

BAWAT Q3 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 quarterly report represents the second 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 3. November 2022, at 10:00 am.



Financial Highlights Q3 2022 – Expected lift in margin and Order Intake on the rise

- Order intake in the third quarter was SEK 7.6m and currently Order Intake for the year is SEK 16.9m.
- For the full year 2022, order intake is guided unchanged to SEK 35-50m based on the current strong pipeline of potential orders of maturity and depth which is expected to materialize in the remaining part of 2022.
- Sales amounted to SEK 3.3m (Q3 2021: SEK 2.9m). Recorded POC (Percentage Of Completion) sales relates mainly to recently sold ship solutions and service sales for same.
- The gross profit on sales in the period was reported at 20,2%, which is significantly up from the H1 results and reflects that sales were dominated by recently sold systems to ships. The gross profit is expected to increase to 30% or above in the years to come depending on the sales mix.
- Two ship systems were commissioned with new customers in a smooth and predictable way. Both systems passed trouble free the commissioning test which is mandatory for newly installed BWMS systems as per 1. June 2022. One in Asia and one in Western Europe.
- Quoting activity is still high and in line with H1 activity. More than SEK 50m in quotes for the Q3.

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-Service USD 5bn

FINANCIAL KEY FIGURES Q3 2022

SEK '1000	Q3 2022	H1 2022	9M 2022
Order intake	7.597	9.286	16.883
Sales	3.306	10.162	13.468
Gross Profit	669	504	1.173
Gross Profit %	20,2%	5,0%	8,7%
EBITDA**	-4.866	-10.490	-15.356
Result for the period	-7.986	-23.807	-31.793
Earnings per share	-0,20	-0,60	-0,80
Cash flow from operations	-9.001	-18.241	-27.242
Net working capital	-5.921	-6.284	-5.921
Equity ratio %	29,9%	38%	29,9%

* 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 in H1 2022

Marcus P. Hummer, CEO comments on the developments in the third quarter: *“The quarter shows two positive trends supporting the growth and profitability journey that Bawat has embarked after its IPO earlier this year. Firstly, we are pleased to report continued growth in Order Intake and quoting activity, which supports the unchanged full year guidance on Order Intake. The still increasing sales network both internally and via global sales agents are busy with contracts negotiations at all levels of maturity across all relevant geographies.*

Secondly, we now see the results of newly sold projects to ships in the gross profit, which we can see is significantly up from the H1 results and already now in line with the predicted long term gross profit margin of 20% for ship systems. This gives us comfort in our project execution after signed contracts – both for ships as well as for mobile systems, and in the years to come we are certain to reach 30% or more in gross profit for the company depending on the sales mix.”

OPERATIONAL HIGHLIGHTS Q3 2022

Market activity

In general, the market activity is high with a continuous positive increase in quoting activity. The quoting volume was like the quarterly activity in the first half of the year with more than SEK 50m quoted volume for the quarter. Order Intake was SEK 7.6m in the quarter and positively influenced by an order of a mobile system to a single use customer. Order Intake for the first 9 months is thus SEK 16.9m. The company is in the final stage of negotiations on several potential valuable orders expected to be finalized in Q4 2022 although the final signing date of contracts is difficult to predict. The guidance on Order Intake for the full year is unchanged from the H1 announcement to SEK 35-50m.

The increase in Order Intake activity is reflected in the 12 months trailing Order Intake pictured below.



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 were closed in Germany, Japan and Greece in the quarter as previously predicted in the H1 announcement. After Q3 closing also agent agreement for Taiwan has been closed. More agents will actively be sought in coming quarters, but as of now, all main markets are covered by active agents.

Product development

One of the pending patent applications for Bawat's mobile solution was accepted by the Korean authorities during the Quarter.

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.

During the quarter Bawat commissioned two new systems with dual heat sources. That means that the customer vessels can operate the BWMS system both based on excess heat from the main engine or/and add heat from the vessels existing thermal boiler system. The dual heat source allows vessel operators to treat ballast water both in-voyage and with a back-up for port stay treatment also.

As per the ballast water convention, both systems were tested as part of the commissioning to see if system would deliver to IMO/USCG discharge criteria, and as with all Bawat BWMS technology, the efficacy was impeccable and both systems passed with flying colors. One system was tested in Asia and one in Western Europe.

As the quoting activity positively indicates, BAWAT is in dialogue and negotiations with numerous current as well as new customers for ship BWMS systems across the globe. The full year guidance for Order Intake is substantiated by the maturity and depth of said customer contacts.

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. The BAWAT mobile solution can run on any type of available energy including green fuels in order to operate it carbon neutral. BAWAT is one of two global providers into land-based ballast water treatment systems.

As predicted in the H1 communication, an order for a mobile system was received in Q3. More mobile systems orders are expected before the end of the year – all supporting the full year guidance for Order Intake.

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. BTS and partners are currently the first movers in this market space as BAWAT's single pass no filter technology makes it operational and economical most competitive.

Freedom Ballast has diligently worked to establish partnership with operational partners in the Texas/Louisiana area and expect to announce partnership before the end of the year.

Freedom ballast expects to send the first order to BAWAT for mobile BWMS units during the next 3-6 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 3-6 months.

