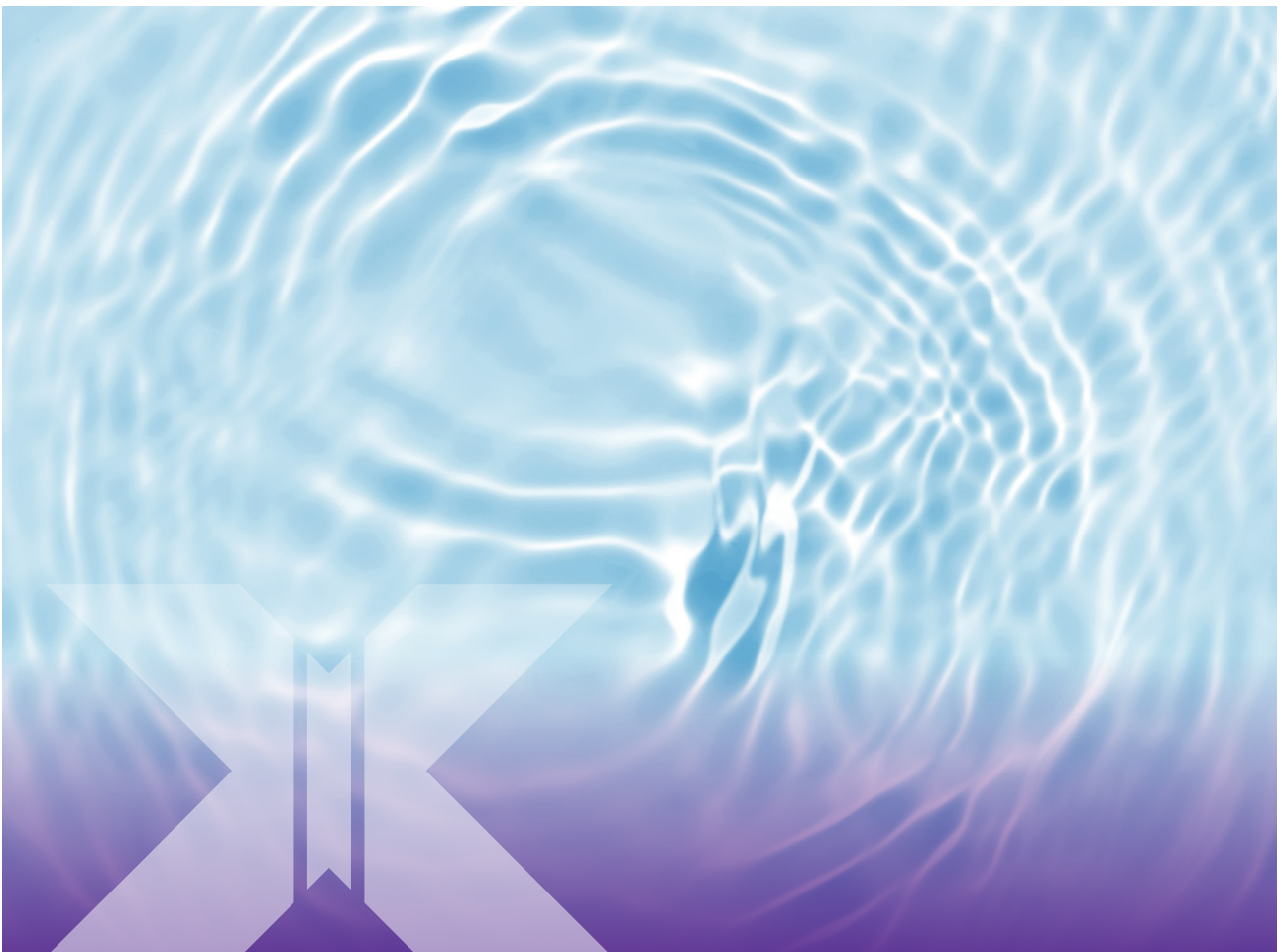


# INTERIM REPORT

January – March 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.

