

BAWAT HALF-YEAR REPORT 2022

BAWAT is a leading supplier of sustainable ballast water treatment technology and services. BAWAT was listed on Nasdaq First North Premier Growth Market in Stockholm in March 2022. This half-year report represents the first financial update to the Stock Exchange since the company was listed. The report contains information that BAWAT is required to disclose pursuant to the EU Market Abuse Regulation. The report was submitted for publication on 23 August 2022.



Highlights H1 2022 – Strong increase in quoting activity and order intake

- Order intake increased noticeably to SEK 9.3m (H1 2021: SEK 1.9m) as a consequence of increased market penetration due to improved customer acknowledgement and expanded global sales coverage.
- Sales amounted to SEK 10.2m (H1 2021: SEK 4.5m) which is significantly higher than last year and a function of improved order intake in previous periods
- For the full year 2022, order intake is expected to amount to SEK 35-50m based on the current pipeline and quoting activity.
- Gross profit is expected to increase gradually in coming quarters due to increased scalability through repeat-orders, consolidated procurement and a larger portion of the sales being within the Mobile Solutions business activity.

Bawat is active in three market segments within ballast water management. The company estimates the annual market opportunity to:

- Ship installations USD 3bn
- Mobile installations USD 2bn (total market)
- Ballast-water-as-a-treatment USD 5bn

FINANCIAL KEY FIGURES H1 2022

SEK '1000	H1 2022	H1 2021*	Change
Order intake	9.286	1.900	388%
Sales	10.162	4.516	125%
Gross Profit	504	79	538%
Gross Profit %	5,0%	1,8%	-
EBITDA**	-10.490	-10.904	4%
Result for the period	-23.807	-16.654	-43%
Earnings per share	-0,60	-1,83	67%
Cash flow from operations**	-10.141	-9.175	-10%
Net working capital	-6.284	-5.285	19%
Equity ratio %	38%	-3,9%	-

* Parent of the Group was changed from Bawat A/S to Bawat Water Technologies AB

**In addition to this, IPO and other related non-recurrent items SEK 8.1m

Marcus P. Hummer, CEO comments on the developments in the first half: “We are pleased to report that order intake has developed positively in the first half year, and we are experiencing good commercial development in all three business legs. It is comforting to witness a continued increasing interest in our patented sustainable heat-based ballast water treatment system – both for our existing on-board vessel solution, but also for our mobile port-side solution and service offering.

We will continue to build out our global presence, which was one of the main purposes of raising capital through our successful IPO earlier this year. I would like to take this opportunity to extend my gratitude to our more than seven hundred new and existing shareholders for investing in the future of BAWAT”.

OPERATIONAL HIGHLIGHTS H1 2022

The first half year of 2022 was remarkably busy and productive as a consequence of the IPO and high market activity. BAWAT has launched a number of initiatives to develop and grow BAWAT's sustainable ballast water management systems and services.

Successful closing of IPO in March 2022 and changes to the capital structure in H1 2022

In March, BAWAT published its intentions to go public to raise funds to fully leverage the company's potential in relation to the implementation of the International Maritime Organization's Ballast Water Convention from September 2024. The convention aims to prevent the spread of invasive and harmful aquatic organisms from one ecosystem to another. Effectively it means that all new merchant ships will be delivered with a ballast water treatment system on board (approximately 1,700 new builds per year) and another 30-40,000 existing ships will need to have a ballast water treatment system retrofitted over the coming years. Additionally, ports around the world are expected to show interest in offering port-side ballast water treatments services for vessels that are not able to comply with the convention. The total addressable market is estimated to represent a combined market opportunity of at least USD 10bn.

The IPO was successfully closed at the end of March and BAWAT Water Technologies AB ("BAWAT") is now listed in Stockholm on the First North Premier Growth Market. As a result of the IPO, 5,446,218 new shares in BAWAT were issued to approximately 730 new shareholders in Denmark, Finland, Norway, and Sweden. Following the offering, BAWAT's share capital consisted of 36,265,431 shares, equivalent to a share capital of SEK 598,379.6115.

