

BAWAT Q2 REPORT 2023

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 fifth 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 22. August 2023, at 10:00 am.



Highlights Q2 2023 – closed financing round successfully. First long-term service order in BaaS. Order intake in line with guidance and margins are still increasing.

- Order intake in the second quarter was SEK 11.21m.
- The Gross Profit in the quarter was reported at 35.0%, which raises the H1 Gross profit to 28.3%, in line with the long-term projection of 30% pending product mix.
- Sales in Q2 amounted to SEK 4.14m.
- Fleet order for European customer for 10+ vessels received.
- Quoting activity for BaaS (Ballast as a Service) is on the increase which also was reflected in first long term committed contract (12-18 months service) with a US customer through company Freedom Ballast which came into effect in the quarter.
- Bawat has signed a Term Sheet agreement with Damen Green Solution whereby the parties are aiming to establish a 50/50 Joint Venture focusing on the assembly and sales of mobile BWMS under the brand name 'Invasave powered by Bawat'.
- NEFCO (Nordic Environment Finance Corporation) gave final approval for a finance commitment for SEK 25m to be disbursed in 2023/2024 and subject to 1:1 equity match from Shareholders. Subsequently Bawat has carried out a directed share issue raising SEK 18.8m to more than match the first tranche of NEFCO loan of EUR 1.3m.
- The Bawat port-based patent received Intention to Grant from the European Patent authorities in May and a few weeks later in June received the equivalent Notice of Allowance from the US authorities.
- The Order Intake for the quarter supports a repeated guidance for the year in the SEK 40-60m range, although the influence from mobile BWMS orders will still have large impact on final outcome in positive or negative direction.

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 (BaaS) USD 5bn

FINANCIAL KEY FIGURES Q2 2023

SEK '1000	Q2 2023	H1 2023	H1 2022
Order intake	11.212	20.557	9.286
Sales	4.135	8.294	10.162
Gross Profit	1.447	2.346	504
Gross Profit %	35,0%	28,3%	5,0%
EBITDA*	-5.944	-12.601	-11.948
Result for the period	-11.487	-21.708	-23.807
Earnings per share	-0,23	-0,48	-0,60
Cash flow from operations**	-2.038	-9.267	-10.141
Net working capital	-3.450	-3.450	-6.284
Equity ratio %	6,9%	6,9%	38%

*In addition to this, Capital raise and other related non-recurrent items SEK 1,0m (SEK 6.6m in H1 2022)

**In addition to this, Capital raise and other related non-recurrent items SEK 4,0m (SEK 8.1m in H1 2022)

Marcus P. Hummer, CEO comments on the developments in the second quarter: *“The quarter was influenced by a combination of operational and financing activities and has multiple positive achievements to report on. The Term Sheet agreement with Damen Green Solutions targeting a Joint Venture for the assembly and sales of mobile units does not only validate Bawat technology and experience in mobile BWMS systems, but also gives us quality in scaling and execution from the global Damen yard network. We are pleased that a global player like Damen Green Solutions will close its own mobile BWMS program ‘InvaSave’ and join forces with Bawat in a combined effort branded as ‘InvaSave powered by Bawat’.*

We closed a large fleet order for ship installations in the quarter, adding both significant volume to our order book, but also expanding our reference list. The fleet order is for 10+ Vessels and will be delivered in 2023 and 2024. Overall, we are delivering with quality to our customers on our BWMS solutions and our half year gross profit margin of 28.3% steadily increases towards our long-term projection of 30%. Quoting activity is still high though Q2 dropped from record levels in Q1 and Q4 2022 to a level above SEK 55m in quotes for the quarter.

We commenced delivering on the first long term service contract for BaaS in America through company Freedom Ballast. The contract is between 12-18 months and marks the first long term commitment from a customer of having need for both mobile BWMS service as well as stand by service for a vessel operating in the Gulf of Mexico. In general, we are experiencing a steady increase in request for BaaS both in the USA but also increasingly so in Western Europe, and thus activity during the quarter has also been towards identifying potential service partners in Western Europe for BaaS activities.

From a financing point of view, we are pleased that we have been able to secure needed funding for the onwards growth and operation in a challenging financial market. However, once again Bawat shows that there is a strong belief from both current and new shareholders in