

INTERIM REPORT

January – June 2020



Axolot Solutions is a Swedish technology company working with industrial water purification. The company offers a holistic solution based upon a proprietary technology within electro-coagulation and flotation. Axolot's water purification concept is cost efficient and enables recirculation of the water. This leads to a reduced environmental footprint. Axolot's vision

is to develop into a natural and preferred partner for industrial players aiming at developing existing or new water purification projects, where water is an important supply ingredient. Water is in fact - directly or indirectly – a common denominator in the 17 global goals for a sustainable development, which the United Nations General Assembly adopted in 2015.

SEVERAL ONGOING CUSTOMER ACTIVITIES AT THE SAME TIME AS COVID-19 AFFECTED THE CUSTOMERS' LONG TERM INVESTMENT DECISIONS

Summary of the second quarter 2020

Financially

- Net sales amounted to 1 019 tsek (607 tsek for the corresponding quarter in 2019), as a consequence of more trial runs and customer cooperation activities, mainly in Sweden and Finland. This was the highest invoicing for Axolot so far, for a separate quarter.
- Other revenues were 11 tsek (107).
- Earnings before interest and tax became -5 309 tsek (-7 604), where the less negative results relate to higher income combined with effects from Axolot's restructuring measures related to the Covid-19 outbreak.
- Net earnings per share amounted to -0,20 sek (-0,29)
- Liquid funds at the end of June 2020 were 9 700 tsek.

Operationally

- A number of feasibility study agreements were signed during the quarter, in Finland and Sweden. At the same time, customers postponed commercial investment decisions, as a consequence of Covid-19.
- Axolot aims at being prepared to start delivering commercial equipment as soon as the market situation improves.
- Two patents were granted, whereof one in Sweden and the other in the US.
- Axolot Solutions signed a contract with Fortum Waste Solutions concerning a second step in a colateral development project related to the cleaning of heavily contaminated soil.

January - June 2020

- Net sales for the first half year 2020 were 1 744 tsek (776 for the corresponding period in 2019), which means twice as much as the same period previous year.
- Other revenues were 457 tsek (107), which mainly refers to additional subsidies from a Finnish agricultural authority, for a water purification project initiated in 2019.
- Results before interest and tax for the first six months of the year were -11 546 tsek (-13 273).

Key events during the second quarter 2020

- Axolot Solutions decided on some restructuring measures at the end of March, following the Covid-19 outbreak. Thus, reductions of personnel and consultants have been done, which has not yet given full impact on the results, due to times of notice and the completion of certain customer projects. Also, the Board decided that certain roles within the Management team shall be combined. Research Manager Martin Ragnar was thereby announced to get the role as CEO for Axolot, latest from August 2020. This change of CEO has now been effectuated, as per July 1 2020.
- The Annual General Meeting of 2020 authorized the Board of Directors to make an issue of shares and a directed issue of warrants, according to the proposal made by the Board of Directors.

Key events after the end of the second quarter 2020

- According to previously announced, Martin Ragnar has now assumed the role as President and CEO, as of July 1 2020.

Key figures in summary Axolot Solutions Group

tsek	Quarter 2		Quarter 1-2		Year 2019
	2020	2019	2020	2019	
Net sales	1 019	607	1 744	776	2 143
Other revenues, incl. activated development costs	35	861	757	1 097	2 719
Earnings before interest, tax and depreciation	-4 010	-6 768	-9 066	-11 606	-22 096
Earnings before interest and tax	-5 309	-7 604	-11 546	-13 273	-25 995
Net earnings	-5 311	-7 604	-11 547	-13 273	-25 996
Net earnings per share (sek) *	-0,20	-0,29	-0,44	-0,50	-0,98
Cash flow before financing activities	-4 758	-7 787	-10 494	-14 454	-28 930
Liquid funds at the end of the period	9 700	34 410	9 700	34 410	20 194
Equity at the end of the period	25 189	49 202	25 189	49 202	36 740
Number of employees at the end of the period	8	9	8	9	10

* Based on the average number of shares during the period.