# AXOLOT'S DEFINED TECHNICAL PLATFORM CONTINUES TO TAKE SHAPE IN CURRENT AND NEW EXCITING CUSTOMER PROJECTS

## SUMMARY OF THE FIRST QUARTER 2020

### Financially

- Net sales amounted to 725 tsek (169 tsek for the corresponding quarter in 2019)
- Other revenues were 446 tsek (0), referring to additional subsidies from Finnish agricultural authorities, for a successful water purification project that started in 2019
- Earnings before interest and tax became -6 237 tsek (-5 669)
- Net earnings per share amounted to -0,24 sek (-0,21)

### Key events during the first quarter 2020

- Based on the dramatically changed market situation, due to the Covid-19 outbreak, the Axolot Solutions Board decided on a restructuring package in order to adapt the organisation to the new circumstances. The measures mainly comprise personnel and consultant reductions. Customer trials will however continue to be performed and Axolot aims at being prepared to start delivering commercial equipment as soon as the market situation improves.
- As part of the measures, the Board decided that certain roles within the management team shall be combined. This means that Research Manager Martin Ragnar will take the role as CEO for Axolot, latest from August 2020, and also that the role as CTO will be omitted. Marie Landfors and Daniel Holm will as a consequence leave the Company at the end of their notice period.

### Key events after the end of the first quarter 2020

No key events after the end of the first quarter.

## Key figures

### Axolot Solutions Group

tsek	Quarter 1		Quarter 1-1		Year 2019
	2020	2019	2020	2019	
Net sales	725	169	725	169	2 143
Other revenues, incl. activated development costs	722	236	722	236	2 719
Earnings before interest, tax and depreciation	-5 056	-4 838	-5 056	-4 838	-22 096
Earnings before interest and tax	-6 237	-5 669	-6 237	-5 669	-25 995
Net earnings	-6 236	-5 669	-6 236	-5 669	-25 996
Net earnings per share (sek) *	-0,24	-0,21	-0,24	-0,21	-0,98
Cash flow before financing activities	-5 736	-6 667	-5 736	-6 667	-28 930
Liquid funds at the end of the period	14 468	42 197	14 468	42 197	20 194
Equity at the end of the period	30 531	56 812	30 531	56 812	36 740
Number of employees at the end of the period	10	7	10	7	10

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

# PRESIDENT'S COMMENTS

The first quarter can indeed be characterized as speeding and stopping simultaneously, maybe not too uncommon for startup companies. The business operations continue as usual and we keep prospecting new customers at a steady and elevated pace. In 2019, new market resources were added, we have partly shifted the processing of customers from larger corporations to mid-size companies within selected new industries. In addition, we have run a new marketing campaign and contacted energy companies for treatment of waste products. In summary, these activities have generated good results in terms of multiple new customer contacts, several trial contracts and interesting customer discussions in the entire Nordic region.

As we encounter a significant downturn in the economy due to the Corona pandemic, Axolot Solutions as well as many other companies need to adjust both financially and organizationally to the new market situation. The current business situation incurs a significant risk in terms of our customers' ability to engage and invest in projects based on our technology. We do expect the development pace to be reduced, and the time until a commercial breakthrough will be delayed. Therefore, Axolot Solutions have taken a decision to implement a broad program to immediately lower the cost level of the company, and by doing so ensure a company hibernation until the customer situation as well as the investment market is improving.

## Our market strategy works

We can conclude that our market strategy - to contact relevant companies within specific market niches directly - is solid and works well. We are eager to discuss water purification needs, and especially a broad spectrum of issues within the domain of oil/fat, heavy metals and suspended material, areas where we are strong and can offer solutions that competing companies cannot manage in the same effective manner. We identify continuously and specifically slaughterhouses, waste companies, shipping, fertilizer manufacturers, vehicle washing, transportation and companies with industrial waste process waters as our main target groups. During the quarter we have extended our prospecting to also include tanneries and surface treatment companies in the Nordic region.

Towards the end of last year, we showed that the AxoPur®-technology can reduce the levels of cadmium, lead and zinc in fly ashes with more than 95% - totally unique results! The amount of hazardous waste can be reduced dramatically and enable circular use of zinc, or safe deposition of strongly environmentally disturbing material such as cadmium. Since then, we have initiated a new marketing campaign directed towards energy companies. The dialogue has focused on waste material such as fly ashes, slag water and precipitator dust. This campaign has been successful so far and we are prepared for new trials in this specific area.



