

INTERIM REPORT

January - September 2019



***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.

AN AUTOMATED SYSTEM SOLUTION IS INTRODUCED ON THE MARKET

The third quarter 2019 at a glance

- Net sales amounted to 485 tsek (673 tsek for the corresponding quarter in 2018)
- Other revenues (excl. activated development costs) were 3 tsek (105)
- Earnings before interest and tax became -5 506 tsek (-3 686)
- Net earnings per share amounted to -0,21 sek (-0,22)
- Very good test results in trial runs that have been effectuated during the period
- The first Norwegian customer, a test run for a ground-wood pulp manufacturer. Axolot now has ongoing customer activities in Sweden, Finland, Denmark, Norway as well as the UK
- A warrant incentive program for Axolot employees was successfully implemented

The accumulated period January to September 2019

- Net sales amounted to 1 261 tsek (949)
- Other revenues (excl. activated development costs) were 110 tsek (105)
- Earnings before interest and tax were -18 779 tsek (-11 306)
- Net earnings per share amounted to -0,71 sek (-1,74)

Important events during the third quarter 2019

- Axolot signs trial agreement with a major producer of packaging paper
- Axolot signs trial agreement with a groundwood pulp manufacturer in Norway
- Axolot employees subscribe for warrants in incentive program

Important events after the end of the third quarter 2019

- Axolot has signed another trial agreement with Vafos Pulp A/S
- Axolot has informed about the Annual General Meeting 2020 and about appointed members to the Nomination committee

Key figures

Axolot Solutions Group

tsek	Quarter 3		Quarter 1-3		Year 2018
	2019	2018	2019	2018	
Net sales	485	673	1 261	949	1 451
Other revenues, incl. activated development costs	777	530	1 874	1 109	1 802
Earnings before interest, tax and depreciation	-4 391	-3 090	-15 997	-9 713	-15 956
Earnings before interest and tax	-5 506	-3 686	-18 779	-11 306	-18 238
Net earnings	-5 506	-3 715	-18 779	-11 280	-18 186
Net earnings per share (sek) *	-0,21	-0,22	-0,71	-1,74	-1,61
Cash flow before financing activities	-6 250	-3 957	-20 704	-13 103	-20 825
Liquid funds at the end of the period	28 452	32 089	28 452	32 089	48 864
Equity at the end of the period	43 972	44 925	43 972	44 925	62 478
Number of employees at the end of the period	9	6	9	6	6

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

PRESIDENT'S COMMENTS

During the third quarter 2019 our business focus has shifted from technical development towards external marketing of our water purification products. In other words, we have accelerated the process of commercialization. In parallel, we of course continue to drive our technical development with a clear objective to reach a level of completion where our first generation of commercial equipment is fully deliverable. In terms of marketing and sales, we have increased the pace of processing new potential customers, and at the same time continued working on the interesting and important customer projects initiated during the spring.

Our customers

Axolot Solutions as a brand is still relatively unknown in our main markets. In each customer case we need to prove the functionality and performance of our technology, as well as displaying our own know-how to meet the customers' demands. Therefore, we need to continue running customer trials in order to establish reference cases. Through these trials we build knowledge and collect experiences which will improve our accuracy and fit to the market. As we build our collective knowledge base, we increase our understanding of our ideal customer, and in addition we learn which ones not to approach at this moment. We currently manage oil and fat emulsions, heavily contaminated waters, phosphorous, heavy metals, biological contaminations and suspended material in an efficient way. So, we focus our strives towards the industrial market niches where the needs to eliminate these types of contaminants are crucial. By doing so, the knowledge we acquire can be used for customers with similar and parallel problems. This has enabled us to increase the speed of marketing of potential customers within these industrial market niches. We are now in a phase where active customer exploration is needed, and therefore we have contracted two people to actively market our products to potential leads in order to increase the number of active dialogues with potential customers.

