

Year-end report 2020

Josab Water Solutions AB (publ), org nr 556549-1114

1 januari - 31 december 2020

- Joint Venture registered in China, Josab (Beijing) Ecological Water treatment systems Co., Ltd.
- New CEO appointed in May, and 3 new members elected to the Board at the company's Annual General Meeting.
- Private placement of SEK 16 million carried out to a group of investors, set-off loan SEK 4.0 million.
- Convertible loan extended by SEK 3.7 million, after set-off in issue by SEK 2.3 million, improved interest rate.
- Josab Hungary has received orders for Aqualite™ in new business areas, agriculture, roads and land.
- Joint Venture in Hungary with new partner.
- Term Sheet for evaluation and possible acquisition of companies in China.
- Josab will be a reseller of air purification equipment by agreement with LightAir, starting in Hungary.
- First sale of Aqualite™ to JV in Beijing based on license agreement between the parties, SEK 1.2 million.
- Josab India received an order for water kiosks from an authority in Kashmir, SEK 0.8 million.
- The Group's result during Q4 2020, SEK -2,912 thousand, previous year -12,036 SEK thousand.
- Result in 2020 after tax for the Group amounted to SEK -13,285 thousand, previous year SEK -24,386 thousand.

OM JOSAB WATER SOLUTIONS AB

Josab Water Solution AB is an innovative company, specializing in water purification systems based primarily on its own filter material Aqualite™. 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.

FINANCIAL DEVELOPMENT

SALES AND RESULT FOR THE PERIOD

Net sales during the year amounted to TSEK 2,521 (previous year TSEK 2,765) for the Group, and TSEK 1,799 (previous year TSEK 1,312) for the Parent Company. Result after tax was TSEK -13,285 (previous year TSEK -24,386) for the Group, TSEK -8,357 (previous year TSEK -23,600) for the Parent Company. Of the parent company's revenues refer to TSEK 625 (previous year TSEK 1,060) group invoicing, which has been eliminated according to group.

Other operating income pertains to EU support for the production facility and research projects in Hungary.

OPERATING EXPENSES

Operating expenses during the year amounted to TSEK 15,953 (previously TSEK 27,460) for the Group, and TSEK 10,203 (previously TSEK 11,624) for the Parent Company. The Group's costs during the year relate to raw materials and materials TSEK 1,848 (previous year TSEK 2,471), other external costs TSEK 7,216 (previous year TSEK 9,501), personnel costs TSEK 5,801 (previous year TSEK 7,723) and depreciation TSEK 1,088 (previous year TSEK 7,765). The Parent Company's costs during the year relate to raw materials and materials TSEK 434 (previous year TSEK 139), other external costs TSEK 5,817 (previous year TSEK 6,413), personnel costs TSEK 3,892 (previous year TSEK 4,975), and depreciation TSEK 61 (previous year TSEK 98).

The company's costs generally decreased during the year in all units, partly through savings but also due to reduced activity due to the pandemic. Last year, the Group was charged with a project write-down regarding the project in Hyderabad of TSEK 6,215, TSEK 0 in 2020.

RESULTS

Operating result for the Group amounted to TSEK -13,046, (previous year TSEK -23,370), and for the Parent Company to TSEK -8,404, (previous year TSEK -10,312). Result after financial items for the Group amounted to TSEK -13,285 (previous year TSEK -24,684), and for the Parent Company to TSEK -8,357, (previous year TSEK -23,600).

The improvement compared with the previous year in the Group is a mix of lower costs and the previous year's write-down of projects in India, TSEK 6,215, and in the parent company to reduced costs and the previous year's write-down of subsidiary shares in India by TSEK 12,770, a consequence of the write-down in the subsidiary of the project in Hyderabad.

