

INTERIM REPORT

January – June 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.

Axolot sold its second AxoPur® system in quarter two and signed two agreements on in-depth tests and studies with the purpose to provide a basis for the dimensioning of full-size commercial systems

Summary of the second quarter 2021

Financially

- Net sales amounted to 529 tSEK (1 019 tSEK for the corresponding quarter in 2020), which refers to trial runs and studies.
- Other revenues were 60 tSEK (11), which relates to state subsidies and support.
- Earnings before interest and tax became -4 954 tSEK (-5 309).
- Net earnings per share amounted to -0,09 SEK (-0,20).
- Liquid funds were 19 329 tSEK at the end of the second quarter 2021

Operationally

- Axolot sold an AxoPur water purification unit to a customer within the logistics sector in Finland. This will be the first AxoPur system to be used in a position where the purified water is recirculated. The order value is around 750 tSEK. The system will be delivered and started up during the autumn.
- Two agreements were signed on in-depth tests and studies with the purpose to provide a basis for the engineering and design of full-size commercial purification systems. Both customers operate within the recycling industry. Two other trial agreements were also signed.
- Axolot has together with Swedavia and Research Institute RISE been granted co-financing from the State Geotechnical Institute (SGI), in a study of cost-efficient purification of PFAS substances.

Quarter 1-2 2021

- Net sales for the first half year 2021 were 1 012 tSEK (1 744 tSEK for the corresponding period in 2020), where the decrease is explained by reduced possibilities for customer activities as a consequence from the pandemic.
- Other revenues were 250 tSEK (457) coming from state subsidies and support.
- Earnings before interest and tax became -9 399 tSEK (-11 546). Lower net sales was compensated by less costs for mainly personnel and consultants.

Key events during the second quarter 2021

- Axolot sold an AxoPur water purification unit to a customer within the logistics sector in Finland. This will be the first AxoPur system to be used in a position where the purified water is recirculated. The order value is around 750 tSEK. The system will be delivered and started up during the autumn.
- The Annual General Meeting in May 2021 was held by advance voting, supported by temporary rules due to the pandemic. The Board of Directors was authorized to make an issue of shares and a directed issue of warrants, according to the proposal made by the Board of Directors before the Annual General Meeting. It was also decided to make a change in the Articles of Association, to adapt to the wording in the Swedish Companies Act.

Key events after the end of the second quarter 2021

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

Key figures in summary Axolot Solutions Group

tSEK	Quarter 2		Quarter 1-2		Year 2020
	2021	2020	2021	2020	
Net sales	529	1 019	1 012	1 744	3 683
Other revenues, incl. activated development costs	488	35	678	757	1 040
Earnings before interest, tax and depreciation	-3 613	-4 010	-6 735	-9 066	-14 738
Earnings before interest and tax	-4 954	-5 309	-9 399	-11 546	-19 855
Net earnings	-4 956	-5 311	-9 401	-11 547	-19 856
Earnings per share (SEK) *	-0,09	-0,20	-0,19	-0,44	-0,75
Cash flow before financing activities	-4 008	-4 758	-7 142	-10 494	-16 658
Liquid funds at the end of the period	19 329	9 700	19 329	9 700	23 472
Equity at the end of the period	30 361	25 189	30 361	25 189	39 783
Number of employees at the end of the period	8	8	8	8	7

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

PRESIDENT'S COMMENTS

The first half year of 2021 is over and it is time for sun and swimming. At the same time, this summer is filled with expectations for all of us who are focused on water resource matters. The five regional water authorities are about to summarize referral responses and revert with action plans for the water management for the coming six years. Let us hope that they take these matters seriously this time and set the course towards real goal fulfilment, in the shape of action plans. What we need is good chemical and ecological status in all the natural waters by 2027, instead of just patching and fixing, in good faith but without a serious possibility to reach the goal.

