

Interim Report

Q3 — 2022

RENEWCELL

This report is an in-house translation of the Swedish original. In the event of a discrepancy, the Swedish original takes precedence.

Q3 — 2022 in brief

July – September

Financial information

- Net sales during the period amounted to SEK 3,031k (636)
- Operating profit before depreciation and amortization (EBITDA) during the period amounted to SEK -58,228k (-23,354)
- Profit after tax amounted to SEK -101,472k (-24,538)
- Cash flow from operating activities amounted to SEK -97,050k (-31,567)
- Cash flow from investing activities amounted to SEK -199,232k (-131,039)
- Earnings per share, before and after dilution, amounted to SEK -3.0 (-0.8)
- Net debt* at the end of the period amounted to SEK 446,837k (-420,424). The company's cash totalled SEK 263,384k (425,841)

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

January – September

Financial information

- Net sales during the period amounted to SEK 7,522k (1,465)
- Operating profit before depreciation and amortization (EBITDA) during the period amounted to SEK -158,940k (-61,843)
- Profit after tax amounted to SEK -223,889k (-67,205)
- Cash flow from operating activities amounted to SEK -276,128k (-64,984)
- Cash flow from investing activities amounted to SEK -717,546k (-218,934)
- Earnings per share, before and after dilution, amounted to SEK -6.9 (-2.2)
- Net debt* at the end of the period amounted to SEK 446,837k (-420,424). The company's cash totalled 263,384k (425,841)

Significant events during the interim period

- On the 19th of August, the start-up of Renewcell 1 commenced according to plan.
- On July 4th, Toby Lawton was appointed new CFO of Renewcell. Toby Lawton's previous position was as CFO of SCA. He assumed his position on October 1, 2022.

Significant events after the interim period

- The start-up process of Renewcell 1 has taken longer than previously expected, causing a delay of the production ramp-up and therefore revenue generation from Renewcell 1 and an increase in CAPEX related to the prolonged start-up process of Renewcell 1. The subsequent production ramp-up to 60,000 metric tons is also expected to take longer than previously expected. This leads to an expected increase in the negative profit effect from the fourth quarter 2022 until Renewcell 1 has reached the expected production capacity of 60,000 metric tons.
- The expected profitability once fully ramped-up remains unchanged.
- As a result, the Company has a new funding need of approximately SEK 150 million, of which approximately SEK 100 million is required to finance the negative profit effect (operational expenses) and approximately SEK 50 million is required to finance CAPEX.
- Due to the expected increased CAPEX of approximately SEK 50 million, the total investment for the Renewcell 1 plant in Ortviken (with capacity up to 120,000 metric tons) is now estimated to reach approximately SEK 1.45 billion (compared to the previous forecast of approximately SEK 1.40 billion).
- As was made public by the Company through a press release on 27 October 2022, the Company therefore intends to raise capital through a share issue to cover the financing need. As a result of this new share issue, the completion of the start-up process and the production ramp-up of Renewcell 1 to 60,000 metric tons in the first stage and then to 120,000 metric tons in a later stage, can be executed, without the need of additional equity, taking into account the delayed start-up and slower than expected production ramp-up.
- On October 12, the Company held an Extraordinary General Meeting that adopted a new incentive program directed toward two key employees in the Company's executive management.

Other events after the interim period

- The Company signed a credit facility of SEK 150 million, regarding working capital (Revolving Credit Facility, RCF), which is available after the Commercial Operations Date is reached. The Commercial Operations Date is a defined date in the loan agreements that represents the day the production line achieves the expected functionality.

