

INTERIM REPORT

January – March 2021



Axolot Solutions is a Swedish environmental 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 OPERATIONS ARE IN ALL ASPECTS PREPARING IN ORDER TO BE WELL POSITIONED AS THE SOCIETY OPENS UP AGAIN AFTER THE PANDEMIC

Summary of the first quarter 2021

Financially

- Net sales amounted to 483 tSEK (725 tSEK for the corresponding quarter in 2020), which in principal refers to trial runs.
- Other revenues were 190 tSEK (446), which relates to state subsidies and support.
- Earnings before interest and tax became -4 445 tSEK (-6 237), where the result improvement relates to restructuring measures taken one year ago, due to the pandemic.
- Net earnings per share amounted to -0,10 SEK (-0,24).
- Liquid funds were 23 337 tSEK at the end of the first quarter 2021.

Operationally

- Axolot's first AxoPur® wastewater purification unit, which was sold to Colombier Barrier Coatings in Finland during the latter part of 2020, has now been successfully started up.
- Four trial agreements were signed during quarter one, within different industries – food, packaging, biogas and harbor activities. Apart from this, preliminary screening tests were done on three types of water.

- Axolot has together with a consortium been granted project funding from the Swedish Board of Agriculture, regarding an in-depth evaluation of Axolot's purification technology. The purification evaluation will be conducted at a fish farm in the Jämtland region.
- Axolot's focus on sales was further strengthened with the recruitment of a Sales manager to lead the sales activities in the Scandinavian region.

Key events during the first quarter 2021

There were no key events during the first quarter 2021.

Key events after the end of the first quarter 2021

There were no key events after the end of the first quarter 2021.

Key figures in summary Axolot Solutions Group

tSEK	Quarter 1		Quarter 1-1		Year 2020
	2021	2020	2021	2020	
Net sales	483	725	483	725	3 683
Other revenues, incl. activated development costs	190	722	190	722	1 040
Earnings before interest, tax and depreciation	-3 122	-5 056	-3 122	-5 056	-14 738
Earnings before interest and tax	-4 445	-6 237	-4 445	-6 237	-19 855
Net earnings	-4 445	-6 236	-4 445	-6 236	-19 856
Earnings per share (SEK) *	-0,10	-0,24	-0,10	-0,24	-0,75
Cash flow before financing activities	-3 134	-5 736	-3 134	-5 736	-16 658
Liquid funds at the end of the period	23 337	14 468	23 337	14 468	23 472
Equity at the end of the period	35 339	30 531	35 339	30 531	39 783
Number of employees at the end of the period	8	10	8	10	7

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

PRESIDENT'S COMMENTS

Environment & Strategy

As I sit at home and look out my kitchen window and see the sun shining and the spring greenery coming to life, it is easy to let the thoughts wander and think about the wonderful summer that is hopefully approaching, with holidays, sunshine and refreshing swimming. But is reality really as bright as in my dreams - climate change and environmental pollution has proceeded so far that our future on Earth is threatened. This goes also for the old coves where I used to swim since I was a child, and not just there. In many places, the small creek or the local beach is polluted and the ecosystems out of balance. We are talking about the year 2021 in Sweden, bearing in mind all the knowledge and technology that exists. Is this really a reasonable situation?

Good local water quality – lakes, rivers, coasts and streams – sounds an obvious objective. The European Union also thinks so, as they adopted the so called Water Directive 20 years ago. This directive stipulates that good water status, chemically and ecologically, shall be reached in all natural bodies of water by 2015. Then this goal was postponed until 2021, which is now. Here in Sweden, the five regional water authorities are responsible for managing the issues on how to improve the water quality. There are of course some things that have developed in the right direction, but the opposite development is so much more obvious: Despite the 20 years that have passed, the distance to the goal is enormous and the situation in for example the Baltic Sea is worse than ever. According to the directive, we should have reached the goal by now, but reality tells us differently. Let us remind ourselves of some of the water challenges that we have, and which are nowhere near a solution:

- PFAS, a group of chemicals that is extremely difficult to degrade, and which is used in firefighting foam and in a lot of other applications. Only now do we understand to what extent these chemicals are dangerous. They are stored in old landfills, at testing places for firefighting and unfortunately also, in many places, in the groundwater. The Nature Conservation Association recently presented a report showing that in many water sources the levels are exceeding the (still quite permissive) limits decided by the European Union.
- Sweden's second biggest lake, Vättern, has a bottom flora and fauna which to a great extent is dead, due to past and ongoing pollution. Military activities as well as industries are behind this situation.
- Over-fertilization and the subsequent algal blooming in many of our coastal regions. This has received a lot of attention, but still no action has been taken. On the contrary, one solution has been to precipitate the phosphorus chemically and thereby to literally cement the problem on the bottom. There it is no longer visible, but the problem is still getting bigger under the surface.



Martin Ragnar, President and CEO

President's comments

- Fibre sludge collections outside of previous and present pulp and paper mills. These collections are full of oxygen consuming substances and often also mercury-containing compounds. They are killing lakes and coastal water in hundreds of places around Sweden.

So, what do the water authorities plan to do before the end of 2021? Well, they have distributed a proposed action program, the fourth one, for the period 2022-27. How this new document in some way – be it with good intentions – suddenly and retroactively should lead to the accomplishment of the goals per December 31, 2021, is incomprehensible. Water is not a specific interest, it is – as the sustainability goals of the United Nation by 2030 show – the basis for all sustainable development. Consequently, we need to discuss and debate the water issues much more in public in Sweden and of course also invest a lot more money to secure the supply of pure fresh water. We must take care of the environmental debt we have and stop the emission of pollutants into the water. It needs to happen here and now – not sometime in the future.

Axolot's vision is to actively contribute to a community where we do not mismanage our natural resources but instead make use of them in a responsible way, without destroying the nature and the ecosystems. It does not help just to talk about the issue – it takes action. No one can alone solve all the challenges, that is definitely also true for Axolot. We focus our attention on solutions to reduce the water consumption within the industry, by offering our technology with the purpose of recirculating and re-using the water, at the same time as the water that is released from the industry gets purified so that it no longer contains any dangerous substances. This is a great challenge in itself!

During the first quarter of 2021, our efforts were focused on marketing activities, in close cooperation with companies and industries that want and need to deal with challenges around water consumption and emission limits. The demands are on the rise, fewer and fewer cities are accepting to take care of wastewater from industrial use, in their municipal treatment plants, which indeed are not made for anything but household wastewater. It is rewarding to see that the interest in water issues increases, not only in general in society, but also within the manufacturing companies that are so important for our national economy and welfare.

New business

We have successfully carried out a number of trial runs during the quarter and signed further agreements where potential customers want to evaluate our AxoPur technology. This goes for both Sweden and Finland. One of the evaluations, which are often done in pilot scale at our customers' sites, was an in-depth study with the purpose of scoping an offer for a full-scale



President's comments

commercial unit. The results in the trials look promising and discussions continue in order to decide on next steps not only with this customer, but in many of our ongoing projects. To sell solutions for recirculation and purification of process water is not a "quick fix" – it is something that takes time and requires close cooperation between Axolot and its customers. We see ourselves and our customers as partners. The ultimate objective is of course to install new commercial systems at our customers' and thereby solve their problems. Thankfully, we see a steadily increasing interest in our solutions. The customers where we at present are running trials operate in many different industries – food, bio energy, recycling, harbor operations, process industry and others.

Market

The market activities have been intense also during this first quarter of the year. The new wave of the Corona pandemic this late winter made it more difficult to visit the customers again, which has caused delays not only in the visits but also in performing trials and selling commercial systems. However, the interest in our solutions continues to be very high. With the employment of Petra Rydergård as Sales manager for the Scandinavian countries we strengthen our ability to cover the Scandinavian market.

The first commercial system was started up successfully during quarter one in Finland and the customer is more than satisfied with our delivery. At present, the focus of our marketing and sales activities is the metalworking industry, around purification of water containing oil/fat as well as metal ions. This is an application area where Axolot has a very strong offering.