We currently have three established customer relationships, all in Finland. Among these is KCL, which we mentioned in an earlier report. In addition to these three customers, we have a handful of customer projects where we are deeply involved in solving customer needs, and where we have run trials or are planning to run trials in the near future. One of these projects is a collaboration with Fortum Waste Solutions. The AxoPur® technology has been used for purification of contaminated waters from Fortum's proprietary cleaning equipment, based on the so called MOPS-technology for leaching of contaminated soil. We have run trials throughout the third quarter with good results, and most likely there will be a continuation of the project as the customer is interested in proceeding with our technology.

Beyond our existing customers and projects, we have approximately ten potential customers who have shown a large interest in our know-how and technology. The preparations are now in full swing to discuss needs, prerequisites and methodology for initial test runs. I hope to return with more insights for several of these trials shortly.



Marie Landfors, President and CEO

PRESIDENT'S COMMENTS

Commercial tools

As the extent of the marketing activities increase, there is a need for a structured working process where we not only secure an efficient building of our knowledge base, but also create a way of working that is resource efficient as well as professional. During the quarter we have reviewed our necessary commercial tools. We have for example updated our confidentiality agreement, important in order to protect our IP rights. We have also updated our feasibility study agreement, now clearly stating the customer and our responsibilities in a trial and its evaluation. On top of this we have evaluated and clarified our business and pricing model, important when it comes to which customers to prioritize. Building on a clarified business model, we will continue the work of constructing a commercial contract for the sales of an AxoPur®-system, including maintenance and service.

We have also evaluated and chosen a new CRM-system fit for our purposes, and the implementation of the system is underway. The process of recruiting a new technical sales manager has taken longer than expected, but a contract is now signed with our candidate of choice. This will increase our chances of running a focused and active sales process going forward.

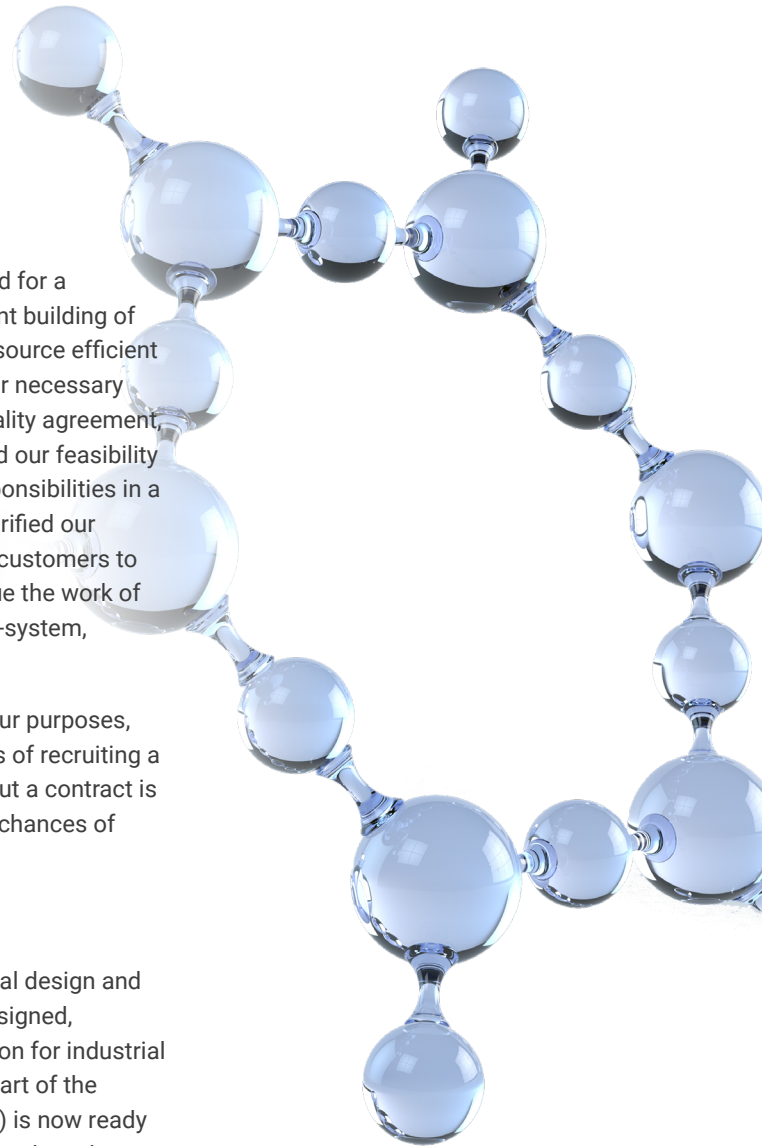
A functional, robust and scalable product