Financial Overview

SEK k	Jul – Sep		Jan – Sep		Jan – Dec
	2022	2021	2022	2021	2021
Operation's net sales	3,031	636	7 522	1 465	2 778
Profit before depreciation and amortization (EBITDA)	-58,228	-23,354	-158,940	-61,843	-120,658
Result and total comprehensive income for the period	-101,472	-24,538	-223,889	-67,205	-133,430
Cash flow from operating activities	-97,050	-31,567	-276,128	-64,984	-117,695
Cash flow from investing activities	-199,232	-131,039	-717,546	-218,934	-312,174
Equity	764,433	733,240	764,433	733,240	674,235
Net debt/Net cash*	446,837	-420,424	446,837	-420,424	-254,867
Equity ratio (%)	46.7	94.0	46.7	94.0	60.5
Average number of employees	136	55	127	40	47

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

CEO's comments

Renewcell is scaling up its operations to deliver large volumes of Circulose®, and on August 19, we began the start-up of Renewcell 1 in Sundsvall. We are now running the production line with fiber in the system through all unit operations from beginning to end, and are working to calibrate the line for commercial production. Renewcell 1 will supply the fashion industry with 60,000 tons of Circulose® in the first stage and then scale up to 120,000 tons. We are the first company in the world to recycle textiles on this scale.

However, we have had to acknowledge that the start-up of Renewcell 1 has taken longer than planned. As income from production and sales from Renewcell 1 is now expected to come later, a financing need of around SEK 150 million arises to cover an increased negative impact on earnings from the start-up and capex. The company, therefore, intends to carry out a new share issue which, together with a newly signed revolving credit facility for working capital that will be available in connection with Commercial Operations Date (see page 2) which is expected shortly, secures the financing of both the business and the scale-up to 60,000 tonnes in production capacity in the first stage, and after that to 120,000 tonnes per year. In all humility, it is now clear that we have been somewhat too ambitious in our time planning.

Renewcell makes it possible for the fashion industry to move from a linear to a circular model based on 100% recycled textiles as a raw material. This mission – to make fashion circular – remains high on the global agenda because the fashion industry has a considerable negative impact on the environment. The market is vast, and the demand for Renewcell's product Circulose®, is very high among both brands and fiber producers. The long-term conditions for Renewcell continue to look very favourable.

During the quarter, we continued strengthening the fashion industry's awareness and percept of our ingredient brand Circulose®. Our collaboration with Copenhagen Fashion Week, a world leader in sustainability, began during the third quarter. The partnership focuses on elevating the sustainability aspect of the industry and supporting its most exciting creative talents. The partnership attracted the attention of key industry media, including CNN Style, Vogue and Vogue Business and Hypebae. Several of the creations partially made in Circulose® that our partner Jade Cropper showed during the week have already been seen on stars such as Gigi Hadid, Kylie Jenner and Rita Ora. I look forward to developing the conversation about circularity and creativity together with Copenhagen Fashion Week over the next four seasons.

During the quarter, we broke our sales record from production in the demo facility in Kristinehamn once again. Despite the delay, I am confident that we are well-positioned to create value for our shareholders by making the fashion industry circular.



Stockholm, October 2022
Patrik Lundström, CEO

Renewcell's operations

Renewcell was founded in 2012 with the goal of making the fashion industry sustainable, an industry characterized by increasing resource use and growth as a result of a growing middle class. Today, the fashion industry is a big consumer of water and chemicals and is considered to be one of the industries with the greatest negative environmental impact in the world. The use of oil-based materials such as polyester accounts for large amounts of energy and is also a major contributor to the increase in microplastics in the oceans. Cotton, and also so-called sustainable cotton, is grown in the form of huge monocultures, which means that large amounts of pesticides and fertilizers are used. These negative consequences are expected to increase in line with the growth of the industry.

A circular solution

Renewcell's vision is to make fashion circular. The company's operations are based on a new, proprietary process that has been protected as intellectual property using strategic patents and business secrets. The company's technology is based on experience of conventional, large-scale cellulose pulp production from wood. Through a patented process, for which the company has no fewer than five approved patents, Renewcell can extract cellulose from textile waste, comprising cotton or viscose, adapt their properties and bring it back into the textile value chain without loss of quality in the form of a trademark-protected dissolving pulp: Circulose®. Due to technical limitations, the recycled alternatives that have been available in the textile market to date have required the inclusion of virgin materials to achieve a 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 and make it into a dissolving pulp. Renewcell sells its dissolving pulp product by the metric ton to producers of regenerated fiber, such as viscose, modal and lyocell. Dissolving pulp is usually made of raw forest materials, but Renewcell's patented process now makes it possible to make regenerated fiber of virgin quality from 100-percent recycled textile raw materials. Renewcell sells its product under the brand name Circulose®. The trademark is protected by registration in all relevant product classes and in all markets where the company and its customers are active.

