52,545	-92	-33,103
Cash flow from investing activities	-52,545	-92	-33,103
Financing activities			
New issue of shares	-	26,487	852,227
Issue costs	-	-	-47,080
Issue of warrants	-	-	-
Prepayments for financing	-	-	-13,004
Repurchase of own shares	-	-25,728	-25,728
Repayment of interest-bearing liabilities	-625	-625	-1,250
Cash flow from financing activities	-625	134	765,165
Cash flow for the period	-71,481	-9,468	680,073
Cash and cash equivalents at the beginning of the period	719,288	39,215	39,215
Exchange differences in cash and cash equivalents	467	-	-
Cash and cash equivalents at the end of the period	648,274	29,747	719,288

Notes

Note 1 Accounting and measurement policies

General information and compliance with IAS 34

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

Financial assets and liabilities

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

Significant accounting and measurement policies

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

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



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

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

Note 2 Risks and uncertainties

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

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

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

- Liquidity and refinancing
- Interest rates
- Currency transaction exposure
- Translation exposure

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

Note 3 Transactions with related parties

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

Note 4 Pledged assets

SEK thousand	Jan – Mar		Jan – Dec
	2021	2020	2020
Floating charges	10,000	10,000	10,000

Definitions of KPIs

Equity ratio

Equity as a percentage of total assets.

Earnings per share, before dilution

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

Earnings per share, after dilution

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

Equity per share

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

Share information

Largest shareholders on March 31, 2021

Shareholder	No. of shares and votes	Share of capital and votes
Girincubator AB	3,933,290	12.77
H&M AB	3,124,440	10.14
Capital Group	2,104,500	6.83
Girindus Investments AB	1,926,048	6.25
AMF Pension & Fonder	1,114,169	3.62
Handelsbanken fonder	1,038,104	3.37
ALMI	1,021,605	3.32
Swedbank Robur Fonder	979,277	3.18
Futur Pension	728,265	2.36
AB Gripen Industri & Invest	692,705	2.25
Cliens Fonder	650,000	2.11
Christofer Lindgren	518,945	1.68
Mikael Lindström	511,485	1.66
Norron Fonder	469,059	1.52
Göran Näsholm	410,345	1.33
Gunnar Henriksson	393,255	1.28
Tomas Gahn	365,291	1.19
Skavhagen Förvaltning AB	348,140	1.13
Avanza Pension	325,374	1.06
Aktia Asset management	315,789	1.03
The twenty largest shareholders	20,970,086	68.09
Other	9,829,340	31.91
Total	30,799,426	100.00

Share price trend

