

INTERIM REPORT

January – September 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.

THE LAUNCH OF A NEW MODEL PROGRAM AND THE FIRST COMMERCIAL SALES OF AN AXOPUR SYSTEM REPRESENT A TAKE-OFF INTO THE FUTURE FOR AXOLOT

Summary of the third quarter 2020

Financially

- Net sales amounted to 621 tsek (485 tsek for the corresponding quarter in 2019), referring to trial runs mainly in Sweden and Finland.
- Other revenues were -3 tsek (3).
- Earnings before interest and tax became -4 356 tsek (-5 506), where the improved results relate to an increase in trial runs and to effects from Axolot's Covid-19 related restructuring measures on the cost side.
- Net earnings per share amounted to -0,16 sek (-0,21)
- Liquid funds were 6 783 tsek at the end of September 2020.

Operationally

- Axolot received its first order for an AxoPur® wastewater purification unit, to Colombier Barrier Coatings in Finland. The delivery is planned for the fourth quarter 2020.
- Two trial agreements were signed, with Finnish customers within the energy and the construction material sectors respectively.
- Axolot launched a model program, offering three different levels of automation – fully automated systems to be integrated in a supervisory control system in a bigger process industry; semi-automated systems suitable for industries with regular water purification needs; and manual systems more suited for irregular purification needs with manual supervision.

January - September 2020

- Net sales for the first nine months 2020 were 2 365 tsek (1 261 for the corresponding period in 2019), which means the invoicing nearly doubled compared to previous year.
- Other revenues were 454 tsek (110), which mainly refers to additional subsidies from a Finnish agricultural authority, for a water purification project that was initiated in 2019.
- Results before interest and tax for the first nine months of the year were -15 902 tsek (-18 779).

Key events during the third quarter 2020

- Axolot received its first order for an AxoPur® wastewater purification unit, to Colombier Barrier Coatings in Finland.
- In accordance with preceding announcements, Martin Ragnar assumed the role as President and CEO, as of July 1st, 2020.

Key events after the end of the third quarter 2020

There were no key events after the end of the third quarter.

Key figures in summary Axolot Solutions Group

tsek	Quarter 3		Quarter 1-3		Year 2019
	2020	2019	2020	2019	
Net sales	621	485	2 365	1 261	2 143
Other revenues, incl. activated development costs	-3	777	754	1 874	2 719
Earnings before interest, tax and depreciation	-3 011	-4 391	-12 077	-15 997	-22 096
Earnings before interest and tax	-4 356	-5 506	-15 902	-18 779	-25 995
Net earnings	-4 356	-5 506	-15 903	-18 779	-25 996
Net earnings per share (sek) *	-0,16	-0,21	-0,60	-0,71	-0,98
Cash flow before financing activities	-2 917	-6 250	-13 411	-20 704	-28 930
Liquid funds at the end of the period	6 783	28 452	6 783	28 452	20 194
Equity at the end of the period	20 827	43 972	20 827	43 972	36 740
Number of employees at the end of the period	7	9	7	9	10

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

PRESIDENT'S COMMENTS

Vision & Strategy

Circular water use is not only the obvious answer to the water challenges of the industry – it also starts to be the direction that big successful companies are adopting. When the recirculation idea gets a break-through in the big companies, the smaller ones can be expected to follow. It should really be a natural thing. When it comes to waste material in the society, we are thinking in a circular way already since a long time – actually for all waste materials, except for water. The prevailing standard is that water is allowed be *consumed* in the process – clean water comes in, is used in the process, gets mixed in a big buffer and is then cleaned as far as the specific industry manages and chooses to, and is then finally released. In order to increase recirculation of water, we need to look at it in the same way as we do when we sort out other waste materials, at the source: newspapers in one container, metal packaging in another and plastics in a third. We must stop mixing waters with different pollutants and start to clean the water as close as possible to the source of the pollution, and then to recirculate it. The future is circular and when it comes to water purification this simply means that the purification needs to be decentralized and located at the source of the pollution. For a system supplier like Axolot this implies that the demand will increase for more and smaller water purification systems rather than for few and bigger ones. At the same time, the request for purification systems that are compact and surface-efficient will also increase.