R&D

The Swedish Board of Agriculture granted project funding regarding continued application trials on environmentally smart cage cultivation of fish. The project will be carried out together with, among others, the Swedish University of Agricultural Sciences and Sweco. Axolot's part in this project will consist of two trial runs, done before and after the summer, respectively.

Looking ahead

Axolot has a strong offer and is well prepared to meet the demand for new and smart water purification technology for the industry. We have, clearly, lost speed during the pandemic but at the same time we notice the interest and the need for solutions around water treatment is on the rise. The EU's Water Directive starts to be taken more and more seriously by the authorities, which will eventually lead to more commercial deals around purification of polluted soil and water. I guess that Spring is coming after all!

Martin Ragnar
President and CEO



Axolot's first wastewater purification unit has successfully been started up during the first quarter.

FINANCIAL OVERVIEW

The Group

Income statement Axolot Solutions Group

tSEK	Quarter 1		Quarter 1-1		Year 2020
	2021	2020	2021	2020	
Net sales	483	725	483	725	3 683
Activated development costs	0	276	0	276	300
Other revenues	190	446	190	446	740
Total revenues	673	1 447	673	1 447	4 723
Costs for raw material and supply	-215	-439	-215	-439	-1 624
Other external costs	-1 655	-3 422	-1 655	-3 422	-9 192
Personnel costs	-1 917	-2 638	-1 917	-2 638	-8 613
Depreciation and write-down	-1 323	-1 181	-1 323	-1 181	-5 117
Other external costs	-8	-4	-8	-4	-32
Earnings before interest and tax	-4 445	-6 237	-4 445	-6 237	-19 855
Financial items, net	0	1	0	1	-1
Earnings before tax	-4 445	-6 236	-4 445	-6 236	-19 856
Current tax	-	-	-	-	-
Net earnings	-4 445	-6 236	-4 445	-6 236	-19 856
Earnings before interest, tax and depreciation	-3 122	-5 056	-3 122	-5 056	-14 738

Revenues and earnings

The first quarter

Total revenues during *the first quarter 2021* amounted to 673 tSEK (1 447 tSEK for the corresponding period in 2020). Out of this, net sales was 483 tSEK (725), referring to trial runs in Finland and Sweden. During the quarter, trial agreements were signed with companies within the food, packaging material and biogas industries and with a harbor. The sales during the period also comprises continued invoicing of previously signed trial agreements within several industries. Other revenues equal state subsidies and support 190 tSEK (446).

Activated development costs were 0 tSEK during the quarter (276).

Earnings after financial items in the first quarter 2021 were -4 445 tSEK (-6 236). Personnel costs and costs for consultants were on a much lower level than the corresponding period last year. This relates to effects from the restructuring measures implemented a year ago due to the pandemic. There were no financial loans and so the financial net was close to zero during the period.

Balance sheet *
Axolot Solutions Group

tSEK	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
Subscribed capital unpaid	-	-	5 179
<i>Fixed assets</i>			
<i>Intangible fixed assets</i>			
Activated development costs	4 943	6 767	5 405
Patents, licenses and similar rights	1 854	2 774	2 081
Total Intangible fixed assets	6 797	9 541	7 486
<i>Tangible fixed assets</i>			
Tangible fixed assets	6 202	8 208	6 683
Work under construction and prepayments of tangible fixed assets	-	-	-
Total Tangible fixed assets	6 202	8 208	6 683
Total Fixed assets	12 999	17 749	14 169
<i>Current assets</i>			
Inventory	6	14	6
Accounts receivable	578	164	726
Other current receivables	985	1 495	996
Total current assets excl. cash and cash equivalents	1 569	1 673	1 728
Cash and cash equivalents	23 337	14 468	23 472
TOTAL ASSETS	37 905	33 890	44 548

tSEK	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
Equity	35 339	30 531	39 783
<i>Current liabilities</i>			
Accounts payable	838	1 399	2 385
Other current operating liabilities	1 728	1 960	2 380
Total current liabilities	2 566	3 359	4 765
TOTAL EQUITY AND LIABILITIES	37 905	33 890	44 548

* As per year end 2020, issues of shares decided on November 9 had been subscribed but not yet registered at Bolagsverket.

