

YEAR-END REPORT

January – December 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.

Focus on cost efficient, sustainable holistic solutions, handling a larger flow range

Summary of the fourth quarter 2021

Financially

- Net sales amounted to 586 tSEK (1 318 tSEK for the corresponding quarter in 2020), which refers to customer trial activities and studies. In the comparison period 2020, one AxoPur® system was sold.
- Other revenues were 22 tSEK (286), which relates to public research grants and project support.
- Earnings before interest and tax became -4 822 tSEK (-3 953).
- Net earnings per share amounted to -0,09 SEK (-0,15).
- Liquid funds were 12 868 tSEK at year end 2021.

Operationally

- Board member Lennart Holm was appointed new President of Axolot as from October 1, 2021. The decision was a consequence of the board wanting to accelerate the commercialisation of Axolot's products and offering.
- Under the management of Lennart Holm, an upgrade of the purification technology has started. This is expected to result in an even more cost efficient holistic solution, which shall also handle very much larger flows of process water than before. New market opportunities should open up as a consequence, already in 2022.
- Agreements were signed for trial activities with customers within the energy industry and the transport sector, during the fourth quarter.

Quarter 1-4 2021

- Net sales for the full year 2021 were 2 534 tSEK (3 683 tSEK for the full year 2020), where the decrease is explained by reduced possibilities for customer activities as a consequence from the pandemic. For each of the years, the sale of one AxoPur system is included.
- Other revenues were 367 tSEK (740) and this comes mainly from public research grants and project support.
- Earnings before interest and tax became -18 300 tSEK (-19 855). Lower net sales were compensated by less costs for mainly personnel and consultants.
- The Board proposes no dividend for the year 2021.

Key events during the fourth quarter 2021

- Board member Lennart Holm was appointed new President of Axolot from October 1, 2021. The decision was a consequence of the board wanting to accelerate the commercialisation of Axolot's products and offering.

Key events after the end of the year

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

Key figures in summary Axolot Solutions Group

tSEK	Quarter 4		Quarter 1-4	
	2021	2020	2021	2020
Net sales	586	1 318	2 534	3 683
Other revenues, incl. activated development costs	22	286	791	1 040
Earnings before interest, tax and depreciation	-3 450	-2 661	-12 907	-14 738
Earnings before interest and tax	-4 822	-3 953	-18 300	-19 855
Net earnings	-4 822	-3 953	-18 303	-19 856
Earnings per share (SEK) *	-0,09	-0,15	-0,36	-0,75
Cash flow before financing activities	-2 907	-3 247	-13 611	-16 658
Liquid funds at the end of the period	12 868	23 472	12 868	23 472
Equity at the end of the period	21 448	39 783	21 448	39 783
Number of employees at the end of the period	7	7	7	7

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

PRESIDENT'S COMMENTS

During the year that passed we implemented numerous changes and developments. I believe that we, more than during any previous year, in 2021 really increased our understanding for the chemistry behind and our ability to purify polluted water with our AxoPur® technology. We are a small company with limited resources, but despite this we have, step by step, managed to establish a profound knowledge of the complex chemistry surrounding reject and process waters. During the past year, we have taken several important steps in the right direction and really developed our ability to transform our knowledge into practice. I would say that we today can judge whether we have the appropriate solution for a customer's needs, just by looking at an analysis of their polluted water. This enables us to utilize our resources much more efficiently. We invest our time in activities where we are convinced of our ability to add value to the customer and where we are confident that we can deliver a good solution.

We have also broadened our approach as we today are able to offer holistic proposals to customers with regard to their contaminated waters. Up to last year our focus was on a limited scope; the purification reaction taking place in our reactor. But we have come to realize that we need to be able to offer **a true holistic solution, also including pre- and after-treatment of the water and of the concentrated floc of contaminations arising during the process.** That solid floc of contaminations formed in our process is in fact a heavy sales argument for Axolot. Our clients find it much easier to deal with and process, compared to the low solid sludge that is the residue from current purification processes. This is a major advantage which we haven't highlighted enough until now.

