

INTERIM REPORT

January – September 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 has during the third quarter delivered and installed its second AxoPur® water purification system

Summary of the third quarter 2021

Financially

- Net sales amounted to 936 tSEK (621 tSEK for the corresponding quarter in 2020), whereof the main part refers to the sales of an AxoPur water purification system.
- Other revenues were 95 tSEK (-3), which relates to public research grants and project support.
- Earnings before interest and tax became -4 079 tSEK (-4 356).
- Net earnings per share amounted to -0,08 SEK (-0,16).
- Liquid funds were 15 767 tSEK at the end of the third quarter 2021.

Operationally

- As announced in the second quarter, Axolot sold an AxoPur water purification unit to a customer within the logistics sector in Finland. During the third quarter, the system has been delivered and installed. This will be the first AxoPur system to be used in a position where the purified water is recirculated.
- Three agreements were signed for trials and in-depth studies respectively, during quarter three. The customers are active within testing activities, recycling and the paper industry. One of these orders was the first on the Norwegian market.

Quarter 1-3 2021

- Net sales for the first nine months of 2021 were 1 948 tSEK (2 365 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 345 tSEK (454) and this comes mainly from public research grants and project support.
- Earnings before interest and tax became -13 478 tSEK (-15 902). Lower net sales were compensated by less costs for mainly personnel and consultants.

Key events during the third quarter 2021

- In September Axolot announced a role change in the management, to be effectuated on Oct 1. The current Board member Lennart Holm was appointed new President of Axolot, with Martin Ragnar taking on the role as vice President responsible for technology and development. The decision was a consequence of the board wanting to accelerate the commercialisation of Axolot's products and offering, which will be the primary focus of the President.

Key events after the end of the third quarter 2021

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

Key figures in summary Axolot Solutions Group

tSEK	Quarter 3		Quarter 1-3		Year 2020
	2021	2020	2021	2020	
Net sales	936	621	1 948	2 365	3 683
Other revenues, incl. activated development costs	91	-3	769	754	1 040
Earnings before interest, tax and depreciation	-2 722	-3 011	-9 457	-12 077	-14 738
Earnings before interest and tax	-4 079	-4 356	-13 478	-15 902	-19 855
Net earnings	-4 080	-4 356	-13 481	-15 903	-19 856
Earnings per share (SEK) *	-0,08	-0,16	-0,27	-0,60	-0,75
Cash flow before financing activities	-3 562	-2 917	-10 704	-13 411	-16 658
Liquid funds at the end of the period	15 767	6 783	15 767	6 783	23 472
Equity at the end of the period	26 283	20 827	26 283	20 827	39 783
Number of employees at the end of the period	8	7	8	7	7

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

PRESIDENT'S COMMENTS

When I together with Mikael Åbacka, my Finnish colleague at EKA Chemicals, in 2014 founded Axolot Solutions we didn't realize the extent of focus and attention on climate and environment issues that would arise just a few years later. Mikael had been deeply involved in the development of a new and environmental-friendly water purification technology in Finland and our goal was to bring this technology to the world, to make a difference. When I now some years later look back, I realize that there were a number of factors that we didn't fully understand when we started our journey. In principle we were right in our key assumptions, but we were far too optimistic in our expectations on our ability to swiftly deal with the challenges that lay ahead of us. Today, the entire world is starting to understand the gigantic challenge of securing access to enough supply of clean, fresh water. At the same time, within Axolot our understanding of how to best contribute has developed greatly, but we have also come to realize that our technology has some limitations which we need to deal with over time.