PRESIDENT'S COMMENTS

Strategy

As from July, Axolot has changed CEO, and I - Martin Ragnar – have now succeeded Marie Landfors in this role. The change of CEO is also a direct consequence of the restructuring program decided by the Board of Directors in March, in order to gather all forces efficiently to achieve commercial progress following the Covid-19 pandemic. In practise, this means continued marketing activities, increased visibility as well as more cooperation with different companies. For example we started a survey around the outsourcing of Axolot's future production, in order to quickly be able to respond to incoming orders.

One way for us to position the company is to not only talk about the obvious thing – that Axolot provides systems for purification of industrial process- and waste water, but to also talk about the subsequent step; the future water consumption has to become circular, instead of linear like hitherto and often also currently. If recirculation is highlighted, then Axolot's competitiveness will further increase while – at the same time – water sustainability questions will be lifted to a level where they belong – along with the climate issues perhaps the most important questions for the future, and thus to be dealt with right now.

"It's my conviction that this is the way forward for Axolot to reach out with its solutions to improve the world."

New business

During the second quarter, feasibility study contracts have been signed with two customers in Finland and two in Sweden. These companies operate within different sectors - textile fibers, recycling, energy and energy storage. Apart from those trial runs, an important project has been carried out for Fortum Waste Solutions AB, covering basic engineering and concept design, to allow Fortum to finish an overall concept in which the technology provided by Axolot could play an important role. Axolot contributes within the framework of the concept with its patented AxoPur® technology as well as an AxoPlus™ technology. The intention is to offer the complete concept to clients in various soil cleaning projects, by Fortum Waste Solutions. The project forms an important possibility for Axolot to reach an interesting and exciting market through the Fortum channels.

Market

The marketing activities have continued to be intense during the second quarter. Unfortunately, we have noticed that as a consequence of the Covid-19 pandemic, customers' commercial investment decisions have been postponed. However, many new leads have been added to the list of potential customers, and as the pandemic slows down its pace we expect there to be room for more optimism during the autumn. Achieving a commercial break-through for the AxoPur® systems is the main focus for Axolot.



Martin Ragnar, President and CEO

President's comments

During the quarter, discussions with people in the metalworking industry, around purification of flows containing emulsified oils/fats as well as metal ions have rendered great interest, which is also valid for a wider definition of the food industry.

Technology development

Long term trials have been performed during the spring, using AxoPur® on industrial waste water in a Swedish process industry. The trials were finalized at the end of the second quarter and enabled conclusions to be drawn regarding recommended ways to perform water purification in order to further improve the operating efficiency. Trials have also been done during the spring, to study how different types of turbulence creation in the purification process can impact factors like availability and reaction speed in AxoPur®.

Furthermore, the second phase of a development project with Finnish agricultural authority NTM has started up recently, where the purification of urine from pigs is more thoroughly examined.

R&D

A long term project to sort out the reaction in AxoPur® from different nitrogen compounds has been concluded during the quarter, with significant new knowledge documented.

A patent was granted in the US for an innovation regarding flow conditions from an AxoPur® unit. Another patent was granted in Sweden concerning an innovation that relates to principles for circular water usage in the chemical pulp industry.

Looking ahead

Axolot is well focused for the autumn, having performed a great number of successful trial runs and having finalized the design of our AxoPur® system concept. The ability to handle several challenging industrial waters, combined with a growing market interest for circular - rather than linear - water utilisation in industrial processes are favorable conditions for the future, in our view.

As Europe is slowly opening up again and sustainable investments can be expected to be important on the agenda, we are confidently looking forward to some exciting months ahead.

Martin Ragnar

President and CEO



Axolot Solutions works with industrial water purification, aiming at circular water utilisation.

