

Interim report

1 January – 30 September 2020

Josab Water Solutions AB (publ), Swedish corp. id no 556549-1114

1 January – 30 September 2020

- After permission, Josab Ungern has completed the water treatment plant in Hajdódorog.
- Josab has appointed a new CEO in May and changed the board at the AGM in July.
- JV registered in China, Josab International Ecological Technology (Beijing) Co., Ltd.
- Directed issue of SEK 16 million carried out to a group of investors.
- Convertible loan of SEK 3.7 million extended, after set-off of SEK 2.3 million in issue, to better interest terms.
- Josab Hungary received a strategic Aqualite™ order in a new business area.
- Josab launches new joint venture in Hungary and signs a Term Sheet on acquisitions of company in China.
- Net sales for the Group amounted to SEK 869,000, of which SEK 195,000 in Q3.
- Profit after tax for the Group amounted to SEK -10,373 thousand, of which SEK -3,533 thousand in Q3.

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 three wholly-owned subsidiaries, Josab Hungary Kft, Josab India Pvt 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 the 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 down to a size of 1 micron, to be compared with the 25-50 micron for traditional sand and carbon filters. Since 2006, Josab International owns, by way of its wholly-owned subsidiary, the mineral rights to the mining deposit Ratka Mines in Hungary.

Since 15 February 2012, the area where the mine is located is a so-called historic site. The World Heritage Management Plan, published by the Hungarian Government, which also concerns our mining area, has determined that existing activities can continue to be carried out provided that the capacity is below 500 tonnes/day and new mining rights will not be granted that exploit very valuable land in the area.

The water purification systems are installed mainly in containers, or built up in site, 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 Stock Market.

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NET SALES Q3

Net sales in the Group, during Q3, amounted to TSEK 195 (previous year TSEK 1,349), and during the first nine months of the year to TSEK 869,000 (previous year TSEK 2,316). Revenues are attributable to material sales in Hungary. Last year, sales of machinery in China were included in the turnover figure.

Net sales in the Parent Company, during Q3, amounted to TSEK 0 (previous year SEK 0), and during the first nine months of the year to TSEK 628, (previous year TSEK 262).

Other operating income in the Group pertains to accrued EU support for machine investment and the production facility in Hungary.

OPERATING EXPENSES

The Group's operating expenses during Q3 amounted to TSEK 3,614 (previous year TSEK 5,211), and during the first 9 months of the year to TSEK 10,754 (previous year TSEK 14,426). Costs during Q3 relate to raw materials and materials TSEK 294 (9 months TSEK 744), other external costs TSEK 1,769 (9 months TSEK 4,920), personnel costs TSEK 1,308 (9 months TSEK 4,306) and depreciation TSEK 245, (9 months TSEK 784).

Total costs in the Group decreased by 32% from last year, which is slightly below budget.

The parent company's operating expenses during the first 9 months of the year amounted to TSEK 6,478 (previous year TSEK 8,070), and are slightly below budget and mainly pertain to lower travel and consulting costs compared with last year.

RESULTS

Operating result for the Group during Q3 amounted to TSEK -3,453 (previous year TSEK -3,618), and for 9 months to TSEK -9,706 (previous year TSEK -11,374). Result after financial items amounted to TSEK -10,373, (previous year TSEK -12,350), for 9 months.

The operating result for the parent company for 9 months amounts to TSEK -5,850 (previous year TSEK -7,807). Result after financial items TSEK -6,524 (previous year TSEK -8,926).

CASH FLOW AND FINANCIAL POSITION

During the first 9 months of the year, cash flow from operating activities in the Group was TSEK -11,498, from investment activities TSEK -23, and from financing operations TSEK +6,913. The total cash flow for the period was TSEK -4,608. Liquid funds at the end of the period amounted to TSEK 13,146 in the Group. The Board continuously reviews the company's financial situation based on ongoing and planned projects.

During the first 9 months of the year, cash flow from operating activities in the Group was TSEK -8,829, from investing operations SEK 0, and from financing operations SEK 10,290. The period's total cash flow was TSEK 1,517. Cash and cash equivalents at the end of the period amounted to TSEK 11,874 in the Group.