Axolot can today offer a robust and for a wide range of applications well-functioning technology. We have built a solid understanding of the complex mechanisms of water chemistry – which often are hard to understand even in a laboratory environment, not to speak of the conditions in an industrial setting where we deal with water containing a cocktail of chemical substances. By now we have learnt that commercial success takes a lot more than just a good product – it also requires that we manage to incorporate our solution in a holistic context where we fulfil a real and critical customer need. Today, everybody talks about the importance of clean fresh water and the responsibility we have not to pollute our limited water resources. It's naturally very positive that the questions are highlighted, but at the same time I see that the level of knowledge and the will to really act with more than words still is limited. To save, and to stop polluting water, is still by a big part of both the industry and the public sector regarded as an "unnecessary" cost. The ambition level is too low, only targeting a bare minimum living up to the still relatively modest legal requirements. Given the present attention paid to environmental issues and the fact that the requirements stepwise are becoming stricter, I believe that the attitude is starting to change, with pressure increasing both from consumers and from regulating authorities – but it's going too slow. The accelerating lack of clean, fresh water is already today a source of serious conflicts around the world and the climate changes will make the situation much worse during the coming years. More than ever before there is a need of companies such as Axolot Solutions and others active within the area of water management and purification.

In recent years I have been focused on other missions outside Axolot with limited opportunities to engage in its activities. It now feels very satisfying to be able to take an operational role in the company. The Board and the Management have identified a few critical success factors that we need to



Lennart Holm, President and CEO

President's comments

deliver upon to secure that the company develops in the right direction. Most important is bringing our AxoPur® technology to the market, which simply put means selling more systems in order to get the ball rolling. More commercial installations will lead to increased awareness and confidence in Axolot and its technology. Our ability to sell not only a product but an entire concept is crucial. Therefore, and in parallel with all sales activities, we need to push our development work forward, further increasing the utility and efficiency of the technology. A consequence of me stepping in as CEO with a focus on Axolot's commercial development will be that it enables our chemistry specialist Dr. Martin Ragnar to focus on the technological development, together with our devoted team.

Let me now give you a short review of what happened during the past three months and my initial thoughts about the near time future.

Customers and sales

During 2021, and not least in the third quarter, Axolot has signed and performed a number of trial runs and studies together with potential customers. We have already informed about this in our press releases. So far, we have sold two commercial systems, where the first one is up running since early this year and the second system was delivered during the third quarter. In general, the results of all these trial runs and installations show that our technology is working and can solve many challenging problems concerning polluted water. Our thesis is that water should be recirculated and reused to the highest extent possible in an industrial process. This concept works for a wide range of applications, which is central in any resource efficient handling of fresh water.

One challenge that is influencing our business more than anticipated is the fact that many customers up until now have had very limited focus on water purification and resource efficiency. The level of knowledge is often rather poor and many believe that their operations already have an efficient enough water purification system. This does not only mean that the possibility to run a more sustainable operation is lost, but also that a significant potential to improve margins remains untapped. Through our AxoPur offer we want to highlight both these aspects in a more distinct way. Even if Rome wasn't built in one day, I am convinced that our focus on the full picture step by step will generate results.

Market and new business

Ongoing and performed trial runs in general show good results, but as always there is room for further improvement. Together with our customers we strive to obtain the best possible process conditions for each application. The ultimate goal is to accomplish a better purification and a reduced water consumption whereby we can improve not only the sustainability but also the economics of any given operation. Right now, the company's focus is on a limited number of selected application areas;



Purification of water from paperboard coating.

President's comments

metalworking, food, environment & recycling as well as the paper industry. Based on successful test runs, we get signals from several trial run customers that they intend to include an investment in AxoPur in their budgets for 2022, which of course is a promising sign. We must now convert this positive interest into contracted business.

Additional test runs are planned with both established and upcoming customers. Test runs are a part of our ongoing business and will continue to be so why we decided not to make press releases every time a new trial agreement is signed.

Axolot will continue to focus on a number of selected application segments regarding the Nordic countries as our main market. We have a small organisation and we have to work in a focused way in order not to scatter our resources too thin. This does not necessarily mean that we wouldn't work with projects in other application areas or regions, should specific interesting projects appear.

Technology and partnerships

I believe that we have proven that our base technology is working in a stable manner, but process development needs to continue built upon experiences made during our work with different customers and projects. The goal is to upgrade our process to make it even more cost efficient for the customers and to be able to offer systems and solutions that can deal with even bigger volumes. In addition to in-house development projects, we also have ongoing collaborations with other technology suppliers and research institutes. These collaborations aim at further broadening our ability to deal with polluted waters, enabling us to present holistic solutions for an even wider range of pollutions, such as for example PFAS. The results look very promising, but it will for sure take some time before new developments can be converted into commercial system sales.