FINANCIAL OVERVIEW

The Group

Income statement Axolot Solutions Group

tsek	Quarter 2		Quarter 1-2		Year 2019
	2020	2019	2020	2019	
Net sales	1 019	607	1 744	776	2 143
Activated development costs	24	754	300	990	2 526
Other revenues	11	107	457	107	193
Total revenues	1 054	1 468	2 501	1 873	4 862
Costs for raw material and supply	-369	-259	-808	-540	-1 057
Other external costs	-2 241	-4 221	-5 663	-6 865	-15 062
Personnel costs *	-2 449	-3 734	-5 087	-6 036	-10 769
Depreciation and write-down	-1 299	-836	-2 480	-1 667	-3 899
Other external costs	-5	-22	-9	-38	-70
Earnings before interest and tax	-5 309	-7 604	-11 546	-13 273	-25 995
Financial items, net	-2	0	-1	0	-1
Earnings before tax	-5 311	-7 604	-11 547	-13 273	-25 996
Current tax	-	-	-	-	-
Net earnings	-5 311	-7 604	-11 547	-13 273	-25 996
Earnings before interest, tax and deprec.	-4 010	-6 768	-9 066	-11 606	-22 096

* Contains provision for severance pay -1 030 tsek, in the second quarter of 2019.

Revenues and earnings

The second quarter

The revenues during the second quarter 2020 amounted to 1 054 tsek (1 468 tsek for the corresponding period in 2019). External invoicing was 1 030 tsek (714) out of this, which means that Axolot sees a steady increase of revenues for its water purification trials. As announced by Axolot in pressreleases during the quarter, several feasibility study agreements have been signed, to purify and recirculate different waters and waste material, principally in Finland and Sweden. In some cases, several trials are made for a single customer, on different waters and contaminations. There is also a development cooperation taking place with Fortum Waste Solutions, which generated income during the quarter.

Activated development costs were 24 tsek during the quarter (754).

Earnings after financial items in quarter 2 2020 amounted to -5 311 tsek (-7 604). In comparison with the preceding quarter as well as with quarter 2 in 2019, there is a reduction of both personnel costs and other external costs, principally consultant costs. The restructuring measures implemented at the end of March 2020 have thus started to appear on the results, although times of notice and the finalization of certain ongoing projects mean that the full effect isn't yet visible. In the comparison

period 2019, there was a provision for severance pay of -1 030 tsek. Depreciations have increased compared to 2019, as both tangible and intangible investment projects have been finalized. There were no financial loans and so the financial net was close to zero during the period.

The accumulated period

During the first half year of 2020, the revenues were 2 501 tsek (1 873 tsek for the first half year of 2019). The external invoicing was 2 201 tsek (883) which relates mainly to trial runs, a development cooperation and continued subsidies from a Finnish agricultural authority, in a project aiming at purification of the Baltic Sea. Activated development costs were 300 tsek (990), referring to the final documentation and CE classification of the developed commercial system AxoPur® 1.0.

Earnings after financial items were -11 547 tsek for the first half of 2020 (-13 273). The reasons for the less negative results are that the invoicing was higher while personnel and consultant costs have decreased according to the restructuring measures taken. Also, the development of the AxoPur® 1.0 system has been finalized. In the comparison period there was a severance provision of -1 030 tsek.

Balance sheet

Axolot Solutions Group

tsek	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
<i>Fixed assets</i>			
<u>Intangible fixed assets</u>			
Activated development costs	6 391	5 949	6 797
Patents	2 549	3 603	3 045
Total Intangible fixed assets	8 940	9 552	9 842
<u>Tangible fixed assets</u>			
Tangible fixed assets	8 002	5 615	7 443
Work under construction and prepayments of tangible fixed assets	0	2 868	950
Total Tangible fixed assets	8 002	8 483	8 393
Total Fixed assets	16 942	18 035	18 235
<i>Current assets</i>			
Inventory	6	0	0
Accounts receivable	281	300	655
Other current receivables	1 200	1 556	1 555
Total current receivables	1 487	1 856	2 210
Cash and cash equivalents	9 700	34 410	20 194
TOTAL ASSETS	28 129	54 301	40 639

tsek	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Equity	25 189	49 202	36 740
<i>Current liabilities</i>			
Accounts payable	1 102	1 913	1 339
Other current liabilities	1 838	3 186	2 560
Total current liabilities	2 940	5 099	3 899
TOTAL EQUITY AND LIABILITIES	28 129	54 301	40 639

Investments

The investments during the *second quarter* of 2020 amounted to 507 tsek, which is an important decrease compared to the corresponding period in 2019 (1 858). The majority, 386 tsek, relates to tangible fixed assets needed for the feasibility study activities going forward.