The use of the Circulose® trademark is offered as added value to the company's partner brands under a conditional royalty-free license. The company currently has one plant in Sundsvall (Renewcell 1, Ortviken) that is under start-up and a smaller production plant in Kristinehamn. Renewcell 1 has an initial capacity of 60,000 metric tonnes with a planned future capacity of 120,000 metric tonnes. The facility in Kristinehamn produces commercial material in small volumes and is mainly used as a demonstration and R&D plant. 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.

Large market with high growth

The global market for textile fiber amounted to more than 100 million metric tonnes per year. The demand for textile fiber is also expected to increase by 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. Due to Circulose®'s quality and versatility, we are able to technically address the following demand, which amounts to almost 30 million metric tonnes in 2030. That volume can be compared to the global market for conventional dissolving wood pulp of about 8 million metric tonnes today. An addressable demand of 30 million tonnes per year corresponds to a market value of about SEK 375 – 450 billion annually, depending on Forex rates and market conditions.

Estimated addressable demand for Circulose® 2030

Type of material	Demand (million tonnes per year)	Addressable demand (%)	Addressable demand (million tonnes per year)
Viscose	11	100	11
Cotton	44	30	13
Polyester	31	15	5
Total	86*		~30

* Total textile industry equals 160 million MT by 2030 of which 86 million metric tonnes will be used for garments

Comments on the report

Financial overview

July – September

Net Sales

During the period July-September, net sales amounted to SEK 3,031k (636). Sales during the quarter consisted for the most part of sales of Circulose® pulp to fibre producers, which during the period amounted to a total of approximately 170 (50) metric tons. The sales volume is still limited by the production level at the plant in Kristinehamn.

Operating Expenses

Costs for the period of raw materials and consumables amounted to SEK -8,739k (-1,519). The increase is mainly due to the Renewcell 1 site in Ortviken, Sundsvall, but also due to the increased operations in Kristinehamn.

Other expenses for the period amounted to SEK -21,659k (-11,882), the change is mainly a result of the scaling up of the operations at Renewcell 1 in Ortviken, Sundsvall.

Personnel costs for the period amounted to SEK -29,914k (-11,090). During the third quarter, the average number of employees increased from 55 people to 136 people compared to the same quarter of 2021.

Operating profit before depreciation and amortization (EBITDA)

EBITDA amounted to SEK -58,228k (-23,354). The change is mainly explained by the continued build-up of operations in connection with the establishment of operations at Renewcell 1 in Ortviken, Sundsvall.

Net profit for the period was also impacted by other income amounting to SEK 1,610k (501) which is mainly due to exchange rate changes but also sales of scrap materials that arose in connection with the rebuilding work at Renewcell 1, and other operating expenses amounting to -1,692k (-) due to foreign exchange losses on operating expenses.

Depreciation

Depreciation for the period amount to SEK -2,743k (-1,923) and mainly relates to the fixed assets in Kristinehamn.

Net financial items and tax

Net financial items for the period amounted to SEK -40,501k (739) and increased mainly due to an adjustment of the estimated net financial debt linked to expected future royalty linked to the EIB loan, but also due to higher indebtedness. The adjustment for the royalty has no impact on the cash flow for the period.

Cash flow, investments and liquidity

Cash flow from operating activities for the period was SEK -97,050k (-31,567). The change compared to the previous period is due mainly to the increase in inventories of raw material ahead of the start-up of production in Renewcell 1.

Cash flow from investing activities for the period amounted to SEK -199,232k (-131,039). The investments are only related to Renewcell 1. The total investment for the production facility is estimated to be SEK 1.45b, this can be compared with the previous estimate of SEK 1.4b. The increase is due to further increased material costs but also increased costs due to a longer start-up period than expected. As of September 30, the reported value of the construction in progress in the balance sheet amounted to SEK 1,140,610k (261,839) which is an increase with SEK 878,771k compared with the same period last year.