As part of taking a more holistic approach, we have furthermore during the year initiated cooperation projects with other suppliers of water purification solutions and technologies. Often, a combination of several treatment steps are required in order to reach the required result. In 2021 we have established active projects with several exciting technological and water purification companies, as well as with a few research institutes and researchers. As an example, we entered as an active partner in Mistra's research project Terraclean.

In order to be perceived as a relevant and competitive supplier it isn't enough to be able to offer expertise and technical solutions, we also have to be able to offer cost-efficient proposals. Despite our conviction that we already have been in a position to do so, some customers have been of the opinion that our solutions were on the expensive side. We believe that this often is due to customers not being that aware of the full cost of their present purification process and the costs / investments required in order to upgrade their present purification processes to coming requirements.



Lennart Holm, President and CEO

President's comments

However, the saying is that the customer always is right, which for us in several cases has resulted in not being able to close commercial deals despite very good results. For this reason, we have scrutinized our entire technological solution during the second half of 2021 and implemented a number of upgrades that were identified. The outcome of this is **a new generation of the AxoPur technology that will be put on the market during 2022**. Trials have proved that the new generation drastically reduces the consumption of reactors and energy at the same time as the capacity is significantly increased. **We therefore believe that Axolot now enters 2022 with a stronger offer to the market than ever before.**

During the fourth quarter of 2021, our focus was thus on the testing of the upgraded technology and on continuing to perform customer trials within different industries. We entered into new projects and signed trial agreements which are effectuated in 2022. The energy sector, the paper and pulp industry, vehicle wash and waste handling are all examples of application areas within our present scope. In order to accomplish a major commercial expansion we still need to secure more reference systems. Axolot is active on a conservative market, where the players as far as possible want to be able to rely on proven technologies. Unfortunately, they seldom feel that there are enough incentives to motivate them being front runners in the sustainability field. We in Axolot very much intend to show to the market that we have the sustainable solutions they need and that we are here to stay; in Axolot they get a safe, efficient and reliable supplier.

I am convinced that the results will come and that Axolot during 2022 will experience a very positive development.

Lennart Holm
President and CEO



AxoPur systems in regular operations.

FINANCIAL OVERVIEW

The Group

Income statement Axolot Solutions Group

tSEK	Quarter 4		Quarter 1-4	
	2021	2020	2021	2020
Net sales	586	1 318	2 534	3 683
Activated development costs	0	0	424	300
Other revenues	22	286	367	740
Total revenues	608	1 604	3 325	4 723
Costs for raw material and supply	-160	-486	-873	-1 624
Other external costs	-1 917	-2 028	-7 599	-9 192
Personnel costs	-1 968	-1 733	-7 724	-8 613
Depreciation and write-down	-1 372	-1 292	-5 393	-5 117
Other external costs	-13	-18	-36	-32
Earnings before interest and tax	-4 822	-3 953	-18 300	-19 855
Financial items, net	0	0	-3	-1
Earnings before tax	-4 822	-3 953	-18 303	-19 856
Current tax	-	-	-	-
Net earnings	-4 822	-3 953	-18 303	-19 856
Earnings before interest, tax and depreciation	-3 450	-2 661	-12 907	-14 738

Revenues and earnings

The fourth quarter

Total revenues during the *fourth quarter 2021* amounted to 608 tSEK (1 604 tSEK for the corresponding period in 2020). Out of this, net sales were 586 tSEK (1 318), which relates to trial runs and studies. In the comparison period there was a sale of an AxoPur system. Other revenues 22 tSEK (286) refer mainly to public research grants and project support.

Earnings after financial items in the fourth quarter of 2021 were -4 822 tSEK (-3 953). The revenues were lower than in the comparison period, and this was only partly compensated by lower costs. There were no financial loans and so the financial net was approximately zero during the period.

The accumulated period

During *the full year 2021*, total revenues were 3 325 tSEK (4 723 tSEK for the full year 2020). Net sales were 2 534 tSEK (3 683), corresponding to the sales of a system, trial runs and studies. Activated development costs 424 tSEK (300) refer to development of construction design, while other revenues mainly from public research grants and project support equal 367 tSEK (740).