System sales

For Axolot, several big and important steps have been taken during the second quarter of 2021. A second commercial AxoPur system was sold to a Finnish customer within logistics. The system will start operating in September and is particularly interesting, since the customer will be recirculating the purified water. A long-term trial agreement with AxoPur, for three months with possibilities to prolong, was signed with a Swedish customer within the recycling business. Another long-term trial, initially for one month, was agreed with a Finnish customer in the fish farming industry. These orders perhaps do not signify Axolot's definitive commercial breakthrough, but they are important steps in that direction.

In the autumn of 2020, we had good hopes of being able to sell full size AxoPur systems during the first half year of 2021. These hopes have only partly materialized. Just like we communicated in the first interim report of this year, the corona pandemic continued to limit the possibilities for physical meetings and activities at customers' sites, during the latter part of 2020 as well as the start of this year. Even if a number of trial runs have been carried out, many activities have been delayed, postponed and sometimes down-prioritized in the near term. We believe and hope that the vaccinations that are now carried out in Sweden as well as in the entire European Union will mean that the pandemic bit by bit will release its grip on society. Axolot is then standing ready, with a particularly knowledgeable team and a long list of potential customers, to solve water purification challenges in the Nordic industry.

New business

Further trial agreements with the AxoPur technology were signed during the second quarter in Finland as well as in Sweden, despite the pandemic-related restrictions. Many of these trials have also been carried out. Additionally, several screening tests have been conducted, and these often lead to trial agreements. The results are in most cases promising and discussions with many of the customers continue around further steps, with the obvious ultimate goal to sell commercial systems. The customers for these trial runs operate in many different industries – food, bioenergy, recycling, pulp and paper and other, which proves the versatility of Axolot's technology.



Martin Ragnar, President and CEO

President's comments

Market

The marketing activities have been intense during the quarter. Many new contacts have been made, now also in Norway where less developed water purification combined with new regulations and rules create business opportunities for Axolot's technology. The focus of the marketing activities lies in increasing the awareness of the solutions Axolot can offer, in order to sell more commercial AxoPur systems. We continue to emphasize what Axolot can do for the metalworking industry around purification of water containing oil/fat as well as metal ions, but we see increasing interest from many different end-use segments.

R&D

PFAS is a generic term for a large number of organic chemicals that contain fluorine and are difficult to degrade. They have a very negative environmental impact which only recently has gained attention. Axolot has performed trials together with State research institute RISE, in a project driven by different military authorities around the purification of PFAS. In this project, Axolot cooperates with another Swedish water purification company. The results have been very good and indicate that a combination of the purification companies' technologies in fact could be a very cost-efficient way forward for the purification of PFAS contaminated water, and particularly when the water contains also other contaminants.

Looking ahead

As we enter the third quarter in a society that looks like it is opening up after the pandemic, it will mean that Axolot moves towards brighter times. I am convinced that many ongoing discussions will result in positive deals and that new customers more and more will open their eyes to Axolot's technology and the possibilities it gives for purification of water. Therefore, both myself and the rest of the Axolot team look forward to an exciting second half year 2021, with great energy and enthusiasm.

Until then I wish you all a great summer!

Martin Ragnar
President and CEO



To the left the wastewater to be purified. The AxoPur process separates the wastewater into purified water (center) and a floc (right).

FINANCIAL OVERVIEW

The Group

Income statement Axolot Solutions Group

tSEK	Quarter 2		Quarter 1-2		Year 2020
	2021	2020	2021	2020	
Net sales	529	1 019	1 012	1 744	3 683
Activated development costs	428	24	428	300	300
Other revenues	60	11	250	457	740
Total revenues	1 017	1 054	1 690	2 501	4 723
Costs for raw material and supply	-164	-369	-379	-808	-1 624
Other external costs	-2 455	-2 241	-4 110	-5 663	-9 192
Personnel costs	-2 001	-2 449	-3 918	-5 087	-8 613
Depreciation and write-down	-1 341	-1 299	-2 664	-2 480	-5 117
Other external costs	-10	-5	-18	-9	-32
Earnings before interest and tax	-4 954	-5 309	-9 399	-11 546	-19 855
Financial items, net	-2	-2	-2	-1	-1
Earnings before tax	-4 956	-5 311	-9 401	-11 547	-19 856
Current tax	-	-	-	-	-
Net earnings	-4 956	-5 311	-9 401	-11 547	-19 856
Earnings before interest, tax and depreciation	-3 613	-4 010	-6 735	-9 066	-14 738