Cash flow from financing activities amounted to SEK 113,659k (-7,354). The change is mainly due to new loans which have been taken out to finance the Ortviken site. The company's cash and cash equivalents at the end of the period amounted to SEK 263,384k (425,842). The company has an unutilised loan capacity of SEK 54.2m in accordance with the financing agreement with Nordea and SEK.

Financial overview

January – September

Net sales

During the period January-September, net sales amounted to SEK 7,522k (1,465). Sales during the period consisted for the most part of sales of Circulose® pulp to fibre producers, which amounted to a total of approximately 507 (86) metric tons.

Operating expenses

Costs for the period for raw materials and consumables amounted to SEK -29,996k (-5,878). The large increase is partly due to an increased operation in Kristinehamn and partly due to fixed electricity and steam costs linked to Renewcell 1 in Ortviken, Sundsvall.

Other expenses for the period amounted to SEK -59,272k (-31,021), the change from the previous year is according to plan and is due to the scaling up of the company's operations in connection with Renewcell 1 in Ortviken, Sundsvall.

Personnel costs for the period amounted to SEK -79,144k (-28,565). During the year the average number of employees has increased from 47 people to 127 people.

Operating profit before depreciation and amortization (EBITDA)

EBITDA amounted to SEK -158,940k (-61,843). The change is mainly due to the continued build up of the company's operations in connection with the establishment of Renewcell 1 in Ortviken, Sundsvall.

Net profit for the period was also impacted by other income corresponding to SEK 4,079k (2,157) which mainly relate to exchange rate changes for cash and cash equivalents but also the sale of scrap material that arose in connection with the rebuilding work at Renewcell 1, and other operating expenses for the period of SEK -3,197k (-) which relate to exchange rate losses on operating costs.

Depreciation

Depreciation for the period amounted to SEK -7,814k (-5,580) and is mainly related to the site in Kristinehamn.

Net financial items and tax

Net financial items for the period amounted to SEK -57,135k (218) and increased mainly due to an adjustment of the estimated net financial debt linked to expected future royalty linked to the EIB loan, but also due to higher indebtedness. The adjustment for the royalty has no impact on the cash flow for the period.

Cash flow, investments and liquidity

Cash flow from operating activities for the period amounted to SEK -276,128k (-64,984). The change compared to the same period last year is due to the scaling up of the operations of the company and is mainly a result of increased inventories ahead of the production start-up.

Cash flow from investing activities for the period amounted to SEK -717,546k (-218,934). The investments refer entirely to the investment in Renewcell 1. As of 30 September the value of construction in progress in the balance sheet amounted to SEK 1,140,610k (261,839), an increase of SEK 878,771k compared to the same period last year.

Cash flow from financing activities amounted to SEK 705,758k (-9,967). The change is due partly to the directed new share issue of SEK 324m which took place in May, but also due to new loans of SEK 399m which are financing the new site in Ortviken, with deductions for the transaction costs linked to the financing.

The company's cash and cash equivalents at the end of the period amounted to SEK 263,384k (425,842). The company has an unutilized loan facility of SEK 54.2m in accordance with the financing agreement with Nordea and SEK. After the end of the quarter the company has also signed a working capital facility for SEK 150m. The working capital facility is available only after the Commercial Operations Date (COD) is achieved.

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 October 27, 2022

Henrik Ager

Michael Berg
Chairman

Helene Willberg

Anna Attemark

Mia Hemmingson

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 October 27, 2022 at 5:31 p.m. CEST.