Marie Landfors, President and CEO

## President's comments

### Specific customer cases

The purpose of our trials is of course to land commercial contracts, where the Axolot system solutions are integrated in the customers' production processes. Despite the adjustment of our organization we will be able to run multiple trials in the near future, and we will be prepared to start delivering systems as soon as the market situation allows. Some of our contracted trials have been postponed due to the pandemic situation, but we do have new customers and trials being added during the first quarter.

We continue to cooperate with the Norwegian pulp mill Vafos, with issues regarding the discharge of oxygen demanding material as well as suspended material. We have in multiple trials succeeded in reaching acceptable levels of problem substances, and we are now working together to find an optimal working solution as well as a good business case. Another cooperation worth mentioning is the leaching of contaminated soil in a project with Forum Waste Solutions. We continue to support the customer and have good hopes to reach a conclusive commercial discussion in the near future.

In Finland we have during the first quarter initiated a closer relationship with two new customers. One project is a several months' trial initiated in March, to purify leachate water from phosphorous. The other one is a trial contract to clean a textile recovery process water from heavy metals, specifically zinc. The initial tests look promising and new trials are under way.

### Development work

In order to safeguard our future we need to work strategically with our patent portfolio and develop new technical applications. Our patent portfolio currently covers four different patents and a new application is just about to be submitted. The trademark AxoPur® has been registered in the EU and similar processes are under way in the US, India and China. We have started to use the trademark AxoPlus™ for additional technologies outside of the AxoPur® concept. These additional technologies are sometimes needed as a polishing step for purification of certain contaminants.

As an example of such an AxoPlus™-technology, we have during quarter one initiated a project to purify small oxygen demanding organic compounds. We also continue to work on nitrogen compounds and its reactions in the AxoPur® context, as a preparation for developing new applications.

During the quarter, a decision has been made to prolong the project we are running in cooperation with the Ministry of Agriculture and forestry in Finland until August. The objective of the project called "The experimental program for nutrient recovery" is to prevent the sludge



Axolot has signed a service and cooperation contract with KCL in Finland. On the photo you see Managing Director of KCL, Timo Lehto, together with Managing Director of Axolot Solutions Finland, Mikael Åbacka.

## President's comments

filtration in farm fields, and thereby reduce the nitrogen and phosphorous load on nearby lakes and rivers. The Axolot responsibility in this project is to separate the fecal substances from pigs and cows into a solid and liquid phase, and subsequently purify the liquid phase. The cleaned water can be used as washing liquid, or it can be released directly into the nature.

We have also been selected by Helsinki University as one of several cooperation partners to participate in a development project named "Not a single drop to waste". A project group at the university will investigate how to utilize residual material in waste process streams in food production (yeast and dairy). Axolot Solutions will deliver water purification services in this exciting project.

### Looking ahead

The market development during the first quarter definitely implies a short-term dent in the company expansion curve. I hope that we quickly can return to tangible and relevant customer discussions concerning commercial system deliveries as soon as the market situation allows. After all, we now have a better structure and new processes for a commercial breakthrough and long-term growth than ever before. During 2019 we delivered the first generation of a commercial and fully automated technical platform for water purification. We know the technology works well, and in partnership with our customers we can develop truly unique system solutions based on our purification concept AxoPur®. I have good hopes for the future with Axolot Solutions' unique and sustainable concept for industrial water purification.