Revenues and earnings

The second quarter

Total revenues during *the second quarter 2021* amounted to 1 017 tSEK (1 054 tSEK for the corresponding period in 2020). Out of this, net sales were 529 tSEK (1 019), which comprises trial runs and studies in Sweden and Finland. Two new agreements on in-depth trials and studies were signed during the period, as were also two other trial agreements. The sales during the period also comprise continued activities relating to previously signed trial agreements. Activated development costs were 428 tSEK (24) which refers to development of construction design. Other revenues equal state subsidies and support 60 tSEK (11).

Earnings after financial items in the second quarter 2021 were -4 956 tSEK (-5 311). Personnel costs decreased compared to the corresponding period last year since the restructuring measures implemented a year ago due to the pandemic had not yet given full impact in the second quarter 2020. There were no financial loans and so the financial net was close to zero during the period.

The accumulated period

During *the first two quarters* of the year, total revenues were 1 690 tSEK (2 501 tSEK for the first half year of 2020). Net sales were 1 012 tSEK (1 744), corresponding to trial runs and studies. As described above, activated development costs 428 tSEK (300) refers to development of construction design, while other revenues equal state subsidies and support 250 tSEK (457).

Earnings after financial items were -9 401 tSEK for the first two quarters (-11 547), where the improvement reflects effects from the cost reduction program implemented in 2020 - in principal lower costs for personnel and consultants. Axolot has no financial loans and therefore the financial net was close to zero.

Balance sheet*
Axolot Solutions Group

tSEK	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
Subscribed capital unpaid	-	-	5 179
<i>Fixed assets</i>			
<i>Intangible fixed assets</i>			
Activated development costs	4 909	6 391	5 405
Patents, licenses and similar rights	1 540	2 549	2 081
Total Intangible fixed assets	6 449	8 940	7 486
<i>Tangible fixed assets</i>			
Tangible fixed assets	6 139	8 002	6 683
Work under construction and prepayments of tangible fixed assets	-	-	-
Total Tangible fixed assets	6 139	8 002	6 683
Total Fixed assets	12 588	16 942	14 169
<i>Current assets</i>			
Inventory	6	6	6
Accounts receivable	716	281	726
Other current receivables	810	1 200	996
Total current assets excl. cash and cash equivalents	1 532	1 487	1 728
Cash and cash equivalents	19 329	9 700	23 472
TOTAL ASSETS	33 449	28 129	44 548

tSEK	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
Equity	30 361	25 189	39 783
<i>Current liabilities</i>			
Accounts payable	993	1 102	2 385
Other current operating liabilities	2 095	1 838	2 380
Total current liabilities	3 088	2 940	4 765
TOTAL EQUITY AND LIABILITIES	33 449	28 129	44 548

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

Cash flow

Axolot Solutions Group

tSEK	Quarter 2		Quarter 1-2		Year
	2021	2020	2021	2020	2020
<i>Cash flow from current operations</i>					
Earnings before interest and tax	-4 954	-5 309	-9 399	-11 546	-19 855
Depreciation and other non-cash items	1 341	1 299	2 664	2 480	5 312
Financial payments	-	-	-	-	-
Tax payments	-	-	-	-	-
Change in inventory	0	8	0	-6	-6
Change in current receivables	19	177	172	729	492
Change in current liabilities	523	-426	503	-966	-1 337
Cash flow from current operations	-3 071	-4 251	-6 060	-9 309	-15 394
<i>Cash flow from investment activities</i>					
Acquisition of fixed tangible assets	-509	-386	-570	-726	-725
Investments in patents	0	-74	-84	-98	-178
Acquisition of fixed intangible assets	-428	-47	-428	-361	-361
Cash flow from investment activities	-937	-507	-1 082	-1 185	-1 264
<i>Cash flow from financing activities</i>					
Issue of shares	-	-	5 179	-	20 000
Costs related to issue of shares	-	-	-2 180	-	-62
Cash flow from financing activities	-	-	2 999	-	19 938
CASH FLOW	-4 008	-4 758	-4 143	-10 494	3 280
Liquid funds at the start of the period	23 337	14 468	23 472	20 194	20 194
Exchange rate differences	0	-10	0	0	-2
Liquid funds at the end of the period	19 329	9 700	19 329	9 700	23 472