Investments

The investments during *the first quarter of 2021* were 145 tSEK, compared to 678 tSEK in the corresponding period of 2020. The investments were done in patents and in equipment for trial runs.

Cash flow

Axolot Solutions Group

tSEK	Quarter 1		Quarter 1-1		Year
	2021	2020	2021	2020	2020
<i>Cash flow from current operations</i>					
Earnings before interest and tax	-4 445	-6 237	-4 445	-6 237	-19 855
Depreciation	1 323	1 181	1 323	1 181	5 312
Financial payments	-	-	-	-	-
Tax payments	-	-	-	-	-
Change in inventory	0	-14	0	-14	-6
Change in current receivables	153	552	153	552	492
Change in current liabilities	-20	-540	-20	-540	-1 337
Cash flow from current operations	-2 989	-5 058	-2 989	-5 058	-15 394
<i>Cash flow from investment activities</i>					
Acquisition of fixed tangible assets	-61	-340	-61	-340	-725
Investments in patents	-84	-24	-84	-24	-178
Acquisition of fixed intangible assets	0	-314	0	-314	-361
Cash flow from investment activities	-145	-678	-145	-678	-1 264
<i>Cash flow from financing activities</i>					
Issue of shares	5 179	-	5 179	-	20 000
Costs related to issue of shares	-2 180	-	-2 180	-	-62
Cash flow from financing activities	2 999	-	2 999	-	19 938
CASH FLOW	-135	-5 736	-135	-5 736	3 280
Liquid funds at the start of the period	23 472	20 194	23 472	20 194	20 194
Exchange rate differences	0	10	0	10	-2
Liquid funds at the end of the period	23 337	14 468	23 337	14 468	23 472

Liquidity, cash flow and net debt

Cashflow before financing activities for the *first quarter of 2021* was -3 134 tSEK (-5 736). The difference in the comparison with previous year reflects the effects from the restructuring measures decided by the Board one year ago, when also the development of the AxoPur 1.0 as well as other development projects were finalized. During the quarter, results before depreciation were -3 122 tSEK (-5 063), the change in working capital was +133 tSEK (-2) and investments were -145 tSEK (-678).

Cashflow from financing activities amounted to +2 999 tSEK (0). This amount is the last effects from the Preferential rights issue, where on the one hand the last payment from the Issuing institute was done and on the other hand the costs for the issue of shares were paid.

At the end of the first quarter of 2021, the liquid funds were 23 337 tSEK.

Equity

At the start of the year equity amounted to 39 783 tSEK. The net earnings for quarter 1 2021 was -4 445 tSEK and exchange rate effects were 1 tSEK. At the end of the first quarter 2021 equity was 35 339 tSEK.

Change in equity Axolot Solutions Group

tSEK	Quarter 1		Quarter 1-1		Year
	2021	2020	2021	2020	2020
Equity, opening balance	39 783	36 740	39 783	36 740	36 740
Issue of shares, ongoing	-	-	-	-	25 929
Costs related to issue of shares	-	-	-	-	-2 992
Exchange rate differences	1	27	1	27	-38
Net earnings	-4 445	-6 236	-4 445	-6 236	-19 856
Equity, closing balance	35 339	30 531	35 339	30 531	39 783

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. At the start of 2021, a Preferential and a Directed issue of shares had just been done but had not yet been registered at Bolagsverket. These issues of shares are presented in the table "Share capital and number of shares", on the year 2021.

In November 2020 the Board of Directors decided to make a Preferential rights issue, which was approved by an Extra General Meeting on November 26, 2020. The subscription period ended on December 22 and the degree of subscription was 138%. Thereby, the number of shares and votes increased by 26 503 948, to 53 007 896 shares and votes. The issue of shares was guaranteed, and the guarantees received a compensation amounting to 10% of the guaranteed amount. The guaranteed amount was 15 MSEK. Half of the compensation was paid in cash and half in shares. Also this Directed issue of shares was approved by the Extra General meeting on November 26 2020. Since half of the compensation was paid in shares, the number of shares and votes increased by an additional 789 473, to in total 53 797 369 shares and votes. The issues of shares were registered at Bolagsverket in the beginning of 2021, and thereby Paid Subscribed Shares were transformed into shares.