The board continuously reviews the company's financial situation based on ongoing and planned projects.

INVESTMENTS

Investments in tangible fixed assets during 9 months amount to SEK 0. No major investments are planned for the last quarter of 2020.

FUTURE PROSPECTS

With ongoing projects, discussions and collaborations, we have a positive view of the future, and any adaptations of our own organization take place based on identified needs.

With the current business situation, the Board is confident of being able to increase sales sharply in the coming year.

The Board's forecast remains that operating profit for 2020 will improve sharply compared with 2019.

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SIGNIFICANT EVENTS DURING THE REPORT PERIOD

Pandemic Covid-19 has, of course, affected all of the company's operations during most of this reporting period.

In the autumn of 2019, Josab Hungary received an order to upgrade the water treatment plant in the city of Hajdúrodog, with an order value of approximately 65,000 Euros. The facility, which supplies about 10,000 residents with drinking water, has been installed and is now in use.

Josab appointed Henry Koskela as acting CEO, after Johan Gillgren left the company, from 1 May 2020.

The conversion of Josab's Chinese subsidiary into a JV, and obtaining a Business License, is now registered.

Josab carried out a directed issue to a group of investors of 8,000,000 shares, which provided Josab with SEK 12 million in cash, and reduced the company's liabilities by a total of SEK 4 million, without any significant issue costs.

After a set-off of SEK 2.3 million in the issue above, a convertible loan of SEK 6 million from VIMAB Holding AB has been extended with the remaining loan amount, SEK 3.7 million, until 30 June 2021, with improved interest terms, 9% (13%). The conversion price of the loan is SEK 2 per share. VIMAB Holding AB is Josab's single largest shareholder.

Josab Hungary received a strategic order for 8 tons of Aqualite™ for a treatment plant in the city of Szentes. The plant was built with EU funding, whether technology or materials could be changed in 5 years, and uses a competing zeolite in the purification process, Turbidex. Josab's Aqualite™ has a different composition of minerals which has been shown to be harder and provide better purification properties in tests performed. In its own research, Josab has estimated that there are about 5,000 tons of Turbidex in water treatment plants around Hungary.

At Josab's Annual General Meeting, 2 members, Henry Koskela and Cai Jianwen, were re-elected, while 4 members left the Board. 3 new members were elected, Klaus Kalb, also Chairman of the Board, Peter Fredell, CEO of Josab's single largest owner VIMAB Holding AB and Wilfrid Balmer, zeolite and materials expert and previously external CTO of Josab.

Josab Hungary signed an LOI with a Hungarian partner on building a sales organization, and in the future a production facility, for environmental products, including Josab's water treatment plants. Other environmental products are planned to be added to the company's operations after negotiations with suitable partners.

Josab has signed a Term Sheet regarding a potential acquisition of 100% of the shares in Clear Industry Co. Ltd. The company is a holding company based in Hong Kong and has 3 subsidiaries, of which 2 are operating, in China. Clear Industry primarily conducts operations in the design and implementation of process plants, EPC stores in the kitchen waste industry, "Kitchen Waste", and in the area of industrial wastewater, both in terms of hardware and software.

SIGNIFICANT EVENTS AFTER THE REPORT PERIOD

The registration of a new JV company in Hungary has begun with a new partner, EUROTRADE Kft., following a previously intended partner's illness. The plans are still the same, to build a powerful sales organization for products in the environmental field. Josab will own 51% of the new company.

Josab has received additional orders for Aqualite™ for new areas of use, including 6 tons for a military warehouse and logistics center where a water treatment unit is being built to protect groundwater from contamination. The order value amounted to approximately SEK 60,000.

Josab has signed a distribution agreement with LightAir AB regarding products in air purification. The company has two technologies, IonFlow and CellFlow, both of which are included in the agreement. Both technologies are based on the ionization of particles in indoor air, and the collection of the particles to create a better air quality and in the long run better health for people living in these environments. The products cover everything from households to large industrial and warehouse buildings. Initially, Josab started operations in the subsidiary in Hungary to later transfer operations to the new JV company described above.