Marie Landfors  
President and CEO

# FINANCIAL OVERVIEW

## The Group

### Income statement Axolot Solutions Group

tsek	Quarter 1		Quarter 1-1		Year 2018
	2020	2019	2020	2019	
Net sales	725	169	725	169	2 143
Activated development costs	276	236	276	236	2 526
Other revenues	446	0	446	0	193
<b>Total revenues</b>	<b>1 447</b>	<b>405</b>	<b>1 447</b>	<b>405</b>	<b>4 862</b>
Costs for raw material and supply	-439	-281	-439	-281	-1 057
Other external costs	-3 422	-2 644	-3 422	-2 644	-15 062
Personnel costs *	-2 638	-2 302	-2 638	-2 302	-10 769
Depreciation and write-down	-1 181	-831	-1 181	-831	-3 899
Other external costs	-4	-16	-4	-16	-70
<b>Earnings before interest and tax</b>	<b>-6 237</b>	<b>-5 669</b>	<b>-6 237</b>	<b>-5 669</b>	<b>-25 995</b>
Financial items, net	1	0	1	0	-1
<b>Earnings before tax</b>	<b>-6 236</b>	<b>-5 669</b>	<b>-6 236</b>	<b>-5 669</b>	<b>-25 996</b>
Current tax	0	0	0	0	0
<b>Net earnings</b>	<b>-6 236</b>	<b>-5 669</b>	<b>-6 236</b>	<b>-5 669</b>	<b>-25 996</b>
<b>Earnings before interest, tax and deprec.</b>	<b>-5 056</b>	<b>-4 838</b>	<b>-5 056</b>	<b>-4 838</b>	<b>-22 096</b>

## Revenues and earnings

### The first quarter

The revenues during the first quarter 2020 amounted to 1 447 tsek (405 tsek for the corresponding period in 2019). Externa invoicing was 1 171 tsek (169) out of this, which means that Axolot sees a steady increase of revenues for its water purification trials. Part of the revenues, 446 tsek, refers to subsidies from a Finnish agricultural authority, in a project aiming at purifying the water in the Baltic Sea. The other invoicing relates to continuous trial runs for existing customers in Sweden, Finland and the UK; but it also refers to new exciting projects, among others emanating from the cooperation with the innovative paper and board mill KCL in Finland.

Activated development costs in the first quarter amounted to 276 tsek (236), and this refers principally to the final documentation and CE classification of the developed commercial system AxoPur® 1.0.

Earnings after financial items in quarter 1 2020 amounted to -6 236 tsek (-5 669). It is mainly personnel and consultant costs that increased compared with the corresponding period last year. As the implemented restructuring measures are materializing, these costs will decrease. Also the depreciations have increased compared to the first quarter of 2019, as both tangible and intangible investment projects have been finalized.

There were no financial loans and so there were no financing costs during the period.

## Balance sheet

### Axolot Solutions Group

tsek	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
<i>Fixed assets</i>			
<u>Intangible fixed assets</u>			
Activated development costs	6 767	5 419	6 797
Patents	2 774	3 872	3 045
<b>Total Intangible fixed assets</b>	<b>9 541</b>	<b>9 291</b>	<b>9 842</b>
<u>Tangible fixed assets</u>			
Tangible fixed assets	8 208	5 480	7 443
Work under construction and prepayments of tangible fixed assets	0	2 240	950
<b>Total Tangible fixed assets</b>	<b>8 208</b>	<b>7 720</b>	<b>8 393</b>
<b>Total Fixed assets</b>	<b>17 749</b>	<b>17 011</b>	<b>18 235</b>
<i>Current assets</i>			
Inventory	14	0	0
Accounts receivable	164	81	655
Other current receivables	1 495	1 639	1 555
<b>Total current assets</b>	<b>1 673</b>	<b>1 720</b>	<b>2 210</b>
<b>Cash and cash equivalents</b>	<b>14 468</b>	<b>42 197</b>	<b>20 194</b>
<b>TOTAL ASSETS</b>	<b>33 890</b>	<b>60 928</b>	<b>40 639</b>

tsek	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
<b>Equity</b>	<b>30 531</b>	<b>56 812</b>	<b>36 740</b>
<i>Current liabilities</i>			
Accounts payable	1 399	2 187	1 339
Other current liabilities	1 960	1 929	2 560
<b>Total current liabilities</b>	<b>3 359</b>	<b>4 116</b>	<b>3 899</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>33 890</b>	<b>60 928</b>	<b>40 639</b>

## Investments

The investments during the first quarter of 2020 amounted to 678 tsek, which is an important decrease compared to the same period in 2019 (2 493). Around half of the investments, 314 tsek, related to intangible assets – in principle AxoPur 1.0 – and patents 24 tsek. The investments in tangible assets were 340 tsek, which refers to smaller components as part of trial equipment.

