

The board of directors and the CEO of

Josab Water Solutions AB (publ)

Swedish corporate identity number 556549-1114

hereby submits its

Annual Report and Consolidated financial statements

for the Financial year Jan 1, 2018 – Dec 31, 2018

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Report of the board of directors

The board of directors and the CEO of Josab Water Solutions AB (publ), having its seat in Stockholm, hereby submit the annual report and consolidated financial statements for the financial year 2018.

The annual report is prepared in thousand Swedish krona, SEK k.

About Josab Water Solutions AB

Josab Water Solutions AB is an innovative company specialized in water purification systems based on its own patent, granted in 2001. The company, formed in 1999, has today four wholly-owned subsidiaries, Josab Hungary Kft, Josab India Pvt Ltd., Josab China Ecological Systems Co Ltd as well as JOSINT Financial Services AB. The company sells ecological water purification systems with wholly unique characteristics as regards the purification and filtration of heavy metals, organic material and bacteria. The technology is based on the company's own unique Aqualite™, which is the commercial name for the naturally occurring mineral Zeolit – Clinoptilolit, won from the company's own mine, the Ratka Mines, in Hungary.

Aqualite™ makes up the filter mass used in water purification process and Aqualite™, together with a special UV light, allows for the production of safe and bacteria-free water without the addition of any chemicals.

Aqualite™ has characteristics that allow for effective reduction of particles and heavy metals, adsorption of chemicals and petrochemical products as well as reduction of bacteria, parasites and fungi. Aqualite™ has a long working life and is resistant to mechanical wear and tear. Aqualite™ can filter off particles with a size of down to 1 micron, to be compared with the 25-50 micron for traditional sand and carbon filters. Since 2006, Josab Water Solutions owns, by way of its wholly-owned subsidiary, the mining deposit Ratka Mines in Hungary. The deposit has been established to contain approx. 5.7 million tons of covered mineral of which 70,000 tonnes is stripped mineral. To the company's knowledge, the Ratka Mines is the only finding place in the world for this form of Zeolit-Clinoptilolit with its unique characteristics.

The water purification systems are installed mainly in containers, or built up in situ, and are supplied in different types with capacities from 5 m³ up to 3,000 m³ per day and which, if more capacity is needed, also can be joined in parallels. It is a "plug and play" solution that is finished at the plant and thereby can be commissioned on the day of the arrival at a suitable water source.

The technical solution is thus unique, ecological, mobile, and possible to scale up and down as well as energy efficient.

Josab Water Solutions AB is listed on the Swedish Spotlight Stockmarket.

Net sales and result

Net sales during the year amounted to SEK 4 005 (989) k for the group and SEK 1 406 (74) k for the parent company. Net loss for the year was SEK 18 757 (15,684) k, of which SEK 10,760 (9,993) k for the parent company. The consolidated loss per share was SEK 0.28 (0.23). Most of the increase in sales is attributable to the kiosk project in Hyderabad India.

Shareholding

The shares in the company are owned by 2,738 shareholders and are traded at the Swedish Spotlight Stockmarket.. The company is registered at Euroclear and registered with the Swedish Companies Registration Office as a public company.

Ownership structure as of December 31, 2018

<i> Holding, shares</i>	<i> Total shares</i>	<i> Shares, percent of</i>	<i> Number of Owners, percent owners</i>	
1 - 500	172,437	0,26	812	29,7
501 – 1,000	337 936	0,50	417	15,2
1,001 – 5,000	2,191,786	3,26	867	31,7
5,001 – 10,000	1,967,038	2,93	263	9,6
10,001 – 15,000	1,368,063	2,04	108	3,9
15,001 – 20,000	1,009,049	1,50	58	2,1
20,001 -	60,133,468	89,51	213	7,8
Total	67,179,777	100	2,738	100

The ten largest shareholders as of December 31, 2018

<i> Name</i>	<i> Total shares</i>	<i> Shares, percent</i>
Försäkringsbolaget Avanza Pension	8,197,903	12,20
Vimab Holding AB	6,941,103	10,33
HSBC Broking Securities (Asia) Ltd	6,914,014	10,29
Interchina Water Treatment Hong Kong Co Ltd	6,477,255	9,64
Nordnet Pensionsförsäkring AB	3 625 925	5,40
Danica Pension	3 558 998	5,30
Andrej Setina	2 949 240	4,39
Stefan Östlundh	1,574,249	2,34
Tomas Askinger	1,081,536	1,61
Iraj Arastoupour	857 100	1,26
Total	42,177,323	62,67

Historical data of the share capital in the company

<i> Year</i>	<i> Share capital (SEK) December 31</i>	<i> Changes</i>
1999-2002	100,000	
2003	640,000	New share issue
2004	960,000	New share issue
2005	1,158,500	New share issue
2006	1,900,400	New share issue, redemption of convertibles
2007	1,900,400	
2008	2,049,800	New share issue
2009	2,049,800	
2010	7,085,400	New share issue, redemption of convertibles
2011	7,085,400	
2012	2,535,318	New share issue, reverse split, reduction of share capital
2013	2,945,318	New share issue
2014	4,788,898	New share issue, redemption of share warrants
2015	4,878,898	New share issue, redemption of share warrants
2016	5,684,443	New share issue, redemption of share warrants
2017	6,717,978	New share issue

**Insiders of the Company
with participation**

Name	Number of shares		Number of warrants	
	2018	2017	2018	2017
Roland Johansson	7 472	7,472	100,000	100,000
Stefan Östlundh	1,574,249	1,574,249	300,000	300,000
Henry Koskela	270,000	270,000	300,000	300,000
Johan Gillgren	625,000	625,000	300,000	300,000
Norbert Udvardi	-	-	300,000	300,000
Dennis Abraham	-	-	300,000	300,000
Zhu Youngjun and Cai Jian Wen	13,418,358	15,373,249	-	-
Total	15,895,079	17,849,970	-1,600,000	1,600,000
Share warrants (non-subscribed)			-400,000	400,000

** As board members of ICW / Prime World HK Ltd

The annual general meeting 2017 decided to issue a maximum of 2,000,000 share warrants to key persons, of which 1,600,000 have been subscribed. The program is valid until May 31, 2019 and has a strike price of SEK 5.24.

Significant events during the financial year

The water project in Hyderabad has continued and 189 machines are ready, inaugurated and supplying water. The current contract is up to 250 machines, and the first ones were ready in 2017 and generated revenue, but to a limited extent.

Technical permit for mining in Ratka, Hungary, extended by 10 years.

A new articles of association were adopted at the AGM and the company changed its company to Josab Water Solutions AB.

Pilot project in Northern Serbia started, and completed, via Josab's subsidiary in Hungary, together with another Hungarian company. High levels of arsenic and other pollutants in the water. The tests have been very successful and the levels have been reduced to levels for approved drinking water. Serbian government tests are ongoing to obtain local permits to use the technology.

Josab has signed an agreement with Global Green Development Capital China Co. Ltd., to establish Josab's ecological Aqualite™ based water treatment technology in China. In September, preparations for testing began with Beijing Win Fortune Technology Co., Ltd. and Global Green Development Capital China Co., in cooperation with the Rural Drinking Water Safety Center, part of the Chinese Ministry of Water Resources. The goal is to obtain a license agreement with a Chinese business partner after these tests.