CASH FLOW AND FINANCIAL POSITION

During the year, cash flow from operating activities in the Group was TSEK -12,043, the Parent Company TSEK -10,203, from investment operations TSEK -1,420, SEK -3,137, and from financing operations TSEK +10,199, TSEK +10,109. The period's total cash flow in the Group was TSEK -3,264, and in the Parent Company TSEK +1,066. Cash and cash equivalents at the end of the period amounted to TSEK 7,093 in the Group, of which TSEK 1,408 in the Parent Company.

INVESTMENTS

Investments in tangible fixed assets during the year amounted to TSEK 74 (previous year TSEK 2,461), and primarily pertained to operations in Hungary.

FUTURE PROSPECTS

During the year, the Group's organization underwent a certain change, focusing on product development and broadened sales, primarily in new areas for materials. The company is also reviewing the opportunities to invest in other areas related to water and environmental areas to create added value in the company. The business models are regularly reviewed to find the right way for the company depending on the conditions that each market allows. The Board continuously reviews the company's financial situation and assesses the company's capital and liquidity needs. The Board is considering various alternatives to secure financing for the next 12 months. Depending on the development of the projects and the outcome of existing financing proposals, it cannot be ruled out that the company, in order to continue operations, may need to bring in external financing to ensure the company's continued operation.

The Board is positive about the future and that the company with ongoing and upcoming projects, new sales focus, will be able to increase sales sharply in the coming years and that the business will thus be cash flow positive.

SIGNIFICANT EVENTS DURING THE REPORT PERIOD

The pandemic has of course affected all companies' operations during 2020, and we are of course no exception with our operations in a number of countries.

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

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.

The conversion of Josab's Chinese subsidiary into a JV and obtaining a so-called Business License registered. The first sale of Aqualite™ based on the license agreement took place at the end of 2020, 60 tonnes, total price including license fee 120,000 Euro.

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 Ungern has received a number of strategic orders in new material areas, including 8 tons of Aqualite™ for a treatment plant in the city of Szentes. The facility was built with EU funding. Neither technology nor materials have been able to be changed in 5 years, with a competing zeolite in the purification process. 6 tonnes of Aqualite™ were sold for a rainwater and leachate treatment project in a project within the Hungarian Ministry of Defense. More than 100 tonnes were sold to a road project for winter roads, and 24 tonnes to the agricultural sector intended to improve the efficiency of the use of fertilizers and nutrients in production.

Josab Hungary signed an LOI with a Hungarian partner, EUROTRADE Kft., To form a new company, build a sales organization and, by extension, its own production facility for environmental products, initially 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 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 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 in China, of which 2 are operating. Clear Industry primarily conducts operations in the design and implementation of process plants, EPC stores in the kitchen waste industry, and in the area of industrial wastewater, both in terms of hardware and software.

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 began in 2020, but severe winter weather has caused some delay and the project is expected to be completed in the spring of 2021.

SIGNIFICANT EVENTS AFTER THE REPORT PERIOD

The new JV company in Hungary is registered. Josab owns 51%, and partner EUROTRADE Kft., The remaining 49%. Planning for the company's operations continues and operations are expected to be transferred to the company in the spring of 2021.

Josab Ungern received an order within Waste Water through a partner, Indufil Hungária Kft., Where the end customer is MONO Ipolyfabric Kft., Which manufactures and finishes interior fittings for the automotive industry. The process of painting and varnishing creates large amounts of environmentally hazardous waste that generates large costs in handling for the company. Josab's solution will separate the hazardous waste through sedimentation and absorption and thereby reduce transport and handling costs for the customer. The order value for Josab's share of the project amounts to approximately SEK 1.4 million.

FURTHER PUBLICATION DATES

Annual Report 2020: 2021-05-21 (company / website)
Quarterly report Q1 2021: 2021-05-20
Annual General Meeting: Stockholm 2021-06-11

Josab Water Solutions AB (publ)
Stockholm February 26th 2021

For the Board

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

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.

Market initiatives to take orders, where Josab's products form a permanent part of the regular water supply and specifically the infrastructure for drinking water supply, are prioritized. The market for products that support infrastructure for drinking water supply is large, growing and profitable. Customers are recurring and contracts are significant.