Liquidity and cash flow

Cashflow before financing activities for *the second quarter of 2021* was -4 008 tSEK (-4 758). During the quarter, results before depreciation were -3 613 tSEK (-4 010), the change in working capital was +542 tSEK (-241) and investments were -937 tSEK (-507). The investments were made in development of construction design as well as in tangible equipment for trial runs in new applications.

Cashflow from financing activities amounted to 0 tSEK (0) in the second quarter.

During *the accumulated period 2021*, cashflow before financing activities was -7 142 tSEK (-10 494). The less negative cash flow compared to the corresponding period

in 2020 derives from both the results, the working capital and the investments. The investments during the first half year of 2021 amounted to -1 082 tSEK (-1 185).

Cash flow from financing activities was +2 999 tSEK for the first half year of 2021 (0). This amount was 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 second quarter of 2021, the liquid funds were 19 329 tSEK.

Change in equity Axolot Solutions Group

tSEK	Quarter 2		Quarter 1-2		Year 2020
	2021	2020	2021	2020	
Equity, opening balance	35 339	30 531	39 783	36 740	36 740
Issue of shares, ongoing	-	-	-	-	25 929
Costs related to issue of shares	-	-	-	-	-2 992
Exchange rate differences	-22	-31	-21	-4	-38
Net earnings	-4 956	-5 311	-9 401	-11 547	-19 856
Equity, closing balance	30 361	25 189	30 361	25 189	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 Shared were transformed into shares.

The share capital of the Company amounted thereby to 2 689 868 SEK at the end of the second 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.

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

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 2		Quarter 1-2		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 *	54 715 484	29 637 641	54 715 484	29 637 641	29 637 641
Earnings per share before full dilution (SEK) **	-0,09	-0,20	-0,19	-0,44	-0,75
Earnings per share after full dilution (SEK) **	-0,09	-0,20	-0,19	-0,44	-0,75
Average number of shares before full dilution	53 797 369	26 503 948	49 248 466	26 503 948	26 503 948
Average number of shares after full dilution	54 715 484	29 637 641	50 166 580	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 2021, 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.

Warrant programs

At the end of the second quarter 2021 there was one outstanding 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 – originally 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. The original subscription price was 6,39 SEK per share. After recalculation due to the recent emissions of shares, every warrant gives the right to subscribe for 1,27 share at a price of 5,03 SEK per share. In case all outstanding warrants in this program are exercised, the aggregate dilution will amount to just above 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 in 2019.

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

The Parent company

Income statement The Parent company

tSEK	Quarter 1-2		Year 2020
	2021	2020	
Internal sales	934	934	2 033
Total revenues	934	934	2 033
Other external costs	-717	-408	-1 069
Personnel costs	-1 266	-1 071	-2 558
Depreciation and write-down	-65	-	-102
Other external costs	-	-	-
Earnings before interest and tax	-1 114	-545	-1 696
Interest expenses	-1	-	-
Write-down of internal shares *	-7 000	-9 000	-14 500
Earnings before tax	-8 115	-9 545	-16 196
Current tax	-	-	-
Net earnings	-8 115	-9 545	-16 196

* As shareholder contributions have been done, the value of shares in subsidiaries has not been appreciated.