During the period, as one of three invited companies, Josab submitted a tender for an international procurement of ferrous and manganese-containing water in Ethiopia. The tender is administered through the Addis Ababa Water and Sewerage Authority. The tender is for 5 boreholes, all in the area around Addis Ababa. The evaluation period was 90 days in the procurement.

Preparations for testing in China have continued and a container-based machine has been placed on a test site. During December, the tests are expected to be carried out with the evaluation of authorities on site.

Josab has signed an agreement with the French Alcimex, among other things, in conjunction with the tests in China, to derive maximum benefit from Dr. Wilfrid Balmer's knowledge of applications with zeolites.

Significant events after the end of the financial year

Josab has changed SAFB's agent agreement to include 10 African countries instead of 53 countries. This has been done to create greater freedom to find new agents for these markets.

Josab has been licensed in Hungary, and through harmonization with EU regulations, permits and approves those in the other EU for the advanced arsenic purification technology. The approval and licensing is based on the tests conducted in Serbia in 2018.

Josab has received approval of performed technology tests in China. The tests were conducted in collaboration with Beijing Win Fortune Technology Co., Ltd., and Green Global Development Capital China Co. Ltd., which in collaboration with the Rural Drinking Water safety Center of the Chinese Ministry of Water Resources conducted tests of Josab's materials and technology. After the test, Josab received a formal request from Beijing Win Fortune Technology Co., Ltd. to negotiate an exclusive licensing agreement for the Chinese market. The parties have written a letter of intent, an MoU, which stipulates the main points to be dealt with in order to reach an agreement. The exclusive licensing agreement with the supply of Aqualite™ is a key point, and in addition, the counterparty wants to make a greater investment in Josab, which requires that we reach a commercial licensing agreement to become valid. The investment would initially, at the time of signing the contract, be made with SEK 14 million for 7 million shares, and up to an additional SEK 216 million for up to 26 million shares over a three-year period, on three option programs. The price in the option programs would be between SEK 6 and 10 per share. The price of the first investment reflects the price of the share at the beginning of the negotiations. During the time period, and during a period ahead, further tests will be conducted to verify the potential of the technology in several areas, and to illustrate the potential for the final negotiations of the licensing agreement. The parties agree that all negotiations will be completed by July 31, 2019, and that Josab is not entitled to negotiate a commercial licensing agreement with another party for the Chinese market.

Josab has signed a new test agreement with Chengdu Xinshengde Technology Co. Ltd., for testing of Josab's water purification technology. Tests are carried out to verify the capacity for purification of iron, manganese and ammonium-containing water.

Josab's tender in Ethiopia, Addis Ababa, has been approved for the technical evaluation, as the only participating company. Josab is now on to the financial evaluation. The project concerns 5 boreholes in the capital.

Josab has divested its entire holding in the technology company Chromaforma AB, 14,132 shares, for a purchase price of SEK 3,126,705, which gave rise to a capital gain of SEK 1,105,829.

Josab has received a loan pledge of \$ 1 million from Zhu Youngjun, the company's chairman, or his related company, which can be called off if needed for the next 12 months.

Josab has negotiated with the owners of the convertible loan of SEK 25 million which is due for payment in 2019-06-30, and has reached an extension of the loan by 12 months to 30 June 2020. The interest rate continues with 10% on an annual basis with quarterly payment, and the conversion rate changes to SEK 3.50 per share.

The CEO has the floor

It has been a year of many activities, many customer visits and product tests. We have intensified our marketing work with several customer visits, participation in various events and fairs, mainly in India, Eastern Europe and the Middle East. The interest in Josab's products and our technology is steadily increasing.

During the year we released a new website and updated our logotype. The website will be live and updated regularly with relevant information.

The processes of contacts with customers in our area, municipalities, states and larger organizations often take a long time, which of course will affect our shareholders' patience, sometimes even on our own. However, we feel that it is moving forward and we believe that structured work will produce long-term results for everyone involved.

We have tested a new biological product in Hungary based on Aqualite™ for the reuse of water on animal farms. The product was developed by Josab Hungary and will primarily be marketed, and sold, in the Middle East and in Russia where there are already requests today.

High levels of arsenic are a major problem in large parts of the world. Tests are completed with good results. We have been licensed to use our technology in Hungary which has similar requirements as the EU. We have already organized efforts to promote the product and will in the first step focus on Hungary and surrounding countries.

Negotiations in China continue according to plan to reach the licensing agreement, which is the goal. This would give Josab a step into the world's largest water market, with an already established partner, which would be fantastic. They would then manufacture, market and sell Josab's products on the Chinese market under license. If we come to an agreement, we also discuss investments in Josab from the counterparty, which would give Josab a partner with strong ownership interest, which I only see positive, and at the same time give Josab financial opportunities for faster growth in different areas and regions to grow further.

Ecologically, sustainably, climate-smart are words that are talked about more than ever. Josab has been talking about this for decades in terms of water treatment. Today we have fantastic products and a filter material that meets all these words. We know that we can make a difference, not for everyone, but there are more that have opened our eyes to this very fact, which is exciting. I look forward to 2019 with confidence as CEO of this company.

Expected future prospects

The Group's organization is currently in phase with the company's current operations. Any new projects may require new investments, but are tested on a case-by-case basis. Other expansion is expected to be handled by existing staff, and through agents or licensing partners, for new areas, where Josab is not currently established.

Business models are regularly reviewed to find the right way for the company depending on the conditions that each market allows.

After the end of the financial year, the Board of Directors called off a previous loan promise of SEK 6 million from the company's major owners. The promise was received in connection with repayments of previously received loans of the same amount. After the end of the financial year, the company also received a new loan pledge from Zhu Youngjun, the company's chairman of the board, or his associated company, of USD 1 million, which can be called off if needed for the next 12 months. The Board considers that the continued operation is thus ensured for the company.

Since renegotiation of the outstanding convertible bond has taken place, the Board of Directors considers that the company has great prospects of being debt-free, by converting the loans, in the coming years, which strengthens the company's equity and significantly reduces the company's financial expenses. The Board continuously reviews the company's financial situation and assesses the company's capital and liquidity needs. However, depending on the size and scope of existing, upcoming projects and their development, additional funding may be required, which the Board is currently working on.

The Board is positive for the future and that the company, with ongoing and upcoming projects, will be able to increase sales substantially in the coming years and that the business will thereby become cash flow positive.

Risks

The area of the location of the Hungarian mine is a so called historical site. The administration plan for the universal heritage, publicized by the Hungarian government, which also deals with our mining area, has laid out that current operations may be continued under the condition that the capacity is less than 500 metric tons per day, and that no new mining rights will be established if they will exploit very valuable land in the area. Thus, the board of directors deems the risk minimal that the company will not be able to continue producing Aqualite in the foreseeable future.

The company's environmental permit has been prolonged during the year, and the technical permit during 2018, with validity in 10 year periods. The board foresees no risk of the permits not being renewed, due to the company's growth in the area and the good and uninterrupted contacts with the relevant authorities.