Contact details

For questions regarding this report, please contact:

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Financial Calendar

- The Interim Report for the fourth quarter of 2022 will be published on February 15, 2023
- The Interim Report for the first quarter of 2023 will be published on May 3, 2023
- The Annual General Meeting will be held on May 16, 2023
- The Interim Report for the second quarter of 2023 will be published on August 18, 2023

Financial reports in brief

Income statement

	Jul – Sep		Jan - Sep		Jan – Dec
SEK k	2022	2021	2022	2021	2021
Operating income					
Net sales	3,031	636	7,522	1,465	2,778
Change in inventories	-865	-	1,068	-	-
Other operating income	1,610	501	4,079	2,157	3,294
Total operating income	3,775	1,137	12,669	3,622	6,072
Operating expenses					
Raw materials and consumables	-8,739	-1,519	-29,996	-5,878	-15,850
Other external expenses	-21,659	-11,882	-59,272	-31,021	-52,765
Personnel costs	-29,914	-11,090	-79,144	-28,565	-54,793
Other external costs	-1,692	-	-3,197	-	-3,321
Total operating expenses	-62,003	-24,491	-171,608	-65,464	-126,729
Operating profit before depreciation, amortization and impairment (EBITDA)	-58,228	-23,354	-158,940	-61,843	-120,658
Depreciation and write-downs	-2,743	-1,923	-7,814	-5,580	-7,658
Operating profit (EBIT)	-60,971	-25,277	-166,754	-67,423	-128,315
Other interest income and similar income items	-	803	1,162	439	427
Interest expenses and similar expense items	-40,501	-64	-58,297	-221	-5,541
Total financial items	-40,501	739	-57,135	218	-5,114
Profit/loss after financial items (EBT)	-101,472	-24,538	-223,889	-67,205	-133,430
Result*	-101,472	-24,538	-223,889	-67,205	-133,430
* As there are no other total results, the result for the period corresponds to the total result.					
Earnings per share, before and after dilution	-3,0	-0,8	-6,9	-2,2	-4,3
No. of shares	33,943,003	30,799,426	33,943,003	30,799,426	30,799,426
Average No. of shares before dilution	33,943,003	30,799,426	32,445,523	30,799,426	30,799,426
Average No. of shares after dilution	35,421,494	32,335,766	33,924,013	32,335,766	32,335,766

Condensed balance sheet

SEK k	Note	Sep 30 2022	Sep 30 2021	Dec 31 2021
ASSETS				
Intangible fixed assets		9,734	2,137	4,359
Total intangible fixed assets		9,734	2,137	4,359
Assets under construction and advances regarding tangible assets	3	1,140,610	261,839	420,773
Other tangible fixed assets		54,138	53,553	52,820
Total tangible fixed assets		1,194,748	315,391	473,593
Other long-term receivables		512	-	-
Total financial assets		512	-	-
Total fixed assets		1,204,994	317,529	477,952
Current assets				
Inventory		136,284	5,438	7,088
Accounts receivables		3,608	1,095	1,611
Other current receivables		13,369	5,192	28,858
Prepaid expenses and accrued income		14,355	24,690	48,256
Total current receivables		167,616	36,414	85,813
Cash and bank balances				
Cash and bank balances		263,384	425,841	551,368
Total current assets		431,000	462,255	637,181
TOTAL ASSETS		1,635,994	779,784	1,115,133
EQUITY AND LIABILITIES				
Share capital		866	786	786
Share premium reserve		1,267,071	953,466	953,466
Profit or loss brought forward		-279,615	-153,807	-146,588
Result for the period and the year		-223,889	-67,205	-133,430
Total equity		764,433	733,240	674,235

Long-term liabilities to credit institutions	4	701,103	2,917	291,762
Total long-term liabilities		701,103	2,917	291,762
Other liabilities to credit institutions	4	9,118	2,500	4,740
Accounts payable		96,833	22,759	125,648
Tax liabilities		1,140	576	737
Other current liabilities		3,667	1,785	2,044
Accrued expenses and prepaid income		59,698	16,008	15,967
Total current liabilities		170,458	43,627	149,136
TOTAL EQUITY AND LIABILITIES		1,635,994	779,784	1,115,133