Right before the summer we decided to lock the current technical design and wrap it as a standard product. This means that we have now designed, constructed and documented our first automated system solution for industrial water purification, where the AxoPur® reactor constitutes the heart of the system. The first generation of the AxoPur® system (version 1.0) is now ready to be ordered, with capacities of 3 and 12 m³/h. The remaining work packages, in order to make the system ready for delivery, are specific software development, the production of a manual and CE certification. We strive towards a fully functional, robust and scalable product, and we now look forward to receiving feedback from the market on the system and its performance.

During 2019 we have also developed a bench scale pilot equipment, currently being mounted in our workshop. In the case our customers do not wish to start off with a full pilot trial, with this equipment we will be able to serve our customers in a more flexible way and still get a realistic feedback on prerequisites for water purification needs for their specific water.

Research and development

Apart from packaging our technical system into a commercial offering, we continue to work on prioritized research and development projects. During the quarter we have initiated a diploma work in Finland. The objective is to increase the capacity and availability of the reactor by means of ultrasound and/or mechanical vibrations in order to reduce fouling. Another example is an ongoing research project - which we have mentioned previously - on



precipitation of sulphate, a common problem in the process industry. The project is managed by researchers at Chalmers University of Technology with Axolot Solutions and Tomas Concrete Group as project partners.

Planned trials with cleaning of feces water from reject filters in fish farming are unfortunately delayed due to technical issues with the collection of water. This project is still planned to represent a first step towards a larger study in partnership with SLU during 2020.

During the quarter we have produced a strategy for PFAS (Per- and Polyfluorinated alkylated substances). In line with this strategy we have submitted a project application to Vinnova based on a partnership with RISE Research Institute and others. PFAS are stable to their nature and exist in firefighting foams, used as a process chemical and for surface treatment of packaging material to mention a few. These substances constitute, by their inability to degrade, a ticking environmental hazard. In line with tightened environmental legislation (PFOS is already banned and PFOA will be banned in 2020 within the EU), Axolot Solutions would like to participate in the process of reaching a viable technology for the elimination of PFAS in water.

In summary

During the past quarter we have worked hard with establishing our technical and commercial platform, successfully I dare say. We are now working our way into prioritized customer projects within suitable industrial market niches, where we gradually build expertise. We believe we can create value through a proactive application of our technology and know-how, by leading the development in the area based on curiosity and interest in sustainability, professionalism, an objective and honest approach where we at all times build our assumptions and proposals on the best available technology and business case for the customer.

I can promise that the entire team behind Axolot Solutions is working full speed ahead towards our joint goal, to sell our first commercial system based on the AxoPur® technology.

November 2019

Marie Landfors
President and CEO



FINANCIAL OVERVIEW

The Group

Income statement Axolot Solutions Group

tsek	Quarter 3		Quarter 1-3		Year 2018
	2019	2018	2019	2018	
Net sales	485	673	1 261	949	1 451
Activated development costs	774	425	1 764	1 004	1 697
Other revenues	3	105	110	105	105
Total revenues	1 262	1 203	3 135	2 058	3 253
Costs for raw material and supply	-171	-205	-711	-364	-559
Other external costs	-3 576	-2 454	-10 441	-6 755	-10 900
Personnel costs *	-1 902	-1 619	-7 938	-4 441	-7 408
Depreciation and write-down	-1 115	-596	-2 782	-1 593	-2 282
Other external costs	-4	-15	-42	-211	-343
Earnings before interest and tax	-5 506	-3 686	-18 779	-11 306	-18 238
Financial items, net	0	-29	0	26	52
Earnings before tax	-5 506	-3 715	-18 779	-11 280	-18 186
Current tax	-	-	-	-	-
Net earnings	-5 506	-3 715	-18 779	-11 280	-18 186
Earnings before interest, tax and deprec.	-4 391	-3 090	-15 997	-9 713	-15 956