Multi-year review of the company's operations, result and financial position

Group, SEK k

	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>	<i>Dec 31, 2016</i>	<i>Dec 31, 2015</i>	<i>Dec 31, 2014</i>
Net sales	4,005	989	633	1,866	11,802
Operating profit/loss	-16,560	-15,693	-18,815	-16,676	-3,850
Profit/loss after financial items	-19,386	-16,015	-18,770	-16,931	-3,649
Balance sheet total	57,760	84,232	52,240	43,668	58,712
Equity	26,591	45,262	38,665	31,858	50,624
Equity per share, SEK	0,36	0,61	0,68	0,65	1,06
Equity ratio, %	46	54	74	73	86
Average number of employees	22	24	22	18	9

Parent company, SEK k

	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>	<i>Dec 31, 2016</i>	<i>Dec 31, 2015</i>	<i>Dec 31, 2014</i>
Net sales	1,406	74	22	1,749	11,785
Operating profit/loss	-8 609	-10,210	-14,060	-13,082	-3,571
Profit/loss after financial items	-10,760	-9,993	-13,594	-13,035	-4,598
Balance sheet total	60,098	73,575	42 439	29,483	39,771
Equity	32,356	43,111	32,649	21,981	34,458
Equity per share, SEK	0,48	0,58	0,57	0,45	0,72
Equity ratio, %	53,8	58,6	76,9	74,6	86,6
Average number of employees	4	4	6	5	6

Proposed appropriation of profits

The board of directors propose that the funds available for distribution, namely:

	SEK
Share premium reserve	101,682,308
Accumulated profit/loss	-65,284,025
Profit/loss for the year	-10,759,667
Total	25,638,616
be distributed as follows:	,
	,
to be retained in the business	26,638,616
Total	25,638,616

For other aspects of the financial position and performance of the company, please refer to the following consolidated financial statements and financial statements for the parent company as well as the accompanying notes.

Consolidated income statement

<i>SEK k</i>	<i>Note</i>	<i>Jan 1, 2018- Dec 31, 2018</i>	<i>Jan 1, 2017 - Dec 31, 2017</i>
<i>Operating income</i>			
Net sales	3	4 005	989
Other operating income	5	510	302
		4,515	1,291
<i>Operating expenses</i>			
Raw materials and consumables		-2,989	-1,494
Other external costs	7,8	-10,205	-8,306
Personnel costs	6	-6,403	-6,187
Depreciations and amortizations		-1,478	-997
Operating profit/loss		-16,560	-15,693
<i>Result from financial items</i>			
Interest income and similar profit items	9	83	123
Interest expenses and similar items	10	-2,906	-445
Profit/loss after financial items		-19,386	-16,015
Profit/loss before tax		-19,386	-16,015
Taxes	11	629	331
Profit/loss for the year		-18,757	-15,684

Consolidated Balance Sheet

<i>SEK k</i>	<i>Note</i>	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
ASSETS			
Fixed assets			
<i>Intangible assets</i>			
Mining rights in Hungary	12	2,400	2,381
		2,400	2,381
<i>Property, plant and equipment</i>			
Land, open-cut mine in Hungary	13	28,482	27,711
Plant and machinery	14	2,428	3,738
Equipment, tools, fixtures and fittings	15	7,816	5,701
		38,726	37,150
<i>Financial assets</i>			
Other securities held as non-current assets	18	2,021	2,021
Other long-term receivables	19	132	132
		2,153	2,153
Total fixed assets		43,279	41,684
Current assets			
<i>Inventory</i>			
Raw materials and consumables		31	245
Finished products and goods for resale		919	2,432
		950	2,677
<i>Current receivables</i>			
Accounts receivables - trade		148	231
Other receivables		1,924	9,696
Prepaid expenses and accrued income		267	257
		2,339	10,184
Cash and bank	20	11,192	29,687
Total current assets		14,481	42,548
TOTAL ASSETS		57,760	84,232

EQUITY AND LIABILITY

Equity

Share capital		6,718	6,718
Other contributed capital		73,690	73,690
Revaluation reserve		24,493	23,910
Other equity including profit/loss for the year		-78,310	-59,056

Total equity		26,591	45 262
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Provisions

Deferred tax liability	21	298	927
		298	927

Non-current liabilities

Borrowings	22	1,222	24,928
		1,222	24,928

Current liabilities

Current part of borrowings		24,503	3,185
Advance payments from customers		25	24
Accounts payable - trade		821	4,635
Current tax liability		-	10
Other current liability		403	813
Accrued expenses and deferred income	23	3,897	4,448
		29,649	13,115

TOTAL EQUITY AND LIABILITY		57,760	84,232
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Consolidated cash flow statement

SEK k	Note	Dec 31, 2018	Dec 31, 2017
Operating activities			
Profit/loss after financial items		-19,386	-16,015
Adjustments for non-cash items, etc.	27	2,507	1,775
Taxes paid		-168	-151
Cash flow from operating activities before working capital changes		-17 047	-14,391
<i>Cash flow from working capital changes</i>			
Increase (-)/Decrease (+) in inventories		1,727	-589
Increase (-)/Decrease (+) in current receivables		-655	80
Increase (+)/Decrease (-) in current liabilities		-4,786	5,020
Cash flow from operating activities		-20,761	-9,880
Investing activities			
Investments in property, plant and equipment	27	-3,054-	-5,852
Investments in financial assets		-	-132
Cash flow from investing activities		-3,054	-5,984
Financing activities			
New share issue(s), net after issuance expenses		5	19,017
Redemption of debt		-3,185	-3,000
Convertible, borrowing		8,500	16,500
Cash flow from financing activities		5,320	32,517
Cash flow for the year		18,495	16,653
Cash and bank at the beginning of the year		29,687	13,034
Cash and bank at the end of the year		11,192	29,687

Change in consolidated equity

	<i>Share capital</i>	<i>Other contributed capital</i>	<i>Share premium reserve</i>	<i>Other equity incl. profit/loss for the year</i>
Opening balance, Jan 01, 2017	5,684	54,412	22,552	-43,983
Translation differences	-	-	1,027	467
Deferred tax			331	
New share issue, net	1,034	17,839	-	-
Equity part, convertibles		1,439		
Issuance and warrant contracts				144
Profit/loss for the year	-	-	-	-15,684
Equity, 31 Dec, 2017	6,718	73,690	23,910	-59,056
Opening balance, Jan 01, 2018	6,718	73,690	23,910	-59,056
Translation differences	-	-	583	-502
Issuance and warrant contracts	-	-	-	5
Profit/loss for the year	-	-	-	-18,757
Equity, 31 Dec, 2018	6,718	73,690	24,493	-78,310

Parent company - Income statement

<i>SEK k</i>	<i>Note</i>	<i>Jan 1, 2018- Dec 31, 2018</i>	<i>Jan 1, 2017- Dec 31, 2017</i>
Operating income	4		
Net sales	3	1,406	74
Other operating income	5	-	1
		1,406	75
Operating expenses	4		
Raw materials and consumables		-190	-137
Other external costs	7,8	-4,872	-5,162
Personnel costs	6	-4,813	-4,894
Depreciations and amortizations		-140	-88
Operating profit/loss		-8,609	-10,210
Result from financial items			
Interest income and similar profit items	9	742	631
Interest expenses and similar items	10	-2,893	-414
Profit/loss after financial items		-10,760	-9,993
Profit/loss before tax		-10,760	-9,993
Taxes	11	-	-
Profit/loss for the year		-10,760	-9,993