Axolot's products are very well suited for this development, offering a high specific capacity and thus a compact system. Recirculation furthermore puts high demands on the quality of the purification, which also places Axolot's products at the very forefront.

New business

During the third quarter, Axolot received its first order for an AxoPur® wastewater purification system, to a Finnish customer within paperboard coating. The AxoPur system is of the type U2x2M and will be used for purification of the residues from the sludge. The capacity of the equipment is 2 m³/h and it will be operated on demand. For Axolot, this order represents an important commercial step.

Two trial agreements have also been signed in Finland, during quarter three. The customers are active within biofuel manufacturing and construction material, respectively.

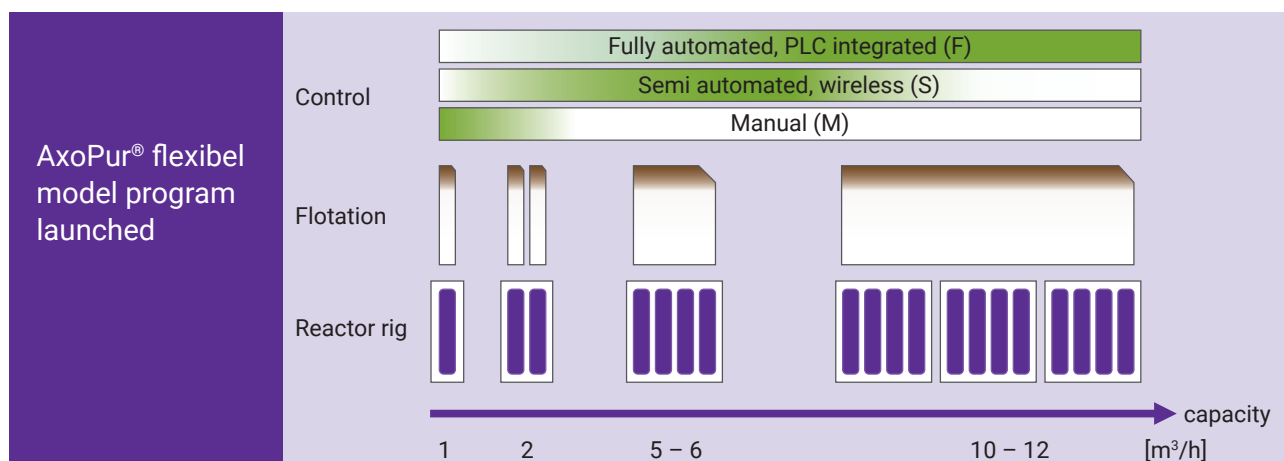
Market

The marketing activities have during the third quarter been intense. The market is waking up again after the pandemic outbreak, although it is still at a slower pace than before. The principal focus is to sell commercial AxoPur systems. With the first order now received, there will soon be a first reference case and after that the sales process can be expected to get smoother. The marketing activities continue to put emphasize on the metalworking industry and the purification of waters containing oil/fat as well as metal ions.



Martin Ragnar, President and CEO

President's comments



Technical development

During the third quarter, Axolot launched a new model program for AxoPur. The program is flexible when it comes to for example capacity and degree of automation, yet at the same time modular when it comes to using the same kind of reactor in all systems. During the autumn, smaller projects are running in order to make the program complete, for example the design of a PC based wire-less control system suited for AxoPur systems run from a control panel in the engineering industry or similar. This project is partly financed by a regional Finnish authority, NTM.

Axolot has decided to focus on sales, system design and development, while contract manufacturing will be applied for commercial AxoPur systems in the future.

R&D

A patent application has been done for purification of sulphate ions.

Application trials have been carried out together with among others The Swedish University of Agriculture, concerning water gathered from bag farming of fish. The results indicate a very high purification degree and thereby possibilities to pursue this financially efficient cultivation method with a high environmental performance.

The broader utilization of the floc is being studied in cooperation with the Helsinki University.

The development project regarding pig manure, performed together with the Finnish regional authority NTM, has been finalized and a report is being prepared.