CUSTOMERS

Josab's customers are mainly states, authorities and larger organizations, but are also expanding into the private corporate market, mainly in terms of materials.

SHARES

At the end of the financial year, there were 84,322,629 shares in the company with a quota value of SEK 0.1 per share. Outstanding convertible loan may provide an additional total of 1,850,000 shares in the company.

PRODUCTS

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

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

Standard products are built on a fixed platform, usually a container, and are adapted for predetermined pressures and flows. The standard products were originally developed to suit the emergency aid market for the purpose of purifying water and functioning in vulnerable environments. The standard units are delivered in different purification capacities. The smallest water treatment unit cleans 5m³ per day and the largest unit cleans 3000m³ per day.

We also have tailor-made products. Every purification needs and situations provides different opportunities and challenges, which is part of our everyday life. Over the years, we have found new uses for Josab's purification technology with Aqualite™ when it comes to 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 purification in animal husbandry.

CEO's WORD

Another year has come to an end with special times, both for companies and individuals, due to the Covid 19 pandemic that still affects us all.

My time as CEO began at fairly short notice and soon after that we got a largely new board in the company at the AGM. We have created a more structured work in the board with clearer guidelines, and a more dynamic and strategic thinking about the company's situation and future.

The pandemic has made it difficult to travel and meet new and existing customers, process new markets, which we are used to. We have instead used other methods for meetings, online, and thus been able to work with routines and strategies within different parts of the company group. Personal meetings can to some extent be replaced, but not fully in the entire sales process, which has created some delays in ongoing discussions with potential customers.

Strategically, we have worked to broaden the company's offering within the existing operations, but also in other environmental areas such as air purification. We have also received some orders for Aqualite™ both for projects in different types of water purification, not necessarily drinking water, but also from other areas that use zeolites in any application, such as in the agricultural sector, rain and leachate projects and industrial waste water. We continue with this work, which often has shorter decision paths and thus faster closing and cash flow.

This investment includes the investment in a machine that can make so-called micronized Aqualite™, in Hungary, which gives very small fractions for special purposes, down to 10 microns. Areas of use are identified and of interest are the construction, plastics, chemical and wine industries, and tests of this material are ongoing.

In Hungary, we have registered a new JV company in which Josab owns 51%, and our partner EUROTRADE Kft. the remaining 49%. The goal is to create a product company with a focus on the environment, and a sales organization, initially for water purification units and air purification units. New products with an environmental profile may be relevant in this company. Start-up will take place in the Hungarian market and other neighboring countries, mainly in Eastern Europe initially.

The expansion in air purification is based on a distribution agreement with LightAir AB, listed on the Swedish stock exchange. The products with unique properties for particle purification in homes, offices and in industrial environments fit well into our environmental profile.

We have received the first delivery of products to Hungary and we see great potential for these products through our own sales and collaborations.

In China, we have delivered the first order Aqualite™ to our partly owned JV in Beijing, which will be used mainly in water treatment units, which will be built in China.

After tests in Hungary during the autumn, we delivered a complete purification unit to the Rural Drinking Water Safety Center of the Chinese Ministry of Water Resources in Beijing. The center has requested a competitive solution, including strong manganese-containing water, both in terms of the technical solution and the price picture, and we see great potential for our ecological Aqualite™ solution in this area through our JV in Beijing. The Chinese government is investing huge sums 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 a possible acquisition of Clear Industry Ltd, in China, operating primarily in the area of kitchen waste, thus food waste. Following a completed legal and financial DD process, an evaluation has taken place and we are today in the final stages of this entire process. The deal is big for Josab with many parameters to handle, and an update will be coming soon about this project.