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

Revenues and earnings

The third quarter

The revenues during the third quarter 2019 amounted to 1 262 tsek (1 203 tsek for the corresponding period in 2018), whereof external invoicing was 488 tsek (778). Just like in preceding periods, the invoicing relates both to shorter test runs and to parts of longer trials in cases where Axolot has already proved to be successful in the specific customer applications, at the initial test runs. Activated development costs in the third quarter amounted to 774 tsek (425), related to development of construction and techniques. More specifically, an automated system for industrial water purification was developed. The system is based on the AxoPur® technique, which has been further developed regarding automation, construction and design, into a commercial standard system, which is now ready to launch.

Earnings after financial items amounted to -5 506 tsek for the third quarter 2019 (-3 715). The number of personnel and consultants is somewhat higher than the corresponding period last year. Also costs for travelling, rental and administration have increased, which is in line with the company's plans for a commercial expansion. Thus, market penetration and development work have been

intensified compared to the year earlier period, additional engineer and application teams have been engaged and incorporated in the existing customer projects.

Depreciations amounted to 1 115 tsek during the quarter (596). There were no financial loans and so there were no financing costs during the period.

The accumulated period

During the first nine months of 2019, revenues amounted to 3 135 tsek (2 058). The external invoicing was 1 371 tsek (1 054). Activated development costs were 1 764 tsek (1 004).

Earnings after financial items were -18 779 tsek during the period January-September 2019 (-11 280). The results were impacted by the provision for severance pay, -1 030 tsek. Apart from this, costs have increased according to the planned preparations for a commercial expansion. Depreciations amounted to -2 782 tsek (-1 593), where the increase is explained by investment projects in both development and in commercial equipment, which have been finalized and taken into use. Neither for the accumulated period were there any financing costs.

Balance sheet

Axolot Solutions Group

tsek	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
<i>Fixed assets</i>			
<i>Intangible fixed assets</i>			
Activated development costs	6 379	4 882	5 406
Patents	3 319	4 357	4 147
Total Intangible fixed assets	9 698	9 239	9 553
<i>Tangible fixed assets</i>			
Tangible fixed assets	7 924	4 262	4 138
Work under construction and prepayments of tangible fixed assets	844	1 416	1 654
Total Tangible fixed assets	8 768	5 678	5 793
Total Fixed assets	18 466	14 917	15 345
<i>Current assets</i>			
Accounts receivable	23	0	377
Other current receivables	1 281	956	1 264
Total current receivables	1 304	956	1 640
Cash and cash equivalents	28 452	32 089	48 864
TOTAL ASSETS	48 222	47 962	65 850

tsek	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Equity	43 972	44 925	62 478
<i>Current liabilities</i>			
Accounts payable	1 906	1 710	1 326
Other current liabilities	2 344	1 327	2 045
Total current liabilities	4 250	3 037	3 371
TOTAL EQUITY AND LIABILITIES	48 222	47 962	65 850

Investments

During quarter 3 2019, there were investments of 1 532 tsek (1 187). Around half of the investment amount in the quarter refers to fixed tangible assets, 758 tsek. In principal it is a fourth pilot equipment this year, which was finalized, in order to ensure that Axolot has enough capacity for all the current and planned short and long term trial runs. At the same time, within intangible assets, the development continued of the automated system based on the AxoPur reactor.