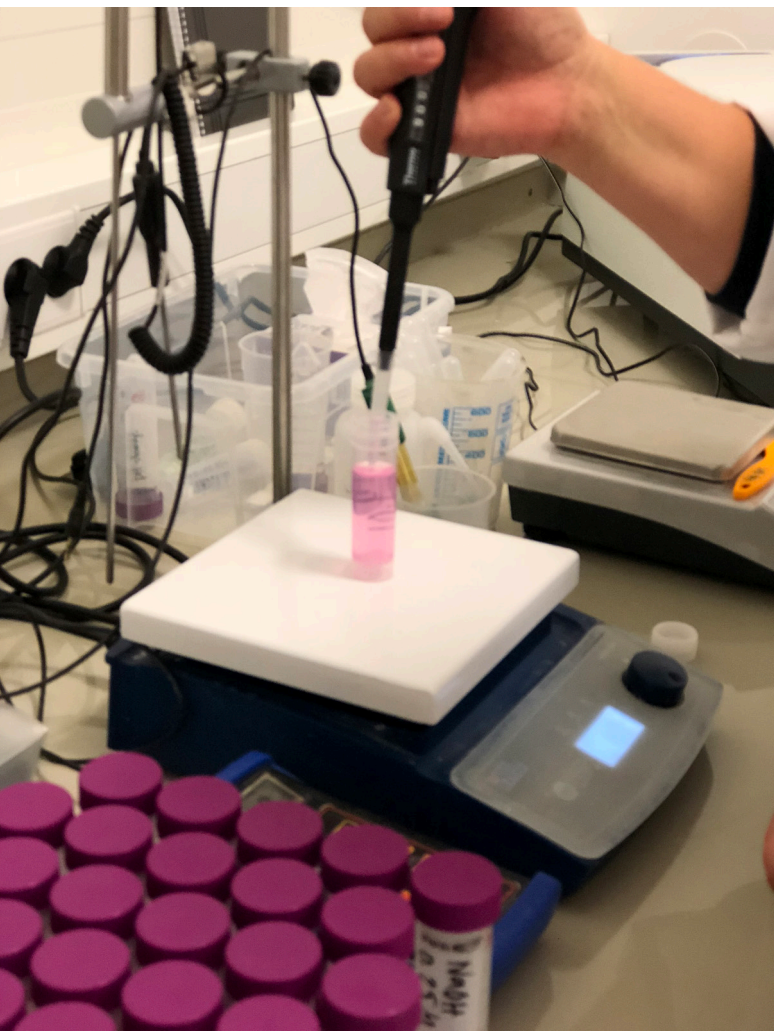


Balance sheet
The Parent company

tSEK	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
Subscribed capital unpaid	-	-	5 179
<i>Fixed assets</i>			
<i>Intangible fixed assets</i>			
Patents	384	-	365
Total Intangible fixed assets	384	-	365
<i>Financial fixed assets</i>			
Shares in subsidiaries	86 000	86 000	86 000
Long term receivables, subsidiaries	-	-	-
Total financial fixed assets	86 000	86 000	86 000
Total Fixed assets	86 384	86 000	86 365
<i>Current assets</i>			
Current receivables, subsidiaries	-	-	-
Other current receivables	155	184	469
Total current receivables	155	184	469
Cash and cash equivalents	16 314	8 218	21 398
TOTAL ASSETS	102 853	94 402	113 411

tSEK	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
Equity	102 007	93 835	110 121
<i>Current liabilities</i>			
Accounts payable	16	110	1 823
Other current operating liabilities	830	457	1 467
Total current liabilities	846	567	3 290
TOTAL EQUITY AND LIABILITIES	102 853	94 402	113 411

OTHER INFORMATION



Personnel

The number of employees at the end of the second quarter of 2021 was eight (8), which is the same as at the end of the preceding quarter. Also compared to the corresponding period last year there is no change in the number.

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 as in the annual accounts for 2020 have been used in this interim report. The annual report of 2020 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 2020 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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FINANCIAL CALENDAR

Reporting

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



axolotsolutions.com