For the *accumulated period*, the investments were 1 185 tsek (4 351), whereof 726 tsek was tangible fixed assets and 361 tsek refers mainly to AxoPur 1.0. Investments in patents were 98 tsek.

Cash flow

Axolot Solutions Group

tsek	Quarter 2		Quarter 1-2		Year
	2020	2019	2020	2019	2019
<i>Cash flow from current operations</i>					
Earnings before interest and tax	-5 309	-7 604	-11 546	-13 273	-25 995
Depreciation	1 299	836	2 480	1 667	3 899
Financial payments	-	-	-	-	-
Tax payments	-	-	-	-	-
Change in inventory	8	0	-6	0	0
Change in current receivables	177	-136	729	-217	-570
Change in current liabilities	-426	975	-966	1 720	521
Cash flow from current operations	-4 251	-5 929	-9 309	-10 103	-22 145
<i>Cash flow from investment activities</i>					
Acquisition of fixed tangible assets	-386	-1 079	-726	-3 318	-4 185
Investments in patents	-74	-25	-98	-43	-74
Acquisition of fixed intangible assets	-47	-754	-361	-990	-2 526
Cash flow from investment activities	-507	-1 858	-1 185	-4 351	-6 785
<i>Cash flow from financing activities</i>					
Warrant program	-	-	-	-	275
Cash flow from financing activities	-	-	-	-	275
CASH FLOW	-4 758	-7 787	-10 494	-14 454	-28 655
Liquid funds at the start of the period	14 468	42 197	20 194	48 864	48 864
Exchange rate differences	-10	0	0	0	-15
Liquid funds at the end of the period	9 700	34 410	9 700	34 410	20 194

Liquidity, cash flow and net debt

Cashflow before financing activities, for the *second quarter* of 2020, was positively impacted by the restructuring measures decided by the Board of Directors in March. Cashflow was in total -4 758 tsek (-7 787), which is composed of results before depreciation -4 010 tsek (-6 768), change in current assets -241 tsek (839) and investments -507 tsek (-1 858). Exchange rate effects on the liquid funds were -10 tsek. Liquid funds were 9 700 tsek at the end of the first half year of 2020.

At the start of the year there was 20 194 tsek in liquid funds, and at the end of quarter 2 2020 they had thus decreased to 9 700 tsek. The total *accumulated* cashflow was -10 494 tsek (-14 454).

The net debt amounted to -9 700 tsek at the end of June 2020, and this amount is equal to the liquid funds.

Equity

At the start of the year equity amounted to 36 740 tsek and at the end of June equity was 25 189 tsek. The net earnings were -11 547 during the period, and exchange rate effects were -4 tsek.

Change in equity Axolot Solutions Group

tsek	Quarter 2		Quarter 1-2		Year
	2020	2019	2020	2019	2019
Equity, opening balance	30 531	56 812	36 740	62 478	62 478
Issue of shares / Warrant program	-	-	-	-	275
Exchange rate differences	-31	-6	-4	-3	-17
Net earnings	-5 311	-7 604	-11 547	-13 273	-25 996
Equity, closing balance	25 189	49 202	25 189	49 202	36 740

Share capital and ownership

General information about the Axolot share

The Axolot Solutions Holding AB shares are quoted on the Nasdaq First North Growth Market since November 2018, under the ticket AXOLOT. The share capital of the Company amounted to 1 325 197 sek by the end of 2019. The number of shares was 26 503 948, with a quotient value of 0,05 sek each. The company doesn't have any preference shares and all shares carry the same right to dividends. No changes in the share capital have taken place during the first half year of 2020.