Parent company - Balance Sheet

<i>SEK k</i>	<i>Note</i>	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
ASSETS			
Fixed assets			
<i>Property, plant and equipment</i>			
Equipment, tools, fixtures and fittings	15	326	194
		326	194
<i>Financial assets</i>			
Participation in group companies	16	26,184	11,184
Long-term receivables, group companies	17	29,460	30,057
Other securities held as non-current assets	18	2,021	2,021
Other long-term receivables	19	132	132
		57,797	43,394
Total fixed assets		58,123	43,588
Current assets			
<i>Inventories</i>			
Raw materials and consumables		-	100
		-	100
<i>Current receivables</i>			
Accounts receivables - trade		23	10
Short-term receivables, group companies		242	242
Other receivables		429	8,927
Prepaid expenses and accrued income		262	248
		956	9,427
Cash and bank	20	1,019	20,460
Total current assets		1,975	29,987
TOTAL ASSETS		60,098	73,575

EQUITY AND LIABILITY

Equity

Restricted equity

Share capital		6,718	6,718
		6,718	6,718

Non-restricted equity

Share premium reserve		101,682	101,682
Accumulated profit/loss		-65,284	-55,296
Profit/loss for the year		-10,760	-9,993
		25,638	36,393

Total equity		32,356	43,111
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Non-current liabilities

Borrowings	22	1,222	24,928
		1,222	24,928

Current liabilities

Current part of borrowings		24,503	3,185
Accounts payable - trade		525	563
Current tax liability		-	10
Other current liability		102	124
Accrued expenses and deferred income	23	1,390	1,654
		26,520	5,536

TOTAL EQUITY AND LIABILITY		60,098	73,575
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Parent company - Cash flow statement

<i>SEK k</i>	<i>Note</i>	⁷ <i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
Operating activities			
Profit/loss after financial items		-10,760	-9,993
Adjustments for non-cash items, etc.	27	1,106	384
Taxes paid		-168	-151
Cash flow from operating activities before working capital changes		-9,822	-9,760
<i>Cash flow from working capital changes</i>			
Increase (-)/Decrease (+) in inventories		100	100
Increase (-)/Decrease (+) in current receivables		-30	423
Increase (+)/Decrease (-) in current liabilities		-335	-32
Cash flow from operating activities		-10,087	-9,269
Investing activities			
Investments in property, plant and equipment	27	-	-
Investments in financial assets		-272	-60
		-14,402	-8,830
Cash flow from Investing activities		-14,674	-8,890
Financing activities			
New share issue(s), net after issuance expenses		5	19,016
Redemption of debt		-3,185	-3,000
Convertible, borrowing		8,500	16,500
Cash flow from financing activities		5,320	32,516
Cash flow for the year		19,441	14,357
Cash and bank at the beginning of the year		20,460	6,103
Cash and bank at the end of the year		1,019	20,460

Parent company - change in equity

<i>Restricted equity</i>	<i>Share capital</i>	<i>Share premium reserve</i>	<i>Accumulated profit/loss</i>	<i>Profit/loss for the year</i>
Opening balance, Jan 1, 2017	5,684	82,404	-41,845	-13,594
New share issue, net	1,034	17,839		
Issuance and warrant agreements	-	-	144	-
Equity part convertibles		1,439		
Closing balance of previous year	-	-	-13,595	13,594
Profit/loss for the year	-	-	-	-9,993
Equity, Dec 31, 2017	6,718	101,682	-55,296	-9,993
Opening balance, Jan 1, 2018	6,718	101,682	-55,296	-9,993
Issuance and warrant contracts	-	-	5	-
Closing balance of previous year	-	-	-9,993	9 993
Profit/loss for the year	-	-	-	-10,760
Equity, Dec 31, 2018	6,718	101,682	-65,284	-10,760

Notes

Note 1 Accounting principles and notes to the financial statements

All amounts are in SEK k, unless otherwise stated.

General accounting principles

The annual report has been prepared according to the Annual Accounts Act and the general advice of the Swedish Accounting Standards Board, BFNAR 2012:1 Annual reports and consolidated financial statements (K3). The principles remain the same since last year.

Valuation principles

Assets, provisions and liabilities are recognized at cost, unless stated otherwise below.

Receivables are recognized at the amounts expected to be received.

Exchange rate differences on operating receivables and liabilities are recognized in net operating profit, while exchange differences on financial assets and liabilities are recognized in financial items.

Inventories

Inventories are valued at the lower of cost and net realizable value. Obsolescence risk has been considered. Cost is determined using the first-in first-out principle. The cost includes besides the cost of purchasing expenditure for bringing the goods to their present location and condition.

For semi-manufactured and finished goods consist of direct production costs and indirect costs constitute more than an insignificant portion of the total cost of production. The valuation takes into account normal capacity utilization. Appropriate deduction for obsolescence has been made.

Revenue Recognition

Sales of goods are recognized upon delivery of products to customers, in accordance with the terms of sale. Sales are recognized net of VAT and discounts as well as exchange rate differences on sales in foreign currency.

Revenue from the Kiosk Project in India is reported on an ongoing basis based on Josab's share of actual water sales in the machines, as the parties have an agreed distribution of water revenue. Revenue is recognized in the period in which water sales occur.

Public subsidies

Recognition of subsidies related to fixed assets

Public support by EU subsidies is recognized as pre-paid income and will be allocated systematically over the useful life of the asset.

Intangible assets

Intangible assets acquired by the company are recognized at cost less accumulated depreciation and write-downs. Expenditures for internally generated goodwill and trademarks are recognized as cost in the income statement when incurred. Expenses for extended patents are expensed directly in the period to which they relate.

The mining rights in Hungary are depreciated according to plan based on actual yearly removal.

Tangible fixed assets

Property, plant and equipment are recognized at cost less accumulated depreciation and write-downs increased by write-ups, which are recognized as property, plant and equipment and are depreciated according to the same principles as for cost. The cost of acquisition comprises except for the purchase price also expenditures directly relating to the acquisition.

Additional expenses

Additional expenses that meet the asset criteria are included in the asset's carrying amount. Expenditures for maintenance and repairs are recognized as expenses when incurred.

Depreciation

Property, plant and equipment are depreciated over the expected useful life, taking into account the significant residual value. Depreciation is recognized as an expense in the income statement.

The following depreciation periods apply:

	<i>Group, year Parent company, year</i>	
Property, plant and equipment:		
-Plant and machinery	5	5
-Equipment, tools, fixtures and fittings	5	5

Land, open cut mine in Hungary is depreciated according to plan based on actual yearly removal.

Foreign currency

Receivables and payables in foreign currencies are translated at the closing exchange rate, save for non-current receivables from subsidiaries, which are seen as a long term monetary balances not intended to be regulated and thus as the extension of the investment in subsidiaries. This item has thus not been translated neither as of December 31, 2018 nor December 31, 2017.

The following exchange rates have been used in the translation of the foreign subsidiary's income statement and balance sheet.

Country	Currency	Currency code	Average exchange rate		Closing exchange rate	
			2018	2017	2018	2017
Hungary	100	HUF	3.1800	3.1154	3.2000	3,1741
India	100	INR	12.760	13.125	12.820	12,893
China	1	CNY	1.310	1.263	1.310	1,264

Taxes

Reported income tax includes tax payable or refundable for the current year, adjustments to prior years' taxes, and shares in the taxes of associated companies.