Looking ahead

A big step towards the future was taken by Axolot related to the first order for a commercial AxoPur system. During the fourth quarter, the system shall be installed and started up. At the same time, we continue the tireless work with trial runs, customer cooperations and marketing efforts.

Martin Ragnar
President and CEO

FINANCIAL OVERVIEW

The Group

Income statement Axolot Solutions Group

tsek	Quarter 3		Quarter 1-3		Year
	2020	2019	2020	2019	2019
Net sales	621	485	2 365	1 261	2 143
Activated development costs	0	774	300	1 764	2 526
Other revenues	-3	3	454	110	193
Total revenues	618	1 262	3 119	3 135	4 862
Costs for raw material and supply	-330	-171	-1 138	-711	-1 057
Other external costs	-1 501	-3 576	-7 164	-10 441	-15 062
Personnel costs	-1 793	-1 902	-6 880	-7 938	-10 769
Depreciation and write-down	-1 345	-1 115	-3 825	-2 782	-3 899
Other external costs	-5	-4	-14	-42	-70
Earnings before interest and tax	-4 356	-5 506	-15 902	-18 779	-25 995
Financial items, net	0	0	-1	0	-1
Earnings before tax	-4 356	-5 506	-15 903	-18 779	-25 996
Current tax	-	-	-	-	-
Net earnings	-4 356	-5 506	-15 903	-18 779	-25 996
Earnings before interest, tax and depreciation	-3 011	-4 391	-12 077	-15 997	-22 096

Revenues and earnings

The third quarter

The revenues during *the third quarter 2020* amounted to 618 tsek (1 262 tsek for the corresponding period in 2019). External invoicing was this entire amount, 618 tsek (488), meaning that the trial run activities have continued on a good level despite much more restrictions related to visits and activities at the industrial customer sites, due to Covid-19. As announced during the quarter, Axolot received its first order for an AxoPur® system. This commercial order has not yet had any impact on the Income statement, since the delivery will take place during the fourth quarter 2020.

Activated development costs were 0 tsek during the quarter (774).

Earnings after financial items in quarter 3 2020 amounted to -4 356 tsek (-5 506). In comparison with the preceding quarter, there is now a distinct reduction in personnel costs and other external costs, mainly consultants. This is effects from the restructuring measures implemented at the end of March 2020. Also in comparison with the corresponding quarter last year, the aggregated cost level has decreased, and the results are thereby in total 1 150

tsek less negative, despite an increase in depreciations, 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 nine months of 2020*, the revenues were 3 119 tsek (3 135 tsek for the first nine months of 2019). The external invoicing was 2 819 tsek (1 371) which relates mainly to trial runs, 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 (1 764), referring to the final documentation and CE classification of the developed commercial system AxoPur® 1.0.

Earnings after financial items were -15 903 tsek for the first nine months of 2020 (-18 779). 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.

Balance sheet

Axolot Solutions Group

tsek	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
<i>Fixed assets</i>			
<u>Intangible fixed assets</u>			
Activated development costs	5 929	6 379	6 797
Patents	2 303	3 319	3 045
Total Intangible fixed assets	8 232	9 698	9 842
<u>Tangible fixed assets</u>			
Tangible fixed assets	7 422	7 924	7 443
Work under construction and prepayments of tangible fixed assets	0	844	950
Total Tangible fixed assets	7 422	8 768	8 393
Total Fixed assets	15 654	18 466	18 235
<i>Current assets</i>			
Inventory	6	-	-
Accounts receivable	371	23	655
Other current receivables	707	1 281	1 555
Total current receivables	1 084	1 304	2 210
Cash and cash equivalents	6 783	28 452	20 194
TOTAL ASSETS	23 521	48 222	40 639

tsek	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
Equity	20 827	43 972	36 740
<i>Current liabilities</i>			
Accounts payable	606	1 906	1 339
Other current liabilities	2 088	2 344	2 560
Total current liabilities	2 694	4 250	3 899
TOTAL EQUITY AND LIABILITIES	23 521	48 222	40 639

Investments

The investments during *the third quarter* of 2020 were very low, 54 tsek, which is an important decrease compared to the corresponding period in 2019 (1 532). The reason is that the development projects have been finalized and that there were no needs for tangible investments. The invested 54 tsek relate to patents.