Earnings after financial items were -18 303 tSEK for the full year 2021 (-19 856), where the improvement reflects effects from the cost reduction program implemented in 2020 - in principle lower costs for personnel and consultants, but also for raw materials and consumption articles. Axolot has no financial loans and therefore the financial net was close to zero.

Balance sheet*
Axolot Solutions Group

tSEK	Dec 31, 2021	Dec 31, 2020
Subscribed capital unpaid	-	5 179
<i>Fixed assets</i>		
<i>Intangible fixed assets</i>		
Activated development costs	3 960	5 405
Patents, licenses and similar rights	912	2 081
Total Intangible fixed assets	4 872	7 486
<i>Tangible fixed assets</i>		
Tangible fixed assets	5 019	6 683
Work under construction and prepayments of tangible fixed assets	-	-
Total Tangible fixed assets	5 019	6 683
Total Fixed assets	9 891	14 169
<i>Current assets</i>		
Inventory	67	6
Accounts receivable	372	726
Other current receivables	750	996
Total current assets excl. cash and cash equivalents	1 189	1 728
Cash and cash equivalents	12 868	23 472
TOTAL ASSETS	23 948	44 548

tSEK	Dec 31, 2021	Dec 31, 2020
Equity	21 448	39 783
<i>Current liabilities</i>		
Accounts payable	819	2 385
Other current operating liabilities	1 681	2 380
Total current liabilities	2 500	4 765
TOTAL EQUITY AND LIABILITIES	23 948	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 4		Quarter 1-4	
	2021	2020	2021	2020
<i>Cash flow from current operations</i>				
Earnings after financial items	-4 822	-3 953	-18 303	-19 856
Depreciation and other non-cash items	1 372	1 487	5 393	5 312
Paid income tax	-	-	-	-
Change in inventory	60	0	-61	-6
Change in current receivables	227	-633	600	492
Change in current liabilities	256	-123	-133	-1 336
Cash flow from current operations	-2 907	-3 222	-12 504	-15 394
<i>Cash flow from investment activities</i>				
Acquisition of fixed tangible assets	-	1	-599	-725
Investments in patents	-	-26	-84	-178
Acquisition of fixed intangible assets	-	0	-424	-361
Cash flow from investment activities	-	-25	-1 107	-1 264
<i>Cash flow from financing activities</i>				
Issue of shares (ongoing at year end 2020)	-	20 000	5 179	20 000
Costs related to issue of shares	-	-62	-2 180	-62
Cash flow from financing activities	-	19 938	2 999	19 938
CASH FLOW	-2 907	16 691	-10 612	3 280
Liquid funds at the start of the period	15 767	6 783	23 472	20 194
Exchange rate differences	8	-2	8	-2
Liquid funds at the end of the period	12 868	23 472	12 868	23 472

Liquidity and cash flow

Cashflow before financing activities for *the fourth quarter of 2021* was -2 907 tSEK (-3 247). During the quarter, earnings before depreciation and adjusted for non-cash items were -3 450 tSEK (-2 466), the change in working capital and inventory was +543 tSEK (-756) and investments were 0 tSEK (-25).

Cashflow from financing activities amounted to 0 tSEK (+19 938) in the fourth quarter.

During *the full year 2021*, cashflow before financing activities was -13 611 tSEK (-16 658). The less negative cash flow compared to the corresponding period in 2020 derives mainly from the less negative earnings and from a decrease in the working capital (in the comparison period there was an increase). The investments during the full year 2021 amounted to -1 107 tSEK (-1 264) and refer

mainly 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 +406 tSEK (-850). Earnings before depreciation and adjusted for non-cash items were for the full year -12 910 tSEK (-14 544).

Cash flow from financing activities was +2 999 tSEK for the full year 2021 (+19 938). 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 year 2021, the liquid funds were 12 868 tSEK.