## Cash flow

### Axolot Solutions Group

tsek	Quarter 1		Quarter 1-1		Year
	2020	2019	2020	2019	2019
<i>Cash flow from current operations</i>					
Earnings before interest and tax	-6 237	-5 669	-6 237	-5 669	-25 995
Depreciation	1 181	831	1 181	831	3 899
Financial payments	-	-	-	-	-
Tax payments	-	-	-	-	-
Change in inventory	-14	0	-14	0	0
Change in current receivables	552	-81	552	-81	-570
Change in current liabilities	-540	745	-540	745	521
<b>Cash flow from current operations</b>	<b>-5 058</b>	<b>-4 174</b>	<b>-5 058</b>	<b>-4 174</b>	<b>-22 145</b>
<i>Cash flow from investment activities</i>					
Acquisition of fixed tangible assets	-340	-2 239	-340	-2 239	-4 185
Investments in patents	-24	-18	-24	-18	-74
Acquisition of fixed intangible assets	-314	-236	-314	-236	-2 526
<b>Cash flow from investment activities</b>	<b>-678</b>	<b>-2 493</b>	<b>-678</b>	<b>-2 493</b>	<b>-6 785</b>
<i>Cash flow from financing activities</i>					
Warrant program	-	-	-	-	275
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>275</b>
<b>CASH FLOW</b>	<b>-5 736</b>	<b>-6 667</b>	<b>-5 736</b>	<b>-6 667</b>	<b>-28 655</b>
Liquid funds at the start of the period	20 194	48 864	20 194	48 864	48 864
Exchange rate differences	10	0	10	0	-15
<b>Liquid funds at the end of the period</b>	<b>14 468</b>	<b>42 197</b>	<b>14 468</b>	<b>42 197</b>	<b>20 194</b>

### Liquidity, cash flow and net debt

Cash flow before financing activities amounted to -5 736 tsek during the first quarter of 2020 (-6 667). As reported above, the major part of the cash flow relates to results before depreciation, -5 056 tsek (-4 838), while the investments were -678 tsek (-2 493) and the level of net current assets and inventory was stable at -2 tsek (+664).

At the start of the year there was 20 194 tsek in liquid funds, and at the end of quarter 1 2020 they had

decreased to 14 468 tsek. Currency effects were +10 tsek, following the strengthened euro relative to the Swedish krona during the quarter.

The net debt amounted at the end of the period to -14 468 tsek, which is composed of the liquid funds.



## Equity

At the start of 2020, equity amounted to 36 740 tsek and at the end of the first quarter of 2020 equity was 30 531 tsek. The net earnings were -6 236 during the period and exchange rate effects were +27 tsek.

## Change in equity Axolot Solutions Group

tsek	Quarter 1		Quarter 1-1		Year
	2020	2019	2020	2019	2019
Equity, opening balance	36 740	62 478	36 740	62 478	62 478
Warrant program 2019/22	-	-	-	-	275
Exchange rate differences	27	3	27	3	-17
Net earnings	-6 236	-5 669	-6 236	-5 669	-25 996
<b>Equity, closing balance</b>	<b>30 531</b>	<b>56 812</b>	<b>30 531</b>	<b>56 812</b>	<b>36 740</b>

## 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 quarter of 2020.

### Axolot Solutions' major share holders, as per March 31, 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	1 572 763	5,93%
M Lindstrand Investment AB **	1 191 276	4,49%
<b>Subtotal</b>	<b>13 525 424</b>	<b>51,03%</b>
Other	12 978 524	48,97%
<b>Total</b>	<b>26 503 948</b>	<b>100,00%</b>

\* 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 1		Quarter 1-1		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) **	-0,24	-0,21	-0,24	-0,21	-0,98
Net earnings per share after full dilution (sek) **	-0,24	-0,21	-0,24	-0,21	-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

### 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 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 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, 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 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 the year was ten (10), which is the same as at the end of 2019.

## 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 earlier 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 are thoroughly described in the Annual Report of 2019.

## 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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Axolot Solutions Holding AB: 559077-0722

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## Reporting

- Interim reports:   January-June             July 30, 2020  
  January-September     October 30, 2020
- Annual General Meeting             May 14, 2020

The Axolot Solutions Holding AB Annual report 2019, and the consolidated accounts, are available on the Company's web site [axolotsolutions.com](http://axolotsolutions.com).

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

Helsingborg on April 29, 2020



[axolotsolutions.com](http://axolotsolutions.com)