Tax liabilities and assets are valued, as assessed by the company, at the amount payable to or receivable from tax authorities. The assessment is based on tax regulations and tax rates enacted or announced and highly likely to be confirmed. For items recognized in the income statement, the related tax effects are recognized in the income statement. Tax effects of items recognized directly in equity are recognized directly in equity. Current tax assets and liabilities and, correspondingly, deferred tax assets and liabilities have been set off and are recognized as net in the balance sheet, to the extent that a legal off-set right is deemed to exist.

Deferred Tax

Taxes in the income statement consist of current tax and deferred tax. Deferred tax is the tax on taxable income relating to future financial years as a result of past transactions or events.

Deferred tax liabilities are recognized for all taxable temporary differences, except for temporary differences arising from the initial recognition of goodwill. Deferred tax assets are recognized for deductible temporary differences and the possibility of future use of tax loss carryforwards. The valuation is based on how the carrying value of the corresponding asset or liability is expected to be recovered or settled. The amounts are based on the tax rates and tax rules enacted before the balance sheet date and have not been discounted to present value.

In the consolidated balance sheet, untaxed reserves are divided into deferred tax liability and equity.

Employee benefits

Short-term employee benefits consist of salaries, social security contributions, pensions, paid vacation, paid sick leave, health care and bonuses. Short-term benefits are recognized as an expense and a liability when there is a legal or informal obligation to pay compensation.

Employee benefits post-employment

All of the company's plans are classified as defined and recognized as an expense. Unpaid fees are recognized as a liability.

In defined contribution plans, fixed fees are paid to another company, usually an insurance company, and the company no longer has any obligation to the employee when the fee is paid. The size of the employee's retirement benefits depends on the contributions paid and the return on those fees.

Financial assets and liabilities

Financial assets and liabilities are reported in accordance with Chapter 11 (Financial instruments measured on cost basis) of the Swedish Accounting Standards Board 2012 1.

Financial instruments recognized in the balance sheet include securities, accounts receivables and other receivables, short-term investments, trade payables, loan liabilities and derivative instruments. The instruments are recognized in the balance sheet when Josab International becomes party to the instrument's contractual terms.

Financial assets are derecognized when the right to receive cash flows from the instrument has expired or transferred and the group has transferred virtually all risks and benefits associated with ownership.

Financial liabilities are derecognized when liabilities have been fulfilled or otherwise terminated.

Trade receivables and other receivables

Receivables are recognized as current assets with the exception of expiration dates more than 12 months after the balance sheet date, which are classified as non-current assets. Receivables are charged to the amount that is expected to be paid after deduction of individually assessed doubtful receivables.

Participations

Holdings are recognized as participation if in other companies and intended to promote the activities of Josab Water Solutions by creating a lasting relationship with that other company. Holdings are held for the long term. Assets included in the item are reported initially at acquisition value. In subsequent accounting, the shares are valued at acquisition value with an assessment of whether there is a need for impairment.

Other long-term securities

The item consists mainly of equities and a small holding of interest-bearing assets. Holdings are held for the long term. Assets included in the item are reported initially at acquisition value. In subsequent accounting, the shares are valued at acquisition value with an assessment of whether there is a need for impairment. The interest-bearing assets are reported in subsequent accounts at accrued acquisition value using the effective interest method, less any reserves for impairment.

Borrowings and trade payables

Borrowings are initially recognized at acquisition cost less transaction costs (accrued acquisition value). If the reported amount differs from the amount to be repaid at maturity date, the difference is recognized as interest expense over the term of the loan using the instrument's effective interest rate. By this, at the due date, the reported amount and the amount to be repaid correspond.

Short-term trade payables are reported at cost.

Convertible instruments

When issuing convertible debt instruments, the liquidity is divided between the liability component and the equity component. The debt amount has been determined at the fair value of a similar debt that is not entitled to conversion. Direct expenses related to issues have been allocated between the liability component and the equity component based on the relative fair values of each component. After the year in which a convertible debt instrument has been issued, each difference between the debt component and the amount to be paid on maturity has been reported systematically as an additional interest expense.

Equity

Transactions in equity are reported net after subsequent tax effects.

Consolidated financial statements

The consolidated financial statements are prepared using the acquisition method. Under the acquisition method, a company's acquisition of a subsidiary is reported as a transaction in which the parent company indirectly acquires the assets and assumes the liabilities of the subsidiary.

Accounting for business combinations is based on the entity approach. This means that the acquisition analysis is prepared as of the date when the acquirer gains a controlling influence. From that moment, the acquirer and the acquired unit are seen as an accounting unit. The application of the entity approach also leads to all assets (including goodwill) and liabilities as well as revenues and expenses being included in their entirety also for partly owned subsidiaries.

In the acquisition analysis, the fair value, is determined at the acquisition date of acquired identifiable assets and assumed liabilities. From the acquisition date going forward, the acquired company's income and expenses, identifiable assets and liabilities as well as any incurred goodwill or negative goodwill are recognized in the consolidated financial statements.

Intra-group profit

Upon transfer of an asset within the Group, the whole profit or the part of profit accrued to the parent company is eliminated. Intra-group profits are eliminated in the consolidated balance sheet. Change of internal profit during the financial year has been eliminated in the consolidated income statement. Internal profit refers to either a profit on the transfer of an asset within the group or the part accrued to the parent company of such profits, to the extent that the asset has not subsequently been transferred to a purchaser outside the group or have been consumed or its value has been reduced by the company within group that has acquired the asset.

Subsidiaries

Subsidiaries are companies in which the parent company directly or indirectly holds more than 50% of the voting rights or otherwise has a controlling influence. Control is the power to govern the financial and operating policies so as to obtain financial benefits.

Cost of the subsidiary is calculated as the sum of the fair value at the acquisition date of the assets plus arisen and assumed liabilities as well as, expenditures directly attributable to the business combination and any additional purchase price.

Translation of foreign subsidiaries

Foreign subsidiaries are translated into Swedish kronor using the current method. Under the current method, all assets, changes in provisions and other liabilities are translated at the closing rate and all income statement items are translated at the average rate. The resulting translation adjustments are recognized directly against the consolidated equity.

Leasing – lessees

All leases are classified as operating leases.

Operating leases

The lease payments under operating leases, including increased first-time hire but excluding costs for services such as insurance and maintenance are recognized as an expense over the lease period.

Cash Flow Analysis

The indirect method has been applied for the calculation of the cash flow analysis. The indirect method means that the result is adjusted for transactions that do not involve deposits or payments, accrued or prepaid items relating to past or future periods, and for any income and expenses attributable to the cash flow of the investment or financing operations.

Accounting principles of the parent company

Equity

The parent company has equity is divided into restricted and unrestricted equity, in accordance with the divisions stated in the Swedish Annual Accounts Act.

Definitions of key ratios

Equity ratio

Adjusted equity in percentage of the balance sheet total.

Equity per share

Equity divided by number of shares at the end of the financial year, with addition for outstanding, and subscribed, convertibles and options.