Change in equity Axolot Solutions Group

tSEK	Quarter 4		Quarter 1-4	
	2021	2020	2021	2020
Equity, opening balance	26 283	20 827	39 783	36 740
Issue of shares, ongoing	-	25 929	-	25 929
Costs related to issue of shares	-	-2 992	-	-2 992
Exchange rate differences	-13	-28	-32	-38
Net earnings	-4 822	-3 953	-18 303	-19 856
Equity, closing balance	21 448	39 783	21 448	39 783

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

	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%
Weseba AB c/o Per Olofsson	2 105 263	3,9%
Subtotal	19 078 407	35,5%
Övriga	34 718 962	64,5%
Totalt	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 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.

The share capital of the Company amounted to 2 689 868 SEK at the end 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 4		Quarter 1-4	
	2021	2020	2021	2020
Number of shares before full dilution *	53 797 369	26 503 948	53 797 369	26 503 948
Number of shares after full dilution *	54 715 484	29 637 641	54 715 484	29 637 641
Earnings per share before full dilution (SEK) **	-0,09	-0,15	-0,36	-0,75
Earnings per share after full dilution (SEK) **	-0,09	-0,15	-0,36	-0,75
Average number of shares before full dilution	53 797 369	26 503 948	51 522 917	26 503 948
Average number of shares after full dilution	54 715 484	29 637 641	52 441 032	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) on May 18th 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 fourth 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.

The Parent company

Income statement The Parent company

tSEK	Full year	
	2021	2020
Internal sales	1 868	2 033
Total revenues	1 868	2 033
Other external costs	-1 545	-1 069
Personnel costs	-2 376	-2 558
Depreciation and write-down	-134	-102
Other external costs	-	-
Earnings before interest and tax	-2 187	-1 696
Interest expenses	-2	-
Write-down of internal shares *	-44 000	-14 500
Earnings before tax	-46 189	-16 196
Current tax	-	-
Net earnings	-46 189	-16 196

* As shareholder contributions have been done, the value of shares in subsidiaries has not been appreciated. In the Year end closing 2021, a write-down of shares in subsidiaries was done, from 86 to 55 MSEK.

Balance sheet The Parent company

tSEK	Dec 31, 2021	Dec 31, 2020
Subscribed capital unpaid	-	5 179
<i>Fixed assets</i>		
<i>Intangible fixed assets</i>		
Patents	315	365
Total Intangible fixed assets	315	365
<i>Financial fixed assets</i>		
Shares in subsidiaries	55 000	86 000
Total financial fixed assets	55 000	86 000
Total Fixed assets	55 315	86 365
<i>Current assets</i>		
Other current receivables	142	469
Total current receivables	142	469
Cash and cash equivalents	9 760	21 398
TOTAL ASSETS	65 217	113 411
tSEK	Dec 31, 2021	Dec 31, 2020
Equity	63 932	110 121
<i>Current liabilities</i>		
Accounts payable	358	1 823
Other current operating liabilities	927	1 467
Total current liabilities	1 285	3 290
TOTAL EQUITY AND LIABILITIES	65 217	113 411

OTHER INFORMATION



Personnel

The number of employees at the end of the fourth quarter of 2021 was seven (7), which is one person less than at the end of the preceding quarter and equal to the number one year earlier.

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 of 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.



Purification of water from paperboard coating.

CONTACT INFORMATION

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Reporting

- 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 General Meeting

The Annual General Meeting of 2022 will be held on June 1st 2022 at Hamntorget 3 in Helsingborg.

Annual Report

The Axolot Solutions Holding AB Annual report 2020, and the consolidated accounts, are available on the Company's web site axolotsolutions.com.

The Annual Report 2021 is planned to be published at Axolot's web site during week 16 2022.

Certification by the Board of Directors

The Board of Directors and the Chief Executive Officer certify that this financial report provides a true and fair view of the parent company's and the Group's business, financial position and performance and describes material risks and uncertainties to which the parent company and the companies in the group are exposed.

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

Helsingborg on February 15, 2022



axolotsolutions.com