Condensed change in equity

SEK k	Share capital	Share premium-Reserve	Profit or loss brought forward	Comprehensive income for the period	Total equity
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	-	-	77	-	77
Total income for the period	-	-	-	-67,205	-67,205
Closing balance, Sep 30, 2021	786	953,466	-153,806	-67,205	733,240
Opening balance, Nov 1, 2021	786	953,466	-153,806	-67,205	733,240
Share warrants	-	-	7,194	-	7,194
Employee options	-	-	25	-	25
Total income for the period	-	-	-	-66,225	-66,225
Closing balance, Dec 31, 2021	786	953,466	-146,588	-133,430	674,235
Opening balance, Jan 1, 2022	786	953,466	-146,588	-133,430	674,234
Transfer of last year's result	-	-	-133,430	133,430	-
New share issue	80	324,625	-	-	324,705
New share issue costs	-	-11,020	-	-	-11,020
Share warrants	-	-	402	-	402
Total income for the period	-	-	-	-223,889	-223,889
Closing balance, Sep 30, 2022	866	1,267,070	-279,615	-223,889	764,433

Condensed statement of cash flows

	Jul – Sep		Jan - Sep	Jan – Dec	
SEK k	2022	2021	2022	2021	2021
Operating activities					
Operating profit/loss before financial items	-60,971	-25,277	-166,754	-67,423	-128,315
Interest paid*	-242	-64	-379	-221	-299
Adjustments for items not included in cash flow:					
Depreciation and write-downs	2,743	1,923	7,814	5,580	7,658
Employee options	-	26	-	77	102
Cash flow from operating activities before changes in working capital	-58,470	-23,393	-159,319	-61,987	-120,854
Change in working capital					
Change in inventory	-58,302	-2,362	-129,196	-4,552	-6,202
Change in accounts receivable	-813	381	-1,997	-710	-1,225
Change in other receivable	26,120	11,926	14,750	-2,672	-28,358
Change in accounts payable	-11,278	-19,748	-7,794	-6,200	27,429
Change in other current operating liabilities	5,692	1,627	7,428	11,136	11,516
Cash flow from operating activities	-97,050	-31,567	-276,128	-64,984	-117,695
Investing activities					
Investments in intangible fixed assets	-1,768	-775	-6,661	-775	-3,451
Investments in tangible fixed assets	-196,951	-130,264	-710,373	-218,159	-308,723
Investments in financial assets	-512	-	-512	-	-
Cash flow from investing activities	-199,232	-131,039	-717,546	-218,934	-312,174
Financing activities					
New share issue	-	-	324,705	-	-
New share issue costs	-	-	-11,020	-	-
Issue of warrants	-	-	402	-	7,194
New loans	116,025	-	398,769	-	319,976
Transaction costs for financing	-1,742	-6,729	-5,223	-8,092	-63,147
Repayment of interest-bearing liabilities	-625	-625	-1,875	-1,875	-2,500
Cash flow from financing activities	113,659	-7,354	705,758	-9,967	261,522
Cash flow for the period	-182,624	-169,960	-287,916	-293,885	-168,346
Cash and cash equivalents at the beginning of the period	447,239	594,999	551,368	719,288	719,288
Exchange differences in cash and cash equivalents	-1,231	803	-69	439	427
Cash and cash equivalents at the end of the period	263,384	425,842	263,384	425,842	551,368

*The company applies an efficient interest calculation method, which means that the reported interest expense in the income statement deviates from the actual paid interest.

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 principles and measurement methods applied are in accordance with those stated in the 2021 Annual Report.

Disclosures in accordance with IAS 34.16A appear not only in the financial statements and their accompanying notes but also in other parts of the interim report.

Note 2 — Risks and uncertainties

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

- Establishment of production facility
- Suppliers
- Environmental permit
- Costs of inputs and services
- Loss of production at production facilities
- IT systems and cyber threats
- Key employees
- Health and safety

Financial risks mainly comprise liquidity and refinancing risk, interest-rate risk and currency exposure. (see Note 4).

For more information on the above risks and uncertainties, please refer to the Company's annual report for 2021.