Josab has received the first order for Aqualite™, based on the license agreement with the JV company in China, and the order covers 60 tons. The agreed price is 1,700 Euro per ton, as well as a license fee of 300 Euro per ton, which gives Josab a total income of 120,000 Euro, and is recognized as income in the fourth quarter.

Josab India has received an order for 15 water kiosks with an order value of approximately SEK 800,000, from the Government of Jammu & Kashmir, Srinagar Smart City. Delivery and installation begin immediately.

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FURTHER PUBLICATION DATES

- Press Release for 2020, Feb 26, 2021

Josab Water Solutions AB (publ)
Stockholm, November 27, 2020

For the board of directors

Henry Koskela
CEO

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This interim report has not been subject to review by the company's auditors.

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JOSAB'S ACTIVITIES

Josab Water Solutions manufactures and sells products, solutions and services, for organic water treatment. With the filtermaterial Aqualite™ large amounts of water can be purified ecologically and at low cost, which contributes to long-term sustainability.

Josab is a global player in water treatment. We deliver sustainable products, clean technology and also contribute knowledge about how water can be purified in an ecological and sustainable manner. Josab's ecological technology provides pure water worldwide. In this way, we increase the conditions for reaching human and equal living conditions and creating a cleaner world.

Pure water is a scarce commodity in the world. 2.1 billion people today live without access to clean water, although it is considered a human right according to the UN.

VISION & BUSINESS CONCEPT

Is becoming a leading and global developer in organic water purification, by being a supplier of sustainable products and clean technology. Offer products, solutions and services for ecological and sustainable water treatment. The base is the own filtermaterial Aqualite™.

STRATEGY

To clean contaminated water for drinking water, which meets the customers' demands for purification and WHO standard is Josab's main activity. Priority will be given to market initiatives to take orders, where josab's products form a permanent part of the regular water supply and specifically the drinking water supply infrastructure. The market for products that support the infrastructure for drinking water supply is large, growing and profitable. Customers are recurring and the contracts are significant.

CUSTOMERS

Josab's customers are mainly states, authorities and larger organizations.

PRODUCTS

The essence of Josab's products is a purification process, which is based on a pressurized filter with Aqualite™, combined with a UV light.

Aqualite™ provides efficient cleaning without mixing chemicals. At that location at the Ratka mine, the mineral has a specific and more porous surface in the range of 200-500 M³/g. This means that Aqualite™ filters out particles larger than 1 micron. Parasites and bacteria are reduced by 90-98 percent, we add a UV filter which gives drinking water completely free of bacteria, viruses and parasites, including pathogens such as Giardia and Cryptosporidium, which is resistant to chlorine and can withstand many forms of UV irradiation.

Standard products are built on a fixed platform, usually a container, and adapted for predetermined pressures and flows. The standard products were originally designed to suit the market for disaster relief in order to clean water and to function in vulnerable environments. The standard units are supplied in different cleaning capacities. The smallest water purification unit cleans 5m³ per day and the largest unit cleans 3000m³ per day.

We also have customized products. Every cleaning need and situation provides different opportunities and challenges, which is part of our everyday life. When we embark on a mission, we are accustomed to adapting our solutions to each and every situation and environment.

Over the years, we have found new uses for Josab's purification technology with Aqualite™ in terms of water purification. Finding new uses for our products is part of our business model. Therefore, our ecological solutions can be used in everything from bathhouses to cleaning in animal husbandry.

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CEO'S WORD

Another quartet has come to an end with difficult times for everyone, both for companies and individuals, due to the pandemic. Time has passed quickly and we have worked hard to achieve our goals and do the right things strategically for the future.

Josab got a largely new board at the AGM, with new faces, which gives a new dynamic to the board, and today we have a more structured work in the board with clearer guidelines, and a strategic thinking about the company's future.

In Hungary, the plant in Hajdódodog was commissioned during the period and a number of other similar plants have been contacted for presentation of our solution.

We have also received some orders for Aqualite™ both for projects in water purification but also from other areas that use zeolites in any application. This is the fruit of a strategic effort to find other areas where the material can be used other than in own units.

We have also invested in a machine that can make so-called micronized Aqualite™, which gives very small fractions for special purposes, down to 10 microns. Areas of use for this material have been evaluated and processing by potential customers and partners is ongoing. Areas of interest are the construction, site, chemical and wine industries.