Note 2 Accounting estimates

Josab International makes estimates and assumptions concerning the future. The estimates for accounting purposes that result from these will, by definition, seldom equal the related actual results. Accounting estimates that have a significant risk of material adjustments to the carrying values of assets and liabilities within the next year are outlined below.

Land, open-cut mine in Hungary

The group recognizes *Land, open-cut mine in Hungary* a value of SEK 28.5 M in the balance sheet, encompassing the mining deposit composed of mineral Zeolit in Hungary. The mineral is the basis for the company's technology and the foundation of the company's revenue model. The board assess the mine's value in use on a yearly basis or whenever there is an indication that the value in use is less than the book value of the open-cut mine. As a basis for the board's assessment, an independent valuation is carried out yearly and obtained from a local appraisal company. Value in use is estimated using a discounted cash flow method based on the board's projections of future withdrawals, production costs and selling prices. Significant discrepancies between forecasts and actual outcomes, and changes in the discount rate could result in a change in the assessment of the asset's value. Josab Water Solution's assessment is that the mining deposit will generate cash flow in excess of its book value. For further information, please see Note 13.

Subsidiary

Shares and receivables from subsidiaries amount to KSEK 55,644. The Board assesses the fair value of the assets based on expected future returns. The Board of Directors believes that the valuation is reasonable given the current development and potential in several areas, especially the value of the mine in Hungary for increased sales.

Deferred tax assets

Deferred tax assets are reported only to the extent that the Board makes the assessment that the loss carry-forward will only be used against future gains. At the balance sheet date, the group has SEK 118,029 k in unused loss carry-forward. No deferred tax asset has been capitalized for unused loss carry-forward, as the board assesses the possibility of using them in future as uncertain.

Note 3 Net sales per business line and geographical market

	<i>Jan 1, 2018- Dec 31, 2018</i>	<i>Jan 1, 2017- Dec 31, 2017</i>
Group		
<i>Net sales per geographical market</i>		
Asia	1,514	46
Sweden	-	-
Europe, other	2,491	943
	4,005	989
Parent company		
<i>Net sales per geographical market</i>		
Asia	630	-
-Sweden	-	-
Europe, other	776	74
	1,406	74

Note 4 Purchases and sales between subsidiaries and parent company

	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
Purchases in relation to total purchase of goods, %	-	-

Note 5 Other operating income

	<i>Jan 1, 2018- Dec 31, 2018</i>	<i>Jan 1, 2017- Dec 31, 2017</i>
Group		
Received EU subsidy	510	302
Total	510	302
Parent company		
Other	-	-
Total	-	-

Withdrawal of EU subsidies is recognized proportionally and is calculated as the rate of funding of the total investment multiplied by the loss in value of the plant.

Note 6 Employees and Personnel Costs

Average number of employees

	<i>Jan 1, 2018- Dec 31, 2018</i>	<i>Jan 1, 2017- Dec 31, 2017</i>
Parent Company	4	4
Subsidiary	18	20
Group, total	22	24

Salaries, remunerations, social security expenses

	<i>Jan 1, 2018- Dec 31, 2018</i>	<i>Jan 1, 2017- Dec 31, 2017</i>
Parent company		
Board and CEO	1,802	1,643
Other employees	1,317	1,493
Total	3,119	3,136
Social security expenses (of which pension expenses) 1)	1,512 412	1,563 439
Group		
Board and CEO	3,015	2,832
Other employees 3) 22,021	2,018	2,021
Total	5,033	4,853
Social security expenses (of which pension expenses) 2)	1,782 412	1,940 439

1) Of the parent company's pension costs, SEK 284 (previous year 262) k regard the company's management comprising 2 (2) persons. The company's outstanding pension obligations to them amount to SEK 0 (0) k.

2) Of the group's pension costs, SEK 284 (previous year 262) k regard the company's management comprising 2 (2) persons. The group's outstanding pension obligations to them amount to SEK 0 (0) k.

3) Of the labor costs in subsidiaries, a total of SEK 571 (previous year 468) k has been capitalized for the production site and for inventories, or are included in cost of goods sold, in proportion to the work performed.

Remuneration to senior executives

Group 2018

<i>Name</i>	<i>Base salary/ board fee</i>	<i>Invoiced board fee</i>	<i>Pension expenses</i>	<i>Other remuneration</i>	<i>Total</i>
Chairman					
Yongjun Zhu		119			119
Board members					
Jian Wen Cai		119			119
Henry Koskela*	734		115		849
Stefan Östlundh***				981	981
Per-Olof Seeman		119	-	-	119
Managing director/CEO					
Johan Gillgren	1,068	-	170		1,238
Other senior management	1,213		105		1,318
Total	3,015	357	390	981	4,743

* Henry Koskelas basic salary is remuneration for work as group CFO.

** Invoiced fee for Sten Johansson relates mainly to work with the share issue to shareholders in 2017.

*** Invoiced fee for Stefan Östlundh relate to consultancy fee for the development of the company's business in the Asian market.

Except as set out above, no board member or senior manager of Josab nor Josab's auditors has – neither by themselves nor via legal persons or related parties – directly or indirectly partaken in any business transaction with Josab.

Josab has not granted any borrowings to or issued any guarantees for the benefit of any board members, senior managers or auditors of Josab.

Agreement with CEO including severance pay

CEO agreement signed with Johan Gillgren effective February 19, 2016. Monthly salary SEK 90,000 and pension provision amounting to 15% of the payroll expense. Mutual notice period of 3 months, however if the employer terminates the contract, a severance pay of 6 monthly salaries is payable in addition to the salary during the notice period. The current CEO has no bonus agreement.

Note 7 Remuneration to auditors

	<i>Jan 1, 2018- Dec 31, 2018</i>	<i>Jan 1, 2017- Dec 31, 2017</i>
Group		
<i>PricewaterhouseCoopers AB</i>		
Audit engagement, Sweden	312	323
Total	312	323

Josab Water Solutions AB (publ)		26
556549-1114		

Parent company

PricewaterhouseCoopers AB

Audit engagement	312	323
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Total	312	323
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There has been no auditing activity in addition to the audit assignment, tax advice or other services from any of the auditors of the group or parent company.

Note 8 Operational leasing - lessees

	<i>Jan 1, 2018- Dec 31, 2018</i>	<i>Jan 1, 2017- Dec 31, 2017</i>
--	--------------------------------------	--------------------------------------

Group

Assets held in operational leasing

Expensed leasing fees	620	788
-----------------------	-----	-----

Total leasing costs	620	788
---------------------	-----	-----

Contracted minimum lease payments for

Non-revocable contracts, with maturity

Within one year	559	493
-----------------	-----	-----

Between one and five years	205	1,564
----------------------------	-----	-------

	764	2,039
--	-----	-------

Parent company

Assets held in operational leasing

Expensed leasing fees	362	580
-----------------------	-----	-----

Total leasing costs	362	580
---------------------	-----	-----

Contracted minimum lease payments for

Non-revocable contracts, with maturity

Within one year	296	285
-----------------	-----	-----

Between one and five years	148	714
----------------------------	-----	-----

	444	999
--	-----	-----

Note 9 Other interest income and similar profit items

	<i>Jan 1, 2018- Dec 31, 2018</i>	<i>Jan 1, 2017- Dec 31, 2017</i>
--	--------------------------------------	--------------------------------------

Group

Interest income	83	123
-----------------	----	-----

	83	123
--	----	-----

Parent company

Interest income, group companies	740	629
----------------------------------	-----	-----

Interest income, other	2	2
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	742	631
--	-----	-----

Note 10 Interest expenses and similar items

	<i>Jan 1, 2018- Dec 31, 2018</i>	<i>Jan 1, 2017- Dec 31, 2017</i>
Group		
Exchange differences	-11	-58
Interest expenses, other	-2,898	-387
	-2,909	-445
Parent company		
Exchange differences	546	-57
Interest expenses, other	-3,439	-357
	-2,893	-414

Note 11 Taxes

	<i>Jan 1, 2018- Dec 31, 2018</i>	<i>Jan 1, 2017- Dec 31, 2017</i>
Group		
Deferred tax	629	331
	629	331
Parent company		
Current tax	-	-
	-	-

The Group's total losses for tax purposes amounted to SEK 118,029 k, of which for the parent company SEK 95,583 k.