Looking ahead

We who are actively and operationally involved in Axolot all strongly feel that a lot of positive things are happening in Axolot at the moment. Having said that, we all realise that external stakeholders want visible results in the shape of specific orders and increasing revenues. It has for sure taken more time than initially expected to get Axolot off the ground. We have a lot to prove in the coming years and it will not be an easy ride, but given the customer projects that now are ongoing and in the pipeline, combined with expected additional developments of our technology, I am convinced that Axolot is facing an exciting future.

Lennart Holm
President and CEO



AxoPur systems in regular operations.

FINANCIAL OVERVIEW

The Group

Income statement Axolot Solutions Group

tSEK	Quarter 3		Quarter 1-3		Year 2020
	2021	2020	2021	2020	
Net sales	936	621	1 948	2 365	3 683
Activated development costs	-4	0	424	300	300
Other revenues	95	-3	345	454	740
Total revenues	1 027	618	2 717	3 119	4 723
Costs for raw material and supply	-334	-330	-713	-1 138	-1 624
Other external costs	-1 572	-1 501	-5 682	-7 164	-9 192
Personnel costs	-1 838	-1 793	-5 756	-6 880	-8 613
Depreciation and write-down	-1 357	-1 345	-4 021	-3 825	-5 117
Other external costs	-5	-5	-23	-14	-32
Earnings before interest and tax	-4 079	-4 356	-13 478	-15 902	-19 855
Financial items, net	-1	0	-3	-1	-1
Earnings before tax	-4 080	-4 356	-13 481	-15 903	-19 856
Current tax	-	-	-	-	-
Net earnings	-4 080	-4 356	-13 481	-15 903	-19 856
Earnings before interest, tax and depreciation	-2 722	-3 011	-9 457	-12 077	-14 738

Revenues and earnings

The third quarter

Total revenues during *the third quarter* 2021 amounted to 1 027 tSEK (618 tSEK for the corresponding period in 2020). Out of this, net sales were 936 tSEK (621), which comprises the sales of an AxoPur water purification system and some trial runs and studies. Other revenues refer mainly to public research grants and project support 95 tSEK (-3).

Earnings after financial items in the third quarter of 2021 were -4 080 tSEK (-4 356). The revenues were higher than in the comparison period, while costs were relatively unchanged. There were no financial loans and so the financial net was approximately zero during the period.

The accumulated period

During *the first three quarters* of the year, total revenues were 2 717 tSEK (3 119 tSEK for the first nine months of 2020). Net sales were 1 948 tSEK (2 365), corresponding to the sales of a system, trial runs and studies. The decrease is explained by reduced possibilities for customer activities, as a consequence from the pandemic. Activated development costs 424 tSEK (300) refer to development of construction design, while other revenues mainly from public research grants and project support equal 345 tSEK (454).

Earnings after financial items were -13 481 tSEK for the first nine months of 2021 (-15 903), where the improvement reflects effects from the cost reduction program implemented in 2020 - in principle 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	Sep 30, 2021	Sep 30, 2020	Dec 31, 2020
Subscribed capital unpaid	-	-	5 179
<i>Fixed assets</i>			
<i>Intangible fixed assets</i>			
Activated development costs	4 443	5 929	5 405
Patents, licenses and similar rights	1 226	2 303	2 081
Total Intangible fixed assets	5 669	8 232	7 486
<i>Tangible fixed assets</i>			
Tangible fixed assets	5 591	7 422	6 683
Work under construction and prepayments of tangible fixed assets	-	-	-
Total Tangible fixed assets	5 591	7 422	6 683
Total Fixed assets	11 260	15 654	14 169
<i>Current assets</i>			
Inventory	127	6	6
Accounts receivable	502	371	726
Other current receivables	847	707	996
Total current assets excl. cash and cash equivalents	1 476	1 084	1 728
Cash and cash equivalents	15 767	6 783	23 472
TOTAL ASSETS	28 503	23 521	44 548