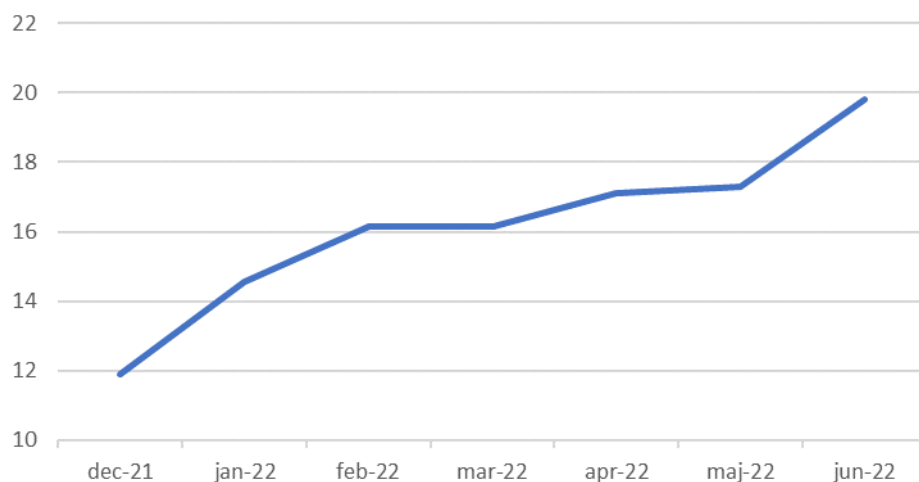
On 1st April 2022, BAWAT resolved on a directed set-off issue to two lenders, Danmarks Grønne Investeringsfond and Den Danske Maritime Fond, following the listing on Nasdaq First North Premier Growth Market. The set-off issue led to an increase in the total amount of shares and votes by 3,276,940 to 39,542,371 and an increase in the share capital by SEK 54,069.51 to SEK 652,449.1215. The dilution effect of the Set-off issue was approximately 8.3 percent for the current shareholders. The set-off issue resulted in a debt reduction of SEK 21.3m.

Market activity

In general, market activity is high with a positive increase in quoting activity. The quoting volume was up to more than SEK 100m in the first half of 2022. This has translated, so far, into an order intake of SEK 9.3m in the first half of 2022 and it is expected that order intake will increase to approximately SEK 25-40m in the second half of 2022, leading to a total expected order intake in 2022 of SEK 35-50m. The normal quote to order process time is ranging between 2-12 months.

The increased quoting activity is also reflected in the 12 months trailing Order Intake pictured below.

12 months trailing Order Intake SEKm



Operations

From its inception, BAWAT has operated a business model which ties up the minimum amount of capital in assets such as inventory, buildings, and machinery.

Hence, BAWAT has no own production and carries no inventory. As part of the sales process for a ship that needs to be retrofitted with a ballast water treatment system, detailed plans for the specification and installation are drawn up by BAWAT's engineers in the Danish headquarters. Once the customer confirms the order, the BAWAT orders the required components from its suppliers and prepare the components for delivery. Once installed the equipment is commissioned by BAWAT. When the ship is back in service, BAWAT offers after-sales support, standard spare part packages and remote follow-on training and support for crew members. The entire retrofitting process, including planning, specification, and installation process, typically takes 4-6 months.

This operational model allows BAWAT to serve a significant number of international customers with a relatively limited staff of technical experts, engineers, and sales personnel without committing large amounts of capital.

BAWAT addresses the market with an extensive network of sales agents. Sales agents with local networks provide a scalable market entry strategy with low operational and financial risk. BAWAT's own sales and support staff follow up and evaluate each agent regularly and provide motivation and education on the product and market situation. BAWAT has so far formed partnerships with multiple sales agents, covering main maritime markets. New agent agreements are in the process of being closed in Germany, Japan and Greece. Agreement with agent for Germany was closed after H1 and the last two are expected to be closed latest in Q3 2022. With the closing of above-mentioned countries, BAWAT will be covered in almost all major markets for vessel solutions.

In May 2022, BAWAT also entered into a large cooperation agreement with Damen Green Solution, a fully owned subsidiary of Dutch ship building and yard group, Damen. As part of a new global agreement, Damen will promote BAWAT's BWMS technology to its customers both for new building and retrofit of vessels. The potential in the contract can be substantial based on Damen's global reach.