Axolot Solutions' major share holders, as per June 30, 2020

	Number of shares	Percentage
Mikael Åbacka *	4 300 579	16,23%
Lennart Holm *	4 219 095	15,92%
Banque Pictet&Cie (Europe) SA	2 241 711	8,46%
Banque Internationale à Luxembourg SA	1 461 763	5,52%
M Lindstrand Investment AB **	1 191 276	4,49%
Subtotal	13 414 424	50,61%
Other	13 089 524	49,39%
Total	26 503 948	100,00%

* Comprises own and related physical persons' and corporations' shares

** Mats Lindstrand is the Principal of M Lindstrand Investment AB

Share capital and number of shares Axolot Solutions Holding AB

Registered	Event	Change in number of shares	Total number of shares	Quote value	Change in share capital, sek	Accumulated share capital, sek
2016	Company formed	1 000 000	1 000 000	0,05	50 000	50 000
2018	Issue in kind	18 120 000	19 120 000	0,05	906 000	956 000
2018	Issues of shares	7 383 948	26 503 948	0,05	369 197	1 325 197

Data per share Axolot Solutions Holding AB

	Quarter 2		Quarter 1-2		Year
	2020	2019	2020	2019	2019
Number of shares before full dilution *	26 503 948	26 503 948	26 503 948	26 503 948	26 503 948
Number of shares after full dilution *	29 637 641	30 278 628	29 637 641	30 278 628	29 637 641
Net earnings per share before full dilution (sek) **	-0,20	-0,29	-0,44	-0,50	-0,98
Net earnings per share after full dilution (sek) **	-0,20	-0,29	-0,44	-0,50	-0,98
Average number of shares before full dilution	26 503 948	26 503 948	26 503 948	26 503 948	26 503 948
Average number of shares after full dilution	29 637 641	30 278 628	29 637 641	30 278 628	30 609 969

* As per the end of the period

** Calculation based on the average number for the respective period

Authorization from the Annual General Meeting

At the Annual General Meeting of Axolot Solutions Holding AB (publ) in May 2020, it was resolved that the Board of Directors can make decisions of issue of new shares and of warrants and/or convertibles, at one or more occasions until the next Annual General Meeting, corresponding to a maximum of 40% of the total number of shares in the company at the point in time when the Board of Directors make use of this authorization for the first time.

Warrant programs

There are two outstanding warrant programs. One of them relates to the latest issue of shares, which was registered at Bolagsverket in October 2018. These warrants can be utilized during the period February 1, 2020 to May 31, 2021, and consequently the share capital can increase by a maximum of 120 538 sek, which means an impact of around 8% of the share capital after registration of the warrant program. The subscription price is 16 sek per share.

At the Annual General Meeting of Axolot Solutions Holding AB in May 2019, it was resolved that the Board of Directors can implement an incentive program in which a maximum of 1,060,000 warrants - giving the right to subscribe for the same number of shares in the company - could be transferred to management and other key persons within

Axolot Solutions. A total of 722 925 warrants have been transferred to eight (8) persons. The remaining warrants will be reserved for allocation to future recruitments of new key personnel. In accordance with the resolution of the Annual General Meeting, the subscription price upon exercise of the warrants has been set to 6.39 sek per share. This corresponds to 150 percent of the volume weighted average price for the company's share, on Nasdaq Stockholm First North Growth Market, during the period May 13 – May 26, 2019. The price for the warrant has been calculated at market value according to the "Black & Scholes" formula and amounts to 0,38 sek per warrant. In case all outstanding warrants in this program are exercised, the aggregate dilution will amount to approximately 3.5 percent. For full terms and conditions of the incentive program, please see the resolution (in Swedish) from the Annual General Meeting.

The total impact on the share capital, should both warrant programs be fully subscribed, will be a maximum of just below 12%.