Axolot Solutions' major share holders, as per March 31, 2021

Share holder	Number of shares	Percentage
Lennart Holm *	5 806 611	10,8%
Banque Pictet&Cie (Europe) SA	4 483 402	8,3%
Mikael Åbacka *	4 300 579	8,0%
Banque Internationale à Luxembourg SA	2 572 212	4,8%
M Lindstrand Investment AB **	2 382 552	4,4%
Subtotal	19 545 356	36,3%
Other	34 252 013	63,7%
Total	53 797 369	100,0%

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

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

The share capital of the Company amounted thereby to 2 689 868 SEK at the end of the first quarter of 2021. The number of shares was 53 797 369, 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.

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
2021 (Jan)	Issues of shares	27 293 421	53 797 369	0,05	1 364 671	2 689 868

Data per share, Axolot Solutions Holding AB

	Quarter 1		Quarter 1-1		Year 2020
	2021	2020	2021	2020	
Number of shares before full dilution *	53 797 369	26 503 948	53 797 369	26 503 948	26 503 948
Number of shares after full dilution *	56 931 062	29 637 641	56 931 062	29 637 641	29 637 641
Earnings per share before full dilution (SEK) **	-0,10	-0,24	-0,10	-0,24	-0,75
Earnings per share after full dilution (SEK) **	-0,10	-0,24	-0,10	-0,24	-0,75
Average number of shares before full dilution	44 699 562	26 503 948	44 699 562	26 503 948	26 503 948
Average number of shares after full dilution	47 833 255	29 637 641	47 833 255	29 637 641	29 637 641

*) As per the end of the period. Issues of shares that were ongoing at year end 2020 were registered at Bolagsverket at the end of January 2021.

***) 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 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. The original subscription price was 16 SEK per share. After recalculation due to the recent issue of shares, every warrant gives the right to subscribe for 1.27 shares at a price of 12,61 SEK per share. Consequently the share capital can increase by a maximum of 153 084 SEK, which means an impact of around 5 percent of the share capital after registration of the warrant program.

At the Annual General Meeting of Axolot Solutions Holding AB in 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 case all outstanding warrants in this program are exercised, the aggregate dilution will amount to approximately 2 percent of the share capital after registration of the warrant program. The warrants can be utilized during the period September 3-17, 2022. 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 around 7 percent of the share capital after registration of the warrant programs.

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 first quarter of 2021 was eight (8), which is one person more than at year end. A Sales manager for the Scandinavian region was employed in March. Compared to the corresponding period in 2020, this means a reduction of two persons, being an effect of development projects that have been finalized and of the restructuring program that was implemented a year ago due to the pandemic.

Accounting and valuation 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 and valuation principles and calculation methods as in the annual accounts for 2020 have been used in this interim report. The annual report of 2020 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 2020.

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

Martin Ragnar, President and CEO

Phone: +46 70 817 11 16
martin.ragnar@axolotsolutions.com

Anita Haak, CFO

Phone: +46 70 817 11 12
anita.haak@axolotsolutions.com

Axolot Solutions Holding AB

Hamntorget 3, SE-252 21 Helsingborg
Phone: +46 10 211 50 10
E-mail: info@axolotsolutions.com
Web site: axolotsolutions.com

Swedish organisation number,
Axolot Solutions Holding AB: 559077-0722

Certified Advisor

FNCA Sweden AB
Box 5807
SE-102 48 Stockholm
Phone: +46 8 528 00 399
E-mail: info@fnca.se

FINANCIAL CALENDAR

Reporting

- January-June 2021 July 30, 2021
- January-September 2021 October 29, 2021

Annual General Meeting May 18, 2021

Annual Report

The Axolot Solutions Holding AB Annual report 2020, 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 April 29, 2021



axolotsolutions.com