For the accumulated period January through September 2019 the investments were totally 5 883 tsek (4 041), whereof fixed tangible assets were 4 076 tsek. Investments in intangible assets, referring to activated development costs, were 1 764 tsek, referring to development of constructions and technique, and patents 43 tsek.

Cash flow

Axolot Solutions Group

tsek	Quarter 3		Quarter 1-3		Year
	2019	2018	2019	2018	2018
<i>Cash flow from current operations</i>					
Earnings before interest and tax	-5 506	-3 686	-18 779	-11 306	-18 238
Depreciation	1 115	596	2 782	1 593	2 282
Financial payments	-	-	-	-	-
Tax payments	-	-	-	-	-
Change in current receivables	544	51	327	333	-347
Change in current liabilities	-871	270	849	318	636
Cash flow from current operations	-4 718	-2 769	-14 821	-9 062	-15 667
<i>Cash flow from investment activities</i>					
Acquisition of fixed tangible assets	-758	-729	-4 076	-2 917	-3 263
Investments in patents	0	-33	-43	-120	-199
Acquisition of fixed intangible assets	-774	-425	-1 764	-1 004	-1 696
Cash flow from investment activities	-1 532	-1 187	-5 883	-4 041	-5 158
<i>Cash flow from financing activities</i>					
Issue of shares	-	20	-	40 976	67 494
Costs related to issue of shares	-	-	-	-	-2 021
Warrant program	275	-	275	-	-
Amortization of loans	-	-	-	-	-
Cash flow from financing activities	275	20	275	40 976	65 473
CASH FLOW	-5 975	-3 937	-20 429	27 873	44 648
Liquid funds at the start of the period	34 410	36 026	48 864	4 166	4 166
Liquid funds added at reversed acquisition				50	50
Exchange rate differences	17	0	17	0	0
Liquid funds at the end of the period	28 452	32 089	28 452	32 089	48 864

Liquidity, cash flow and net debt

Cash flow before financing activities amounted to -6 250 tsek during the third quarter of 2019 (-3 957), whereof -1 532 refers to investments (-1 187). Cash flow from operating activities is composed of Earnings before depreciation -4 391 tsek (-3 090) and change in working capital -327 tsek (321). Besides these items there was a cash flow of 275 tsek from the warrant program for Axolot employees, out of which the first part was implemented during the quarter.

At the start of the quarter there was 34 410 tsek in liquid funds, and at the end of September they had decreased to 28 452 tsek.

For the accumulated period, cash flow before financing was -20 704 tsek (-13 103). Out of this, investments amounted to -5 883 tsek (-4 041), whereas -14 821 tsek (-9 062) refers to cash flow from current operations.

At the start of the year there were liquid funds of 48 864 tsek, and at the end of September these were 28 452 tsek. Axolot Solutions had no financial loans at the end of the third quarter 2019. The net debt therefore amounted to -28 452 tsek (-32 089), which is composed of the liquid funds.

Equity

At the start of 2019, equity amounted to 62 478 tsek and at the end of quarter 3 2019 equity was 43 972 tsek. The net earnings were -18 779 during the period and exchange rate effects were -2 tsek. The income from sales of the

warrants to Axolot personnel, 275 tsek, was reported directly into equity, and thus did not impact the net earnings.

Change in equity Axolot Solutions Group

tsek	Quarter 3		Quarter 1-3		Year
	2019	2018	2019	2018	2018
Equity, opening balance	49 202	48 614	62 478	15 219	15 219
Additional capital at reversed acquisition				50	50
Issue of shares / Warrant program	275	-	275	40 976	67 494
Costs related to issue of shares	-	-	-	-	-2 021
Exchange rate differences	1	26	-2	-40	-78
Net earnings	-5 506	-3 715	-18 779	-11 280	-18 186
Equity, closing balance	43 972	44 925	43 972	44 925	62 478