Note: This description under "Share capital and ownership" has been translated from Swedish. The Swedish text shall govern for all purposes and prevail in case of any discrepancy with the English version.

The Parent company

Income statement

The Parent company

tsek	Quarter 1-2		Year
	2020	2019	2019
Internal sales *	934	934	1 868
Total revenues	934	934	1 868
Other external costs	-408	-610	-1 462
Personnel costs **	-1 071	-2 539	-3 766
Depreciation and write-down	-	-	-
Other external costs	-	-	-
Earnings before interest and tax	-545	-2 215	-3 360
Internal financial income	-	93	93
Results from shares in affiliated companies ***	-9 000	-11 000	-72 771
Earnings before tax	-9 545	-13 122	-76 037
Current tax	-	-	-
Net earnings	-9 545	-13 122	-76 037

* Related to management fee invoiced to the subsidiaries.

** Contains provision for severance pay -1 030 tsek, in the second quarter of 2019.

*** As shareholder contributions have been effectuated, the value of shares in subsidiaries has not been appreciated. The internal loans were transformed to share holder contributions in 2019 and then written down. The value of the shares in subsidiaries was set to 86 msek at year end 2019 and this has remained in 2020.

Balance sheet
The Parent company

tsek	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
<i>Fixed assets</i>			
<i>Financial fixed assets</i>			
Shares in subsidiaries	86 000	116 000	86 000
Long term receivables, subsidiaries	-	21 771	-
Total financial fixed assets	86 000	137 771	86 000
<i>Current assets</i>			
Current receivables, subsidiaries	-	-	570
Other current receivables	184	147	151
Total current receivables	184	147	721
Cash and cash equivalents	8 218	29 891	17 711
TOTAL ASSETS	94 402	167 809	104 432

tsek	Jun 30, 2020	Jun 30, 2019	Dec 31, 2019
Equity	93 835	166 296	103 380
<i>Current liabilities</i>			
Accounts payable	110	135	214
Other current liabilities	457	1 378	838
Total current liabilities	567	1 513	1 052
TOTAL EQUITY AND LIABILITIES	94 402	167 809	104 432

OTHER INFORMATION



Personnel

The number of employees at the end of June 2020 was eight (8), which means a reduction of 2 persons since the end of the first quarter 2020. Another two persons have been given notice and will leave Axolot during the third quarter, at the end of the notice period. Furthermore, consultancy hours have been reduced and certain projects finalized. Nevertheless, Axolot aims at maintaining a flexibility around some of these consultants, in order to be prepared to start delivering commercial equipment as soon as the market situation improves.

Accounting principles

The consolidated financial statements for Axolot Solutions Holding AB and the Parent company reporting have been prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 (K3). The same accounting principles and calculation methods as in the annual accounts for 2019 have been used in this interim report. The annual report of 2019 was published in April and can be found on the Company's web site.

The Axolot Solutions Group consists of Axolot Solutions Holding AB, and its wholly owned company Axolot Solutions AB, which owns 100% of Axolot Solutions Finland Oy.

Risk management

Axolot Solutions is exposed to different risks and uncertainty factors. These factors were thoroughly described in the Annual Report of 2019 and are still judged to be relevant and correct.

Transactions with related parties

Axolot Solutions has not granted any loans or guarantees to, or in the favor of, anyone in the Board of Directors of Axolot Solutions Holding AB nor to its management. The existing business transactions with related parties (rental and consultancy agreements) are based on market conditions.

Presentation on financial information

The numbers presented in the financial tables are shown as thousands of Swedish kronor, but have underlying decimals. Thereby, the aggregated numbers may contain rounding differences.

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Reporting

- Interim reports: January-September October 30, 2020
 January-December February 12, 2021

The Axolot Solutions Holding AB Annual report 2019, and the consolidated accounts, are available on the Company's web site axolotsolutions.com.

This report has not been reviewed by Axolot Solutions' auditors.

Helsingborg on July 30, 2020



axolotsolutions.com