FINANCIAL DEVELOPMENTS Q3 2022

Sales

Sales in Q3 amounted to SEK 3.3m (Q3 2021: 2.9m) equivalent to an increase of 14%. Sales related predominantly to Ship Solutions and service sales. 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 Q3 amounted to SEK 0.7m (Q3 2021: 0.9m). Gross profit ratio was 20,2% which is in line with expectations, given that sales relate mainly to ship solutions and service sales. In same quarter last year sales were recognized for POC progress on mobile solution sold to customer in Belgium and in same quarter out prototype mobile solution were rented out for test program in USA. These two factors drove the GM ratio in Q3 standalone up to 30%.

The company expects margins to increase above 30% over time due to the elapse of early market entry orders at lower margins, greater efficiency in project execution as well as delivery of repeat orders to single customers. The long-term margin level will also be dictated by the mix in ship and mobile solutions as well as the increasing influx of recurrent cashflow from service business (BaaS) and aftermarket activity for the installed base.

Operating profit

Operating profit [EBITDA] in Q3 amounted to SEK -4,9m (Q3 2021: -3.9m). IPO cost is included in H1 2022 with SEK 8.1m. The development reflects an increase in sales and marketing costs such as participation in fairs, increase in travel activity and more.

Earnings

Earnings after tax in Q3 amounted to SEK -8.0m (Q3 2021: -6.9m). The decrease is related to changes in Operating profit as explained above and to increase in finance cost, driven by adjustment amortized cost after IFRS 9.

Cash flow and working capital

Cashflow from operating activities in Q3 amounted to SEK -9.0m (Q3 2021: -6.6m). The deterioration is mainly attributable to a + SEK 2m improvement of working capital in Q3 2021. With large Q3 order coming in late in Q3, the working capital improvement will materialize in October 2022. Cashflow from investment activities in H1 amounted to SEK 0.1m (Q3 2021: 0.1m). At the end of Q3, net working capital amounted to SEK -5.9m (End of 2021: -5.3m). The positive change is a function of ongoing customer projects.

Cash and financial position

Cash at the end of Q3 amounted to SEK 12.7m (End of 2021: 4.8m) and Net interest-bearing debt amounted to SEK 27.4m (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 Q3, Equity amounted to SEK 17.2m (End of 2021: -7.8m), equivalent to an equity ratio of 30%. 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

Annual report 2022

February 21, 2023

Annual General Meeting 2023

May 9, 2023

CONFERENCE CALL

A video recording of management's view of the quarterly result will be available online on Bawat investor page as well as LinkedIn in the afternoon of 3. November 2022.

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.

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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 November 3, 2022*.

For further information about Bawat *Water Technologies AB*, please contact above.

FINANCIAL STATEMENTS JAN-SEP 2022

This interim report is Bawat Water Technologies AB's second 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	Q3 2022	Q3 2021*	9M 2022	9M 2021*
Sales	3.306	2.906	13.468	7.422
Gross Profit	669	900	1.173	979
Gross Profit %	20,2%	31,0%	8,7%	13,2%
Personnel cost	3.767	3.742	13.107	12.221
EBITDA**	-4.866	-3.936	-23.456	-14.840
Operating profit/loss**	-6.662	-5.974	-30.079	-20.932
Finance cost - net	-1.324	-888	-1.714	-2.584
Result for the period before income tax**	-7.986	-6.862	-31.793	-23.516

* 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 September 2022	31 December 2021*
Total intangible assets	36.493	41.667
Total tangible fixed assets	1.458	1.925
Total financial assets	257	279
Total non-current assets	38.208	43.871
Trade receivables	1.778	1.051
Contract assets	1.640	2.119
Other receivables	2.127	1.346
Prepayments	1.096	71
Total current receivables	6.640	4.587
Cash and cash equivalents	12.748	4.799
Total assets	57.596	53.257
Share capital	39.542	14.268
Total equity	17.243	-7.755
Total non-current liabilities	24.361	44.333
Borrowings, current	3.793	3.645
Lease liabilities, current	668	635
Trade payables	4.338	2.546
Contract Liabilities	1.582	1.954
Other payables	5.611	7.899
Total current liabilities	15.992	16.678
Total liabilities	40.353	61.012
Total liabilities and equity	57.596	53.257

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Consolidated statement of changes in equity (condensed)

SEK '1000	30 September 2022	30 September 2021*
Equity 1 January	-7.755	5.772
Profit/loss for the period	-31.793	-23.516
Other comprehensive income for the period	90	0
Total comprehensive income for the period	-31.703	-23.516
Total transactions with owners	56.701	16.446
Equity 30 September	17.243	-1.298

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Consolidated statement of cash flows (condensed)

SEK '1000	30 September 2022	30 September 2021*
Cash flow from operations**	-27.242	-15.776
Cash flow from investments	-988	-1.286
Cash flow from financing activities	36.179	16.880
Total	7.949	-182

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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 nine 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, 3 November 2022

Executive Management

Marcus P. Hummer

CEO

Board of Directors

Klaus Nyborg

Charlotte Vad

Peter V. Stokbro

Thomas S. Knudsen

Chairman