Note Reconciliation, effective tax

	<i>2018</i>	<i>2017</i>
Group		Amount
Profit/loss before tax	-19,386	-16,015
Taxes at tax rate applicable to parent company	4,265	3,523
Tax effect from non-deductible expenses	-202	-75
Tax loss carry-forward, not recognized as asset	-4,063	-3,448
Change in deferred tax rate	629	331
Reported tax expense	629	331
Parent company		Amount
Profit/loss before tax	-10,760	-9,993
Taxes at tax rate applicable to parent company	2,367	2,198
Tax effect from non-deductible expenses	-202	-75
Tax loss carry-forward, not recognized as asset	-2,165	-2,123
Reported tax expense	-	-

Note 12 Mining rights in Hungary
Group

	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
<i>Acquisition value:</i>		
-Opening balance	2,381	2,281
-Translation differences for the year	19	100
Closing balance	2,400	2,381

The group owns by its subsidiary, Josab Hungary KTF, the mining rights for the area "Rátka-Vasút Menti Zeolit" which is a proclaimed mining area in accordance with decision 1880/1991 KBF of Miskolc District Inspectors of Mines. The size of the area is 16 hectares.

Note 13 Land, open-cut mine in Hungary
Group

	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
<i>Acquisition value:</i>		
-Opening balance	2,770	2,663
-Acquisitions	608	-
-Translation differences for the year	41	107
	3,419	2,770
<i>Accumulated depreciations according to plan:</i>		
-Opening balance	-219	-185
-This year's depreciation according to plan	-63	-29
-Translation differences for the year	-22	-5
	-304	-219
<i>Accumulated appreciations</i>		
-Opening balance	25,160	24,171
- Out-takes for the year	-	-63
-Translation differences for the year	207	1,052
	25,367	25,160
Closing balance	28,482	27,711

The Board has determined that a write-up up to 2014 is warranted, as the value is considered reliable and lasting. Provisions for deferred tax have been based on the revaluation less any tax losses of the subsidiary at the current tax rate.

Note 14 Plant and machinery

Group	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
<i>Acquisition value:</i>		
-Opening balance	5,983	5,340
-Purchases	15	523
-Translation differences for the year	-464	120
	5,534	5,983
<i>Accumulated depreciations according to plan:</i>		
-Opening balance	-2,245	-1,446
-This year's depreciation according to plan	-726	-799
	-135	-2,245
Closing balance	2,428	3,738
<i>Machinery held under financial leasing agreements are comprised at the following amount</i>	<i>None</i>	<i>None</i>

Note 15 Equipment, tools, fixtures and fittings

Group	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
<i>Acquisition value:</i>		
-Opening balance	6,901	1,412
-Purchases	2,784	5,487
-Translation differences for the year	22	2
	9,707	6,901
<i>Accumulated depreciations according to plan:</i>		
-Opening balance	-1,200	-1,002
-This year's depreciation according to plan	-691	-198
	-1,891	-1,200
Closing balance	7,816	5,701
<i>Equipment held under financial leasing agreements are comprised at the following amount</i>	<i>None</i>	<i>None</i>
Parent company		
<i>Acquisition value:</i>		
-Opening balance	1,227	1,167
- Purchases	272	60
	1,499	1,227
<i>Accumulated depreciations according to plan:</i>		
-Opening balance	-1,033	-945
-This year's depreciation according to plan	-140	-88
	-1,173	-1,033
Closing balance	326	194
<i>Machinery held under financial leasing agreements are comprised at the following amount</i>	<i>None</i>	<i>None</i>

Note 16 Participation in group companies

	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
<i>Acquisition value:</i>		
-Opening balance	11,396	11,396
-Acquisition	-15,000	-
-Closing balance	26,396	11,396
 <i>Accumulated write-downs</i>		
-Opening balance	-212	-212
Closing balance	-212	-212
Carrying amount	26,184	11,184

The SEK 15,000 contribution relates to increased share capital in Josab's subsidiary in India.

Specification of participation in group companies

The percentage of shares held is accounted for, which also reflects the share of votes for the total number of shares.

<i>Subsidiary/ Corp. id./Seat</i>	<i>Capital share, %</i>	<i>Equity</i>	<i>Result</i>	<i>Book value</i>
Josab Hungary Kft., 01-09-984850, Budapest	100	2,620	-6,375	1,619
Josab India PVT Ltd, U41000PN2012FT, C 145589 Pune	100	17,662	-1,721	23,120
JOSINT Financial Services AB, 556975-8187, Stockholm	100	46	-1	50
Josab China	100	142	29	1,395

Note 17 Receivables from group companies

	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
<i>Acquisition value:</i>		
-Opening balance	30,057	21,359
-Incoming accounts	-598	8,698
Closing balance	29,459	30,057

Note 18 Other long-term securities

	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
Group		
<i>Acquisition value</i>		
-Opening balance	2,021	2,021
-Incoming assets	-	-
Closing balance	2,021	2,021
Parent company		
<i>Acquisition value</i>		
-Opening balance	2,021	2,021
-Incoming assets	-	-
Closing balance	2,021	2,021

Not 19 Other long-term receivables

	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
Group		
<i>Acquisition value</i>		
-Opening balance	132	-
-Incoming receivables	-	132
Closing balance	132	132
Parent company		
<i>Acquisition value</i>		
-Opening balance	132	-
-Incoming receivables	-	132
Closing balance	132	132

Note 20 Cash and bank

	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
Group		
Guarantee for company card/lease, blocked bank account	-	100
Parent company		
Guarantee for company card/lease, blocked bank account	-	100

Note 21 Deferred tax liability

Dec 31, 2018 Dec 31, 2017

Group		
Write-up, land, open-cut mine in Hungary	25,429	25,224
Loss carry forward	-22,446	-15,948
Basis	2,983	9,276
Deferred tax 10%	298	927

Please also see note 13.

10% is the applicable Hungarian tax rate.

At the balance sheet date, the group has SEK 118,029 k in unused loss carry-forward. SEK 95,583 k has not been capitalized for unused loss carry-forward, as the board assesses the possibility of using them in future as uncertain.

Deferred tax liabilities attributable to temporary differences have only been reported to the extent that they are considered to be payable in the future.