I want to be clear that our zeolite, Aqualite™, has special and good properties for purification to drinking water, but that zeolites are used in many other contexts and applications. However, price competition in many areas is very fierce as there are many different zeolites on the market. With our material and its properties, we can keep a high price when the material is used in water purification, in a refined product that bears this cost, both in our own business but also in others.

In other areas such as land improvements, golf courses or in desalination materials for winter roads, not all of these properties are needed, which means that we compete with cheap materials. These markets are thus interesting because of the volumes and not for the price per ton.

In Hungary, we have the registration of a new JV company underway where Josab will own 51%, and our partner EUROTRADE Kft. the remaining 49%. The aim is to create a powerful sales organization, both for water purification units and air purification units, for the Hungarian market, and other neighboring countries. The environmental profile is in focus for the collaboration.

The air purification is based on a distribution agreement with LightAir AB, which was signed a few weeks ago, where LightAir's two technologies, AirFlow and CellFlow, are relevant in the collaboration.

We see great potential in this area, not least with the pandemic's impact on people's awareness, and based on this we can build an environmental concept for better public health that includes both clean water and clean indoor air. The first order of goods has been made and delivery is made to our existing facility in Hungary. Processing of the Hungarian market has already begun.

India may be the country we operate in that has been hit hardest by the pandemic, but we have still managed to obtain a new order for 15 water kiosks based on our technology with Aqualite™ through our Indian subsidiary. The entire project is handled via the subsidiary until completion.

We have previously written about the new rules that have been introduced that prohibit the use of (RO), at TDS levels below 500, a membrane technology that uses large amounts of energy and clean water in the purification process. To this day, this technology has been by far the dominant one in India in terms of water kiosks. During the pandemic, we have worked to market our technology on new projects, but also as OEM suppliers to other companies in this sector with our own projects, as India is large and so is the market. We look with great confidence in this market, but also in others that pertain to drinking water with RO, and hope that the regulation gives us a strong boost for our environmentally friendly technology.

In the African market, we worked mainly through agents, and in previously announced procurement in Ethiopia, Josab has been the only company accepted for the economic evaluation. The matter has since become entrenched in the bureaucracy, we continue to monitor developments, and the reason given is a lack of foreign currency as the own currency is not exchangeable. New tests have recently been carried out in other regions of Ethiopia, via our agent SAFAB, with good results, and we will return to the development of this when there is something to report.

We have also recently signed a new cooperation agreement with the water authority in Burkina Faso, ONEA, and through this becomes an approved partner in the water treatment area in the country. The country has a large mining industry that provides major drinking water concerns for villages in rural areas close to the mines, even when moving villages, where we see great potential to be able to help via our portable treatment units. The work via these contacts is in progress in this now.

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In China, we have received the first order for Aqualite™ from our partly owned JV in Beijing, which will be used primarily in water treatment units. Construction of units for JV's operations will primarily take place in China.

During the pandemic, we have also conducted our own technology tests on heavily manganese-containing water in Hungary. We will conduct a verification test in the area of Beijing as soon as possible together with the Rural Drinking Water Safety Center of the Chinese Ministry of Water Resources. The demand for competitive solutions in this problem area is great, both in terms of technical solution and price picture, and we see great potential for our ecological Aqualite™ solution in this area.

The goal is to verify the technology in Beijing, together with the Center, and thus broaden the potential for Aqualite™ technology and create conditions for cheap solutions for Josab's technology, which is in great demand in China. The authority invests huge amounts of money in rural infrastructure to reduce migration to cities, where clean water is a very important part of this investment.

As previously announced, we are looking at an acquisition of Clear Industry Ltd, in China. We are still in this process after a completed legal and financial DD process. The deal is of course big for Josab and requires time and effort to get through in many areas, and we will return soon with a clearer picture update of this.

In summary, I think that Josab today is on the right track, activity is increasing in all our companies, more interesting partners are involved and new product areas are processed and implemented.

Some orders have landed, in different countries, and in different business areas which is why the work continues in a positive spirit in the fourth and last quarter of the year.

