

A Trailblazer in the New Circular Economy

Dear shareholders,

On June 18, 2021, ATRenew went public on the New York Stock Exchange. Shortly after our listing, the capital market shifted in an unforeseeable direction. Despite pressure on the stock price, our confidence and determination in facing this challenging macro environment remain unshaken. Thanks to the efforts of our incredible team, ATRenew's financial performance has exceeded expectations for three consecutive quarters – reporting a non-GAAP operating profit¹ of approximately RMB10 million in the fourth quarter of 2021.

Meanwhile, we continue to improve our operational results. For the full year of 2021, our total GMV and the number of consumer products transacted on our platform reached another record high of RMB32.5 billion and 31.2 million, respectively.

As I write this letter, Shanghai is experiencing a resurgence of the pandemic due to the rise of the COVID-19 Omicron variant. Working from home recently, I spent time reflecting on the future of consumption, changes driven by the pandemic, and the influence on our business.

The pandemic has challenged our way of life and the changes to life after the pandemic is uncertain. However, this epidemic will eventually pass, and so we must ask ourselves: “What will the post-pandemic world look like?”

Regardless of the weak consumer spending, we see a great opportunity to flourish amid economic headwinds through leveraging the circular economy. Historic precedence of this phenomenon exists in Japan and European markets, which have demonstrated resilience in the face of consumption growth slowdowns through circular consumption. Looking ahead, we will embrace this opportunity to further grow our business with a prudent and optimistic mindset.

As consumption decreases and consumers start to feel pinched, there is greater demand for cashback from recycling, and more people will consider trade-in when shopping for new models, especially for high-value products such as mobile phones. Consequently, we see an opportunity to attract more consumers to employ our recycling and trade-in solutions as a smarter way to buy.

Supply Side: City-level Service Integration Localizes Electronic Recycling, Boosting Recycling Rates

¹ Non-GAAP operating profit is calculated as profit from operations excluding the impact of share-based compensation expenses and amortization of intangible assets and deferred cost resulting from assets and business acquisitions. See “Non-GAAP Financial Measures” of the Company's 20-F with the U.S. Securities and Exchange Commission for more information.

To satisfy such demand for recycling, we adopt the City-level Service Integration strategy to increase the recycling penetration rate for mobile phones and other consumer electronic devices. Leveraging differentiated functions of AHS stores, we improve operational efficiency, meanwhile offering innovative services to consumers.

Challenges remained as phone recycling is a local service, while recycling penetration rates for cities in China still remain relatively low and have high growth potential. Fortunately, our City-level Service Integration strategy has achieved promising results since its implementation in the fourth quarter of 2021. We are confident in further driving the growth of our recycling business by combining local resources, penetration rate measurement, and performance of the local team. Recent data on our strategy implementation from the past few months have convinced us of this.

Over the years, we've opened over 1,000 physical AHS stores, which are a model for online and offline business integration, and one of our key competitive strengths. Those stores can be further segmented into tiers, each one providing different services levels based on community needs. Take Shanghai as an example: currently, we operate a large number of regular stores, i.e., standard AHS stores that efficiently recycle phones from neighboring communities. Then we added on a dozen of iconic stores located in newly-developed central business districts, offering multi-category recycling services in addition to regular services. By implementing a tiered store system, either direct-to-consumer or through a franchise, we meet our customers' growing recycling demands, improve store economic returns, create further growth opportunities, and elevate our AHS Recycle brand equity.

Demand Side: Automated Inspection Technology Drives Quality and Efficiency Improvement

Slowdowns in consumption trigger more demand for quality pre-owned products. We strongly believe that supply chain capabilities remain the core competitive advantage - that the widely recognized inspection standards ensure quality and the automated inspection technology is the key to optimizing efficiency. Furthermore, we believe that the guidelines for standardizing device refurbishment can enable us to solve the bottleneck of offering quality products to the users of our marketplaces.

In terms of quality, ATRenew led the industry in establishing standards for grading and inspection of electronic devices. We continuously work with brands, manufacturers, and local authorities to discuss and input quality standards for refurbishment. In April 2022, the first guidelines for refurbishing pre-owned electronic devices² in China was announced by People's Procuratorate of Shenzhen. This marked a leap forward for the industry by establishing compliance guidelines that lead to healthier growth. A larger proportion of products will undergo compliant refurbishment, and can be sold to individual consumers under the brand name of "AHS Selection" through distribution channels such as JD, Douyin, and Kuaishou. This

² *Criminal Compliance Guidelines for Intellectual Property Rights in the Electronics Refurbishment Industry (For Trial Implementation)* (translated) by People's Procuratorate of Shenzhen, PRC, announced on April 26, 2022.

will further solidify our moat and close the loop on our end-to-end service within the industry.

In terms of efficiency, our long-term investment in automated quality inspection technology is paying off. We have constructed an integrated quality inspection system utilizing technologies such as auto-inspection, exterior damage detection through AI, X-ray inspection, and screen quality and authenticity checks. This advanced inspection process that leverages cutting-edge technologies to optimize efficiency demonstrates our leading position in the industry. The experience gained through the development of our first automated inspection facility in Changzhou has provided an invaluable foundation as we construct new facilities, including a second automated operation center in Dongguan expected to commence full-scale operations in June. We firmly believe that efficiency gains are driven by technology and economies of scale.

Staying True to Our Mission

Since the pandemic began, we have been agile in adapting to the changing environment. Our team has worked tirelessly and demonstrated true resilience and flexibility throughout these challenging times. As I wrote in last year's letter, we equate our entrepreneurial journey to climbing a mountain. One has to endure the ups and downs and climb through the mist to reach the peak. I am in deep gratitude for our hard-working team and dedicated ecosystem partners for their effort and mutual support as we traverse this challenging period of time.

Facing the resurgence of pandemic in Shanghai and other parts in China, we shall work together to navigate the challenges of 2022 with a particular focus on service delivery and order fulfillment. We will prudently and proactively respond to all that lies ahead, maintaining steady development, lowering our costs and improving our operating efficiency. Supported by carbon neutral policies, the growth of the circular economy is an inevitable trend in China's development. As a leading company in China's circular economy, we will stay true to our mission to give a second life to all idle goods. We dedicate ourselves to becoming the model for simultaneous creation of both social value and business value, as well as generating long-term returns for our shareholders.

Thank you for your continued support.

Yours sincerely,

Kerry Xuefeng Chen
Founder, Chairman & Chief Executive Officer, ATRenew Inc.