In India, despite the pandemic, we have managed to obtain an order for 15 water kiosks based on our technology with Aqualite™. The project, which concerns kiosks for hospital areas, is in Kashmir in northern India, which has been hit by a severe winter, which is why the project has been somewhat delayed, but will be completed as soon as weather conditions allow. The project is based on pure sales, new strategy, unlike previous projects in Hyderabad India, where Josab invested and the financial outcome was based on future revenues through the municipality's sales of water, which we could not influence or control in a reasonable way.

Also for India, strategic work has been done based on the ban on using membrane technology (RO), at TDS levels below 500, a technology that uses large amounts of energy and clean water in the purification process. During the pandemic, we have also tried to build new partnerships with major players by marketing our technology, with our zeolite as a base, which we believe will become more established in the Indian water market in the future and attract new players. We look at this work with great confidence, and hope that new regulations will give us a strong boost for our environmentally friendly technology.

In the African market, we continued to work mainly through agents. In previously announced procurement in Ethiopia, Josab has been accepted as the only company for the financial evaluation, which has since been stuck in the administration, but we are monitoring the continued development.

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 concrete to announce.

During the year, we signed a cooperation agreement with the water authority in Burkina Faso, ONEA, and through this became an approved partner in the water treatment area in the country. The country has a large mining industry, which often creates water problems in neighboring villages, which we have worked with an agent. We see great potential to be able to help via our portable treatment units in this area.

Africa has become an increasingly interesting country for Josab, with a number of agents starting to get closer to business in several of the countries. We look with confidence at the development of this and to be able to help with the enormous problems that exist on this continent in terms of water purification, not least regarding drinking water for the people. Overall, 2020 has been a strenuous year, but I think Josab is on the right track today, strategies exist, new partners, new product areas, new markets open up for our products.

Some orders have also landed in new business areas, in different countries and on different continents, which means that we end 2020 in a positive spirit and enter the new year with a continued positive attitude.

The pandemic is ongoing, health is on everyone's lips, and we continue to work within Josab with products and a focus that is organic, sustainable and climate smart. This is our guiding light even when we try to expand to other areas, other products as we believe that this is what will be in demand in the future in an increasing part of the world.

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.	1/10 2020 31/12 2020	1/10 2019 31/12 2019	2020	2019
Net sales	1 652	449	2 521	2 765
Other operating incom	207	589	386	1 325
Operating expenses	-5 199	-13 034	-15 953	-27 460
Operating result	-3 340	-11 996	-13 046	-23 370
Result from financial items	428	-338	-239	-1 314
Result after financial items	-2 912	-12 334	-13 285	-24 684
Taxes for the reporting period	0	298	0	298
Result for the reporting period	-2 912	-12 036	-13 285	-24 386
Earnings per share (SEK)	-0,03	-0,16	-0,16	-0,32
Number of shares in end of the period	84 322 629	76 322 629	84 322 629	76 322 629
Earnings per share including options	-0,03	-0,15	-0,15	-0,31
Number of shares including options	86 172 629	77 822 629	86 172 629	77 822 629

Consolidated balance sheet, summarized

Amounts in SEK k.	31/12 2020	31/12 2019
TILLGÅNGAR		
Intangible assets	2 064	2 361
Property, plant, equipment	25 773	31 548
Financial assets	1 478	132
Inventories	2 516	2 790
Short-term receivables	4 224	4 415
Cash and bank balances	7 093	10 357
Total assets	43 148	51 063
EQUITY AND LIABILITIES		
Equity	32 199	35 418
Reservations	0	0
Long-term liabilities	1 222	1 222
Short-term liabilities	9 727	14 963
Total equity and liabilities	43 148	51 603
CHANGE IN EQUITY		
Equity brought forward	35 418	26 593
New share issues	800	914
Not yet registered share capital	-	-
Share premium fund	14 932	32 264
Option agreements	-	-149
Translation differences	-74	-
Exchange rate differences	-5 592	-604
Result for the reporting period	-13 285	-23 600
Equity carried forward	32 199	35 418