The pandemic is still ongoing, which both complicates and delays certain steps in the work, but we take all steps we can to develop all parts of the group and broaden our business.

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Accounting principles

This report has been prepared in accordance with the Annual Accounts Act and the Board of Director's General Advice BNFAR 2012:1 Annual Report and Consolidated Financial Statements (K3). The accounting principles remain the same as last year.

Consolidated income statement, summarized

Amounts in SEK k.	Jan. 1, 20 Sep. 30, 20	Jan. 1, 19 Sep 30, 19	Jan. 1, 19 Dec. 31, 19
Net sales	869	2 316	2 765
Other operating income	179	736	1 325
Operating expenses	-10 754	-14 426	-27 460
Operating profit/loss	-9 706	-11 373	-23 370
Result from financial items	-667	-976	-1 314
Profit/loss after financial items	-10 373	-12 350	-24 684
Taxes for the reporting period	-	-	298
Profit/loss for the reporting period	-10 373	-12 350	-24 386
Earnings per share (SEK)	-0,12	-0,16	-0,32
Number of shares at the end of reporting period	84 322 629	76 322 629	76 322 629
Earnings per share including options	-0,12	-0,16	-0,31
	86 172 629	77 822 629	77 822 629

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Consolidated balance sheet, summarized

Amounts in SEK k.	Sept 30, 2020	Sept 30, 2019	Dec 31, 2019
ASSETS			
Intangible assets	2,166	2,400	2,361
Property, plant and equipment	27,308	39,437	31,548
Financial assets	132	132	132
Inventories	2,829	771	2,790
Short-term receivables	3,838	6,429	4,415
Cash and cash balances	11,874	14,769	10,357
Total assets	48,157	62,315	51,603
EQUITY AND LIABILITIES			
Equity	37,709	49,601	35,418
Long-term liabilities	1,222	1,521	1,222
Short-term liabilities	9,226	11,193	14,693
Total equity and liabilities	48,157	62,315	51,603
CHANGE IN EQUITY			
Equity brought forward	35,418	26,593	26,593
New share issue	800	1,021	914
Not yet registered share capital	-	-	-
Share premium fund	14,755	32,306	32,331
Option agreement	-	-149	-149
Translation difference	-	-	-
Exchange rate difference, revaluation reserve	-2,891	2,180	115
Profit/loss for the reporting period	-10,373	-12,350	-24,386
Equity carried forward	37,709	49,601	35,418

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Parent company income statement, summarized

Amounts in SEK k.	Jan 1, 20 Sep 30, 20	Jan 1, 19 Sep 30, 19	Jan 1, 19 Dec 31, 19
Net sales	628	262	1 312
Other operating income	-	-	-
Operating expenses	-6 478	-8 070	-11 624
Operating profit/loss	-5 850	-7 807	-10 312
Result from financial items	-674	-1 118	-13 288
Profit/loss after financial items	-6 524	-8 926	-23 600
Taxes for the reporting period	-	-	-
Profit/loss for the reporting period	-6 524	-8 926	-23 600
Earnings per share (SEK)	-0,08	-0,12	-0,31
Number of shares at the end of reporting period	84 322 629	76 322 629	76 322 629

Parent company balance sheet, summarized

Amounts in SEK k.	Sept 30, 2020	Sept 30, 2019	Dec 31, 2019
ASSETS			
Intangible assets	-	-	-
Property, plant and equipment	177	253	228
Financial assets	52 402	59 905	50 668
Inventories	343	-	-
Short-term receivables	1 365	861	1 134
Cash and cash balances	4 428	5 353	2 474
Total assets	58 715	66 372	54 704
EQUITY AND LIABILITIES			
Equity	51 033	56 608	42 002
Long-term liabilities	1 222	1 222	1 222
Short-term liabilities	6 460	8 542	11 480
Total equity and liabilities	58 715	66 372	54 704
CHANGE IN EQUITY			
Equity brought forward	42 002	32 356	32 357
New share issue	800	1 021	914
Equity part konvertibel	-	-	-
Share premium fund	14 755	32 306	32 480
Option agreement	-	-149	-149
Profit/loss for the reporting period	-6 524	-8 926	-23 600
Equity carried forward	51 033	56 608	42 002