Product development

From a technology application perspective, BAWAT's Type Approval is continually being extended with relevant upgrades in conformity with various ship classes and flags. Additionally, the IP portfolio is currently being expanded with an exciting new combination of BAWAT's heat treatment with standard UV technology. The technology combination is primarily targeting high volume mobile systems for port reception facilities but has multiple applications.

Initiatives and developments in relation to BAWAT's three business areas

1. Ship Solutions (Ballast Water Management)

Vessel ballast water management system (BWMS) installations comprise both single projects and series of vessels. While ballast water is essential for modern shipping operations, it also poses serious ecological, economic and health problems due to the multitude of marine species and pathogens inadvertently transferred between ecosystems when the ballast water is dumped. BAWAT's value proposition to its customers is the most environmentally friendly ballast water treatment solution on the market, which at the same time provides for the lowest total cost of ownership over the system's lifetime. In addition, the advantages include better efficacy, the absence of harmful chemicals and not least, the ability to function equally well in seawater, brackish water, and freshwater – and last but not least, it operates with no filter.

BAWAT's patented heat-based treatment system use otherwise wasted excess heat from the ship's main engine to pasteurize the ballast water, and the residual heat in the treated water is used to heat incoming ballast water. Thus, BAWAT's solution does not lead hot water into the ballast tanks, nor does it pump hot water overboard or use chemicals.

Every new BWMS in service adds to BAWAT's sustainable profile in support of UN's Sustainable Development Goal 14 which aims at conserving and sustainably using the oceans, seas and marine resources and thus protecting life below water and marine ecosystems.

In May, the first contract was closed with a Bitumen carrier, which demonstrates that the BAWAT ballast water treatment technology suits most vessel segments and types. The operational edge of BAWAT's system grows as customers get more experience with the simplicity of the system. At the same time, increased volumes are leading to more purchasing power which strengthens the company's competitive position.

The typical order size is SEK 1-2m depending on the scope and the typical lead time from order intake to final commissioning is typically 4-6 months. Typically, order will be 90% finalized within 4 months after project start.

2. Mobile Solutions (Ballast Water Management)

Customers are showing growing interest in BAWAT's mobile ballast water management solution (BWMS). The solution's single pass and filter free technology is ideal for operation in port or yard environments, as well as for the offshore and wind installation sector, and as backbone in land-based contingency systems for faulty ship BWMS systems. The interest is coming from primarily Western Europe, North America, and Africa.

A pilot system consisting of a 200 m³/hour mobile containerized system to GWRC (Great Water Research Collaborative) in the US demonstrated superior performance during testing in the Summer/Autumn of 2021 and a new 300 m³ mobile BWMS will be placed in Duluth area of the US Great Lakes for further demonstration of the superiority of the BAWAT technology in Q4 2022. The new mobile BWMS is fully financed by GWRC and will be used for gathering operating experience during all of 2023. Subsequently, it is expected to transfer the system to the service leg of BAWAT (See section below 3. Ballast water-as-a-service).

BAWAT expects to receive the first orders from both the offshore industry as well from port customers for mobile BWMS systems in H2 2022. The expectations are backed by already received engineering orders for said products. The expected orders are ranging between SEK 6-10m in size depending on the scope of the specific orders. The lead time from order intake to delivery is typically 4-6 months.

3. Ballast water-as-a-Service (BaaS)

BAWAT continues its efforts to introduce ballast water-as-a-service. As announced earlier this year, a joint venture was established between BAWAT's service company, BAWAT Technology Services (BTS) and Monstrant Viam. American based Monstrant Viam is led by ballast water subject matter expert, William Burroghs, and the sole purpose of the company is to establish Ballast Water Reception Facilities. The name of the joint venture is 'Freedom Ballast', and although it targets all US waters, the initial focus is on the Mississippi delta, the Houston ship channel, California, the Great Lakes, and New York / New Jersey waters. The BaaS business model is to receive untreated ballast water from vessel customers and charging for treatment and compliant discharge.

Freedom Ballast sold and executed its first service job for a customer in Louisiana in June '22 which entailed the treatment and discharge of +10,000 m³ ballast water. The job was performed with a BAWAT 200 m³/hour mobile BWMS unit that is currently available in the region. To the best of our knowledge, this is the first commercial BaaS job ever done on US territory, which gives us a first mover advantage – both technically and commercially.