Note 22 Non-current liabilities

Dec 31, 2018 Dec 31, 2017

Group		
Amount, by which the liability item is expected to be paid later than 12 months from the balance sheet date	1,222	24,928
Amount, by which the liability item is expected to be paid later than 5 years from the balance sheet date	-	-
Parent company		
Amount, by which the liability item is expected to be paid later than 12 months from the balance sheet date	1,222	24,928
Amount, by which the liability item is expected to be paid later than 5 years from the balance sheet date	-	-

Convertible bonds

Josab Water Solutions AB has 5,000,000 outstanding convertible bonds at a nominal amount of SEK 5 per convertible. The nominal amount of the bonds total SEK 25,000,000. The convertibles were issued in conjunction with a resolution at the Extraordinary General Meeting on December 15, 2017, and expire June 30, 2019. The annual interest rate amounts to 10% and is paid quarterly.

From the date of registration until 30 June, convertible holders are entitled to call for conversion into new shares, each convertible entitling its holder to one (1) share at a conversion rate of SEK 5 per share.

If the price of Josab Water Solutions AB's share, measured as the volume weighted average price for 20 trading days according to Spotlight Stockmarket's official price list, amounts to at least SEK ten (10), the Company shall be entitled by June 30, 2019 call for conversion at a conversion rate of SEK five (5) per share.

In the table above, the convertible loan is reported at its fair value of SEK 24,503 k. The difference between the fair value of the loan and its nominal value at the acquisition date is reported in other capital.

Note 23 Accrued expenses and deferred income

Dec 31, 2018 Dec 31, 2017

Group

Accrued vacation pay	709	632
Accrued social charges	302	273
Pre-paid EU subsidies	2,362	2,916
Other accrued expenses	524	927
	3,897	4,448

Parent company

Accrued vacation pay	709	632
Accrued social charges	302	273
Other accrued expenses	379	749
	1,390	1,654

Note 24 Consolidated pledged assets and contingent liabilities

Pledged assets

Dec 31, 2018 Dec 31, 2017

<i>Pledged assets for own liability and provisions</i>	None	None
<i>Other collaterals provided and pledged assets</i>		
Guarantee for company card/lease, blocked bank account	132	232
	132	232

All issued floating charges are now in the company's custody.

Note 25 Pledged assets and contingent liabilities – parent company

Pledged assets

Dec 31, 2018 Dec 31, 2017

<i>Pledged assets for own liability and provisions</i>	None	None
<i>Other collaterals provided and pledged assets</i>		
Guarantee for company card/lease, blocked bank account	132	232
	132	232

All issued floating charges are now in the company's custody.

Note 26 Supplementary disclosures to the cash-flow statement

	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
Adjustment for non-cash items etc.		
<i>Group</i>		
Depreciations and amortizations	1,478	997
Write-down, inventory	1,773	100
Unrealized exchange rate differences	-1,541	441
Provisions, doubtful receivables	-	92
Interest, equity, convertible bond	797	145
	2,507	1,775
	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
<i>Parent company</i>		
Depreciations and amortizations	140	88
Write-downs, inventory	100	100
Provisions, doubtful receivables	-	92
Interest, equity, convertible bond	797	145
Unrealized translation differences	69	-41
	1,106	384
	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
Investment activities		
<i>Group</i>		
Changes in property, plant and equipment	-3,054	-5,852
Acquisitions	-	-
Depositions	-	-132
Cash-flow from investment activities	-3,054	-5,984
	<i>Dec 31, 2018</i>	<i>Dec 31, 2017</i>
<i>Parent company</i>		
Investment, subsidiaries	-272	-60
Acquisitions	-15,000	-5,000
Intra-group borrowings	598	-3,698
Depositions	-	-132
Cash-flow from investment activities	-8,830	-8,890

Note 27 Significant events after the end of the financial year

Josab has changed SAFB's agent agreement to include 10 African countries instead of 53 countries. This has been done to create greater freedom to find new agents for these markets.

Josab has been licensed in Hungary, and through harmonization with EU regulations, permits and approves those in the other EU for the advanced arsenic purification technology. The approval and licensing is based on the tests conducted in Serbia in 2018.

Josab has received approval of performed technology tests in China. The tests were conducted in collaboration with Beijing Win Fortune Technology Co., Ltd., and Green Global Development Capital China Co. Ltd., which in collaboration with the Rural Drinking Water safety Center of the Chinese Ministry of Water Resources conducted tests of Josab's materials and technology. After the test, Josab received a formal request from Beijing Win Fortune Technology Co., Ltd. to negotiate an exclusive licensing agreement for the Chinese market. The parties have written a letter of intent, an MoU, which stipulates the main points to be dealt with in order to reach an agreement. The exclusive licensing agreement with the supply of Aqualite™ is a key point, and in addition, the counterparty wants to make a greater investment in Josab, which requires that we reach a commercial licensing agreement to become valid. The investment would initially, at the time of signing the contract, be made with SEK 14 million for 7 million shares, and up to an additional SEK 216 million for up to 26 million shares over a three-year period, on three option programs. The price in the option programs would be between SEK 6 and 10 per share. The price of the first investment reflects the price of the share at the beginning of the negotiations. During the time period, and during a period ahead, further tests will be conducted to verify the potential of the technology in several areas, and to illustrate the potential for the final negotiations of the licensing agreement. The parties agree that all negotiations will be completed by July 31, 2019, and that Josab is not entitled to negotiate a commercial licensing agreement with another party for the Chinese market.

Josab has signed a new test agreement with Chengdu Xinshengde Technology Co. Ltd., for testing of Josab's water purification technology. Tests are carried out to verify the capacity for purification of iron, manganese and ammonium-containing water.

Josab's tender in Ethiopia, Addis Ababa, has been approved for the technical evaluation, as the only participating company. Josab is now on to the financial evaluation. The project concerns 5 boreholes in the capital.

Josab has divested its entire holding in the technology company Chromaforma AB, 14,132 shares, for a purchase price of SEK 3,126,705, which gave rise to a capital gain of SEK 1,105,829.

Josab has received a loan pledge of \$ 1 million from Zhu Youngjun, the company's chairman, or his related company, which can be called off if needed for the next 12 months.

Josab has negotiated with the owners of the convertible loan of SEK 25 million which is due for payment in 2019-06-30, and has reached an extension of the loan by 12 months to 30 June 2020. The interest rate continues with 10% on an annual basis with quarterly payment, and the conversion rate changes to SEK 3.50 per share

Signatures

Stockholm June 7, 2019

Zhu Yongjun
Chairman

Johan Gillgren
CEO/Managing director

Cai Jian Wen

Henry Koskela

Stefan Östlundh

Per-Olof Seeman

Our auditor's report has been submitted on June
7, 2019

PricewaterhouseCoopers AB

Pricewaterhouse Coopers AB

Victor Lindhall
Authorized public accountant

Henrik Boman
Authorized public accountant

Adoption certificate

The undersigned director of Josab Water Solutions AB (publ) certifies that this copy of the annual report for the financial year 2018 is consistent with the original and that the income statement and balance sheet as well as the consolidated income statement and balance sheet were adopted at the Annual General Meeting on this day. The AGM also decided to approve the Board's proposal for profit appropriation of the parent company.

Stockholm June 28, 2019

Johan Gillgren