Data per share Axolot Solutions Holding AB

	Quarter 3		Quarter 1-3		Year
	2019	2018	2019	2018	2018
Number of shares before full dilution *	26 503 948	24 093 180	26 503 948	24 093 180	26 503 948
Number of shares after full dilution *	31 001 553	25 457 092	31 001 553	25 457 092	30 278 628
Net earnings per share before full dilution (sek) **	-0,21	-0,22	-0,71	-1,74	-1,61
Net earnings per share after full dilution (sek) **	-0,21	-0,22	-0,71	-1,74	-1,61
Average number of shares before full dilution	26 503 948	16 688 787	26 503 948	6 474 040	11 280 620
Average number of shares after full dilution	30 881 066	18 052 699	30 479 441	7 837 952	13 046 326

* As per the end of the period

** Calculation based on the average number of shares

Share capital and ownership

The Axolot Group was founded by the issue in kind which is stated in the table below – Share capital and number of shares. All shareholders in Axolot Solutions AB subscribed for shares in Axolot Solutions Holding AB, against payment with the shares in Axolot Solutions AB. In April 2018 there was an issue of shares, in the context of a restructuring of the Parent company, whereby the share capital increased by 44 000 sek. Later during the same quarter, there was another issue of shares, which in its entirety had been registered at the Swedish Company Register on August 1, 2018, and which increased the share capital of Axolot by 204 659 sek.

In September 2018 it was decided to make an issue of shares, which was completed and added 120 538 sek to the share capital, and 2 410 768 new shares. At this latest issue, the issue price was 11 sek for one share and one warrant (see further below).

The share capital of Axolot Solutions Holding AB amounted to 1 325 197 sek by the end of 2018. 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 2019.

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

At the end of June 2019 there were two outstanding warrant programs, which could have an impact on the share capital going forward. These two programs have been explained in detail in the "Bolagsbeskrivning", before the listing of Axolot Solutions at Nasdaq Stockholm First North Growth market. The first one of the two programs comprises 5 key employees in the company. The warrants can be utilized during the period October 1, 2019 to December 31, 2019. The share capital could thereby potentially increase by 68 196 sek, corresponding to just below 5% of the share capital after registration of these new shares. Should all these warrants be utilized, then the company will receive 7.5 msek in liquid funds. The second program 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 as a consequence 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 both warrant programs. Should this second program be fully subscribed, then the company will receive 38.6 msek in liquid funds.

At the Annual General Meeting of Axolot Solutions Holding AB (publ) in May 2019, 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 20% 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. At the Annual General Meeting it was also resolved to 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, whereof 353 000 have been subscribed by CEO Marie Landfors. 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% 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 3.4%. 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 all three warrant programs be fully subscribed, will be a maximum of just above 15%.

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.

Major share holders as per September 30, 2019 Axolot Solutions Holding AB

	Number of shares	Percentage
Mikael Åbacka *	4 300 579	16,23%
Lennart Holm *	4 208 795	15,88%
UBS Switzerland AG	2 637 859	9,95%
Banque Internationale à Luxembourg SA	1 643 813	6,20%
M Lindstrand Investment AB **	1 191 276	4,49%
Subtotal	13 982 322	52,76%
Others	12 521 626	47,24%
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

OTHER INFORMATION



Personnel

The number of employees at the end of the third quarter was nine (9), which is unchanged compared to a quarter earlier. On the consultancy side, there were no changes either. After the end of quarter 3, a Technical Sales manager was hired.

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 2018 have been used in this interim report.

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 are thoroughly described in the Company Description (in Swedish), published before the listing of the company on Nasdaq First North Growth Market, in November 2018.

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), which are described in the annual report of 2018, 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

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|-------------------------------|--------------|
| • Year end report 2019 | Feb 14, 2020 |
| • Interim report Jan-Mar 2020 | Apr 29, 2020 |
| Interim report Jan-Jun 2020 | Jul 30, 2020 |
| Interim report Jan-Sep 2020 | Oct 30, 2020 |

The Axolot Solutions Holding AB Annual report 2018, 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 November 13, 2019



axolotsolutions.com