Note 3 — Assets under construction and advances regarding tangible assets

SEK k	Sep 30 2022	Sep 30 2021	Dec 31 2021
Cost, opening balance	420,773	31,531	31,531
Acquisitions during the year and period	732,837	230,308	395,466
Reclassifications to intangible and tangible assets	-13,000	-	-6,225
Recognised amount, Balance sheet	1,140,610	261,839	420,773

Note 4 — Financing

SEK k		Sep 30 2022	Sep 30 2021	Dec 31 2021
Long-term debt to credit institutions		701,103	2,917	291,762
Short-term debt institutions		9,118	2,500	4,740
Terms and repayment obligations	Due date	Carrying amount	Carrying amount	Carrying amount
Almi	2022-2023	2,917	5,417	4,791
ECA/EIB	2022-2030	707,305	-	291,710
		710,222	5,417	296,501

As security for the Company's commitments and obligations under the Loan Agreements, the Company has, among other things, pledged cash, insurances, guarantees and contracts. Furthermore, the Company will issue security in certain movable property related to the Company production facilities. See Note 5 for more information

The company currently has very limited sales, which means that the company's current operations are largely dependent on external financing. The company has a loan agreement with Nordea, Svenska Export Kredit AB and the European Investment Bank (EIB) corresponding to approximately SEK 700 million. In May, the Company carried out a new share issue which added SEK 324 million before issue costs, and after the end of the quarter the Company signed a credit facility of SEK 150 million, regarding working capital, which is available after the Commercial Operations Date is reached. The Commercial Operations Date is a defined date in the loan agreements that represents the day the production line achieves the expected functionality. It is the Company's assessment that the company has the financial ability to continue operating (as a "going concern") for the foreseeable future given that the Commercial Operations Date is reached, the ramp-up of the new factory is carried out according to plan and with regard to the Board's plan to raise new capital through a new issue (see page 2).

Note 5 — Pledged assets

SEK k	Sep 30 2022	Sep 30 2021	Dec 31 2021
Floating charges	10,000	10,000	10,000
Pledge cash	263,230		544,023
Pledged fixed assets	1,117,378		437,975
Total Pledged assets	1,390,608	10,000	991,998

As security for the Company's commitments and obligations under the Loan Agreements, the Company has, among other things, pledged cash, insurance, guarantees and agreements. Furthermore, the Company will issue security in certain movable property related to the Company's production facilities. At the end of the quarter, SEK 250 million of pledged liquid funds were blocked as reserves for the completion of the establishment and commissioning of the first 60 kton in Renewcell 1, Ortviken, as well as for payment of interest and amortization. The reserves are released in connection with the achievement of certain operational milestones and SEK 75 million has been released after the end of the quarter. It is the Company's assessment that these funds will be released successively during the start-up of Renewcell 1 in Ortviken and during the term of the ECA/EIB financing.

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 for the number of outstanding warrants. Option programs are instruments that can lead to dilution, but when the company's results are negative, no dilution effect occurs.

Equity per share

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

Net cash/ net debt

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

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

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

Share information

Largest shareholders as per September 30, 2022

Shareholder	No. of shares and votes	Share of capital and votes (%)
Girincubator AB	3,933,290	11.59
H&M	3,734,440	11.00
Handelsbanken Fonder	3,148,685	9.28
Capital Group	2,702,272	7.96
AMF Pension & Fonder	1,400,169	4.13
Fidelity International (FIL)	897,014	2.64
Cliens Fonder	810,000	2.39
Norron Fonder	806,886	2.38
Swedoccean AB	722,215	2.13
ALMI	688,878	2.03
Swedbank Robur Fonder	637,033	1.88
Öhman Fonder	623,305	1.84
Goldman Sachs Asset Management	505,423	1.49
BlackRock	496,615	1.46
Tomas Gahn	400,000	1.18
Livförsäkringsbolaget Skandia	374,049	1.10
Gunnar Haglund	348,140	1.03
Premier Miton Investors	324,890	0.96
Aktia Asset Management	315,789	0.93
Deka Investments	313,624	0.92
Twenty largest shareholders	23,182,717	68.30
Others	10,760,286	31.70
Sum	33,943,003	100

Source: Monitor/Modular Finance

Auditor's review report

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

Introduction

We have reviewed the interim report of Re:NewCell AB (publ) as of 30 September 2022, and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with RFR 2 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Approach and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with RFR 2 and the Swedish Annual Accounts Act.

Stockholm, October 27, 2022

Mazars AB

Michael Olsson
Authorized Public Accountant