For *the accumulated period*, the investments were 1 239 tsek (5 883), whereof 726 tsek was tangible fixed assets and 361 tsek refers mainly to AxoPur 1.0. Investments in patents were 152 tsek.

Cash flow Axolot Solutions Group

tsek	Quarter 3		Quarter 1-3		Year
	2020	2019	2020	2019	2019
<i>Cash flow from current operations</i>					
Earnings before interest and tax	-4 356	-5 506	-15 902	-18 779	-25 995
Depreciation	1 345	1 115	3 825	2 782	3 899
Financial payments	-	-	-	-	-
Tax payments	-	-	-	-	-
Change in inventory	0	-	-6	-	-
Change in current receivables	396	544	1 125	327	-570
Change in current liabilities	-248	-871	-1 214	849	521
Cash flow from current operations	-2 863	-4 718	-12 172	-14 821	-22 145
<i>Cash flow from investment activities</i>					
Acquisition of fixed tangible assets	0	-758	-726	-4 076	-4 185
Investments in patents	-54	0	-152	-43	-74
Acquisition of fixed intangible assets	0	-774	-361	-1 764	-2 526
Cash flow from investment activities	-54	-1 532	-1 239	-5 883	-6 785
<i>Cash flow from financing activities</i>					
Warrant program	-	275	-	275	275
Cash flow from financing activities	-	275	-	275	275
CASH FLOW	-2 917	-5 975	-13 411	-20 429	-28 655
Liquid funds at the start of the period	9 700	34 410	20 194	48 864	48 864
Exchange rate differences	0	17	0	17	-15
Liquid funds at the end of the period	6 783	28 452	6 783	28 452	20 194

Liquidity, cash flow and net debt

Cashflow before financing activities, for *the third quarter* of 2020, was positively impacted by the restructuring measures decided by the Board of Directors in March. Cashflow was in total -2 917 tsek (-6 250), which is composed of results before depreciation -3 011 tsek (-4 391), change in current assets 148 tsek (-327) and investments -54 tsek (-1 532). Liquid funds were 6 783 tsek at the end of the third quarter 2020.

For *the accumulated period* January to September, cashflow was in total -13 411 tsek (-20 429). At the start of the year there was 20 194 tsek in liquid funds, and at the end of quarter 3 2020 they had thus decreased to 6 783 tsek. The net debt amounted to -6 783 tsek at the end of September 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 September equity was 20 827 tsek. The net earnings were -15 903 during the period, and exchange rate effects were -10 tsek.

Change in equity Axolot Solutions Group

tsek	Quarter 3		Quarter 1-3		Year
	2020	2019	2020	2019	2019
Equity, opening balance	25 189	49 202	36 740	62 478	62 478
Issue of shares / Warrant program	-	275	-	275	275
Exchange rate differences	-6	1	-10	-2	-17
Net earnings	-4 356	-5 506	-15 903	-18 779	-25 996
Equity, closing balance	20 827	43 972	20 827	43 972	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 nine months of 2020.

Axolot Solutions' major share holders, as per September 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	1 446 763	5,46%
M Lindstrand Investment AB **	1 191 276	4,49%
Subtotal	13 399 424	50,56%
Other	13 104 524	49,44%
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 3		Quarter 1-3		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	31 001 553	29 637 641	31 001 553	29 637 641
Net earnings per share before full dilution (sek) **	-0,16	-0,21	-0,60	-0,71	-0,98
Net earnings per share after full dilution (sek) **	-0,16	-0,21	-0,60	-0,71	-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	30 881 066	29 637 641	30 479 441	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 were 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.

OTHER INFORMATION



Personnel

The number of employees at the end of September 2020 was seven (7), which means a reduction of 1 person since the end of the second quarter 2020. Compared to year end 2019, this is a reduction of 3 persons. 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 has recovered.

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 that description is 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.

CONTACT INFORMATION

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Reporting

- January-December 2020 February 12, 2021
- January-March 2021 April 29, 2021
- January-June 2021 July 30, 2021
- January-September 2021 October 29, 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 October 30, 2020



axolotsolutions.com