Freedom Ballast expects to send the first order to BAWAT for mobile BWMS units during the next 6-9 months.

Besides the service initiative with Freedom Ballast, BTS is engaged in several projects in Western Europe. It is expected that at least one of these projects will result in orders for mobile BWMS equipment from BAWAT during the next 6-9 months.

FINANCIAL DEVELOPMENTS H1 2022

Sales

Sales in H1 amounted to SEK 9.3m (H1 2021: 1.9m) equivalent to an increase of 388%. Sales related predominantly to Ship Solutions. It is expected that Mobile solutions and the Service business will start to contribute meaningfully to sales in 2023 based on the expected order intake in the second half of 2022.

Gross profit

Gross profit in H1 amounted to SEK 0.5m (H1 2021: 0.1m)

Cost to optimize performance of test- and earlier generation-installations is embedded in Gross profit. Later ship installations have performed as expected at +/- 20 % GP.

Operating profit

Operating profit [EBITDA] in H1 amounted to SEK -18.6m (H1 2021: -10.9m) equivalent to an EBITDA margin of -183% (H1 2021: -241%). IPO cost is included in H1 2022 with SEK 6.6m. Other cost related to preparation for premier listing is included with SEK 1.5m. Adjusted for this, Operating profit has improved with SEK 0.4m from H1 2021 to H2 2022 which is in line with the improved Gross profit.

Earnings

Earnings after tax in H1 amounted to SEK -23.807m (H1 2021: -16.654). The decrease is related to changes in Operating profit as explained above, but also improved by reduced interest cost in Q2 following the debt conversion in late March 2022. Earnings are in line with expectations.

Cash flow and working capital

Cashflow from operating activities in H1 amounted to SEK -18.2m (H1 2021: -9.2m). The deterioration is primarily attributable to IPO and other non-recurring spendings and to a lesser degree more cash tied up in refundable VAT. Cashflow from investment activities in H1 amounted to SEK 0.8m (H1 2021: 1.2m) and were related primarily to patent extensions for existing and new development. Also, investment in Bawat Control unit has been updated and extended. At the end of H1, net working capital (net of receivables, work-in-progress and payables to supplies etc) amounted to SEK -6.3m (End of 2021: -5.3m). The positive change is a function of ongoing customer projects.

Cash and financial position

Cash at the end of H1 amounted to SEK 18.8m (End of 2021: 4.8m) and Net interest-bearing debt amounted to SEK 26.6m (End of 2021: 44.7m). The change in Cash is primarily related to the capital increase and the change in Net interest bearing debt is primarily related to debt set-off in March.

At the end of H1, Equity amounted to SEK 25.1m (End of 2021: -2.4m), equivalent to an equity ratio of 38%. The increased equity and equity ratio is a result of the capital increase in March.

Risks

BAWAT is exposed to market risks including currency risks, interest risks and commodity price risks as part of its ongoing operations and investment activities. The key commercial risks relate to the company's ability

to effectively manage the anticipated rapid growth and attract sufficient and skilled employees. Also, BAWAT's success depends on its ability to develop and market products that are recognized by customers as reliable, sustainable, and cost-effective. Many of its competitors are much larger than BAWAT, but none offer heat-based systems, and as far as the Company is aware, no other heat-based system is currently undergoing the certification processes with IMO or the US Coast Guard. The flip side of having no other competitor with a similar offering is that the market's general awareness of the advantages of a heat-based system to treat ballast water is limited, and that is the reason why increased sales and marketing activities are essential for the future growth prospects.

FINANCIAL CALENDAR

Interim report for January – September 2022	November 22, 2022
Annual report 2022	February 21, 2023
Annual General Meeting 2023	May 9, 2023

CONFERENCE CALL

BAWAT invites investors to participate in a live video event on 7 September 2022 at 10:30-10:55 CET. The company's CEO, Marcus P. Hummer, and CFO John B. Henriksen will present the company technology and comment the half year report in English. Link will be published on the company investor page and LinkedIn profile in due time.

FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements. Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'outlook', 'guidance', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect.

FOR MORE INFORMATION, PLEASE CONTACT:

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This report constitutes inside information that Bawat *Water Technologies AB* is obliged to make public pursuant to the EU Market Abuse Regulation 596/2014. The information was sent for publication, through the agency of the contact persons set out above, at the time stated by the Company's news distributor, Cision, at the publication of this press release *on August 23, 2022*.
For further information about Bawat *Water Technologies AB*, please contact above.

FINANCIAL STATEMENTS JAN-JUN 2022

This interim report is Bawat Water Technologies AB's first report prepared in accordance with IFRS. The consolidated financial statements have been prepared using the cost method. Historical financial information has been adjusted as of January 1, 2020 which is the date of transition to IFRS.

A number of new standards and interpretations are effective for financial years beginning after 1 January 2022 and have not been applied in the preparation of these financial statements. These new standards and interpretations are not expected to have a significant impact on the consolidated financial statements.

The Financial report has not been audited or reviewed by the Company's independent auditors.

Consolidated income statement (condensed)

SEK '1000	H1 2022	H1 2021*	Change
Sales	10.162	4.516	125%
Gross Profit	504	79	538%
Gross Profit %	5,0%	1,8%	-
Personnel cost	9.340	8.479	10%
EBITDA**	-18.590	-10.904	-70%
Operating profit/loss**	-23.417	-14.958	-56%
Finance cost - net	-390	-1.696	77%
Result for the period before income tax**	-23.807	-16.654	-43%

* Parent of the Group was changed from Bawat A/S to Bawat Water Technologies AB

**including IPO and other related non-recurrent items 2022 SEK 8.1m

Consolidated balance sheet (condensed)

SEK '1000	30 June 2022	31 December 2021*
Total intangible assets	37.985	41.667
Total tangible fixed assets	1.618	1.925
Total financial assets	258	279
Total non-current assets	39.861	43.871
Trade receivables	388	1.051
Contract assets	2.368	2.119
Other receivables	3.406	1.346
Prepayments	1.275	71
Total current receivables	7.437	4.587
Cash and cash equivalents	18.832	4.799
Total assets	66.130	53.257
Share capital	39.542	14.268
Total equity	25.149	-7.755
Total non-current liabilities	20.239	44.333

Borrowings, current	7.271	3.645
Lease liabilities, current	656	635
Trade payables	4.538	2.546
Contract Liabilities	2.322	1.954
Other payables	5.955	7.899
Total current liabilities	20.742	16.678
Total liabilities	40.981	61.012
Total liabilities and equity	66.130	53.257

* Parent of the Group was changed from Bawat A/S to Bawat Water Technologies AB

Consolidated statement of changes in equity (condensed)

SEK '1000	H1 2022	H1 2021*
Equity 1 January	-7.755	5.772
Profit/loss for the period	-23.807	-16.654
Other comprehensive income for the period	10	0
Total comprehensive income for the period	-23.797	-16.654
Total transactions with owners	56.701	0
Equity 30 June	25.149	-10.882

* Parent of the Group was changed from Bawat A/S to Bawat Water Technologies AB

Consolidated statement of cash flows (condensed)

SEK '1000	H1 2022	H1 2021*
Cash flow from operations**	-18.241	-9.175
Cash flow from investments	-845	-1.208
Cash flow from financing activities	33.119	3.385
Total	14.033	-6.998

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** including IPO and other related non-recurrent items 2022 SEK 8.1m

MANAGEMENT'S STATEMENT

The Executive Management and Board of Directors of BAWAT have today adopted the interim financial statement for the first six months of 2022. The Financial report has not been audited or reviewed by the Company's independent auditors.

BAWAT applies International Financial Reporting Standards (IFRS) as adopted by the EU. This interim report has been prepared in accordance with IAS34 Interim Financial Reporting.

In our opinion, the Interim Financial Statements give a true and fair view of the operations, financial position, and results, and describes the significant risks and uncertainties facing the company.

Copenhagen, 23 August 2022

Executive Management

Marcus P. Hummer

CEO

Board of Directors

Klaus Nyborg

Charlotte Vad

Peter V. Stokbro

Thomas S. Knudsen

Chairman