tSEK	Sep 30, 2021	Sep 30, 2020	Dec 31, 2020
Equity	26 283	20 827	39 783
<i>Current liabilities</i>			
Accounts payable	811	606	2 385
Other current operating liabilities	1 409	2 088	2 380
Total current liabilities	2 220	2 694	4 765
TOTAL EQUITY AND LIABILITIES	28 503	23 521	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 3		Quarter 1-3		Year
	2021	2020	2021	2020	2020
<i>Cash flow from current operations</i>					
Earnings before interest and tax	-4 079	-4 356	-13 478	-15 902	-19 855
Depreciation and other non-cash items	1 357	1 345	4 021	3 825	5 312
Financial payments	-	-	-	-	-
Tax payments	-	-	-	-	-
Change in inventory	-121	0	-121	-6	-6
Change in current receivables	201	396	373	1 125	492
Change in current liabilities	-895	-248	-392	-1 214	-1 337
Cash flow from current operations	-3 537	-2 863	-9 597	-12 172	-15 394
<i>Cash flow from investment activities</i>					
Acquisition of fixed tangible assets	-29	0	-599	-726	-725
Investments in patents	0	-54	-84	-152	-178
Acquisition of fixed intangible assets	4	0	-424	-361	-361
Cash flow from investment activities	-25	-54	-1 107	-1 239	-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	-3 562	-2 917	-7 705	-13 411	3 280
Liquid funds at the start of the period	19 329	9 700	23 472	20 194	20 194
Exchange rate differences	0	0	0	0	-2
Liquid funds at the end of the period	15 767	6 783	15 767	6 783	23 472

Liquidity, cash flow and net debt

Cashflow before financing activities for the third quarter of 2021 was -3 562 tSEK (-2 917). During the quarter, results before depreciation were -2 722 tSEK (-3 011), the change in working capital was -815 tSEK (+148) and investments were -25 tSEK (-54).

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

During the accumulated period 2021, cashflow before financing activities was -10 704 tSEK (-13 411). The less negative cash flow compared to the corresponding period in 2020 derives mainly from the less negative results and from slightly lower investments. The investments during the first nine months of 2021 amounted to -1 107 tSEK

(-1 239) and refer to continued development of construction and design as well as purchase of equipment for trial runs in new applications and in further process optimization. The change in working capital was -140 tSEK (-95).

Cash flow from financing activities was +2 999 tSEK for the first three quarters 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 third quarter of 2021, the liquid funds were 15 767 tSEK.

Change in equity

Axolot Solutions Group

tSEK	Quarter 3		Quarter 1-3		Year 2020
	2021	2020	2021	2020	
Equity, opening balance	30 361	25 189	39 783	36 740	36 740
Issue of shares, ongoing	-	-	-	-	25 929
Costs related to issue of shares	-	-	-	-	-2 992
Exchange rate differences	2	-6	-19	-10	-38
Net earnings	-4 080	-4 356	-13 481	-15 903	-19 856
Equity, closing balance	26 283	20 827	26 283	20 827	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 third 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 September 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%
M Lindstrand Investment AB **	2 382 552	4,4%
Banque Internationale à Luxembourg SA	2 322 212	4,3%
Subtotal	19 295 356	35,9%
Other	34 502 013	64,1%
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 3		Quarter 1-3		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) **	-0,08	-0,16	-0,27	-0,60	-0,75
Earnings per share after full dilution (SEK) **	-0,08	-0,16	-0,27	-0,60	-0,75
Average number of shares before full dilution	53 797 369	26 503 948	50 764 767	26 503 948	26 503 948
Average number of shares after full dilution	54 715 484	29 637 641	51 682 881	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 third 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.

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 third quarter of 2021 was eight (8), which is the same as at the end of the preceding quarter. Compared to the corresponding period last year there is an increase of one (1) person.

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

- Year end Report 2021 February 15, 2022
- Interim Report Jan-Mar 2022 April 29, 2022
- Interim Report Jan-Jun 2022 July 29, 2022
- Interim Report Jan-Sep 2022 October 28, 2022

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 October 29, 2021



axolotsolutions.com