Consolidated - Cash flow statement

Amounts in SEK k.	2020	2019
Operating activities		
Result after financial items	-13 285	-24 386
Adjustment for non-cash items	-675	9 690
Taxes paid	-14	-101
Cash flow from operating activities before working capital changes	-13 974	-14 797
Cash flow from working capital changes		
Increase (-)/Decrease (+) in inventories	274	-1 841
Increase (-)/Decrease (+) in current receivables	192	-2 077
Increase (+)/Decrease in current liabilities	119	820
Cash flow from operating activities	-13 389	-17 895
Investing activities		
Investments in property, plant and equipment	-74	-2 461
Investment in intangible assets	-	-
Change in financial assets	-	2 021
Cash flow from investing activities	-74	-440
Financing activities		
Long-term loans	-1 356	3 000
New share issues	11 555	8 500
Convertible loans	0	6 000
Cash flow from financing activities	10 199	17 500
Cash flow for the year	-3 264	-835
Cash and bank in the beginning of the year		
Cash and bank in the beginning of the year	10 357	11 192
Cash and bank at the end of the year	7 093	10 357

Parent company income statement, summarized

Amounts in SEK k..	1/10 2020 31/12 2020	1/10 2019 31/12 2019	2020	2019
Net sales	1 171	1 050	1 799	1 312
Other operating income	-	0	-	-
Operating expences	-3 725	-3 554	-10 203	-11 624
Operating result	-2 554	-2 504	-8 404	-10 312
Result from financial items	721	-12 170	47	-13 288
	-1 833	-14 674	-8 357	-23 600
Taxes for the reporting period	-	-	-	-
Result for the reporting period	-1 833	-14 674	-8 357	-23 600
Earnings per share (SEK)	-0,02	-0,19	-0,10	-0,31
Number of shares end of the period	84 322 629	76 322 629	84 322 629	76 322 629
Earnings per share including options	-0,02	-0,19	-0,10	- 0,30
Number of shares including options	86 172 629	77 822 629	86 172 629	77 822 629

Parent company balance sheet, summarized

Amounts in SEK k.	31/12 2020	31/12 2019
TILLGÅNGAR		
Property, plant, equipment	166	228
Financial assets	54 005	50 868
Inventory	-	-
Short-term receivables	1 969	1 134
Cash and bank balances	1 408	2 474
Total assets	57 548	54 704
Equity and liabilities		
Equity	49 377	42 002
Reservations	-	-
Long-term liabilities	1 222	1 222
Short-term liabilities	6 949	11 480
Total equity and liabilities	57 548	54 704
CHANGE IN EQUITY		
Equity brought forward	42 002	32 357
New share issue	800	914
Equity part konvertible loan	-	-
Share premium fund	14 932	32 480
Option agreements	-	-149
Result for the reporting period	-8 357	-23 600
Equity carried forward	49 377	42 002

Parent company – Cash flow statement

Amounts in SEK k.	2020	2019
Operating activities		
Result after financial items	-8 357	-23 600
Adjustment for non-cash items	253	13 211
Taxes paid	-14	-101
Cash flow from operating activities before working capital changes	-8 118	-10 490
Cash flow from working capital changes		
Increase (-)/Decrease (+) in inventories	0	0
Increase (-)/Decrease (+) in current receivables	-835	-178
Increase (+)/Decrease in current liabilities	825	465
Cash flow from operating activities	-10 203	-10 203
Investing activities		
Investment in intangible assets	0	0
Investments in property, plant and equipment	0	0
Change in financial assets	-3 137	-5 842
Cash flow from investing activities	-3 137	-5 842
Financing activities		
Long-term loans	-4 356	3 000
New share issue	11 555	8 500
Convertible loan	0	6 000
Cash flow from financing activities	10 199	17 500
Cash flow for the year	-1 066	1 455
Cash and bank in the beginning of the year		
Cash and bank in the beginning of the year	2 474	1 019
Cash and bank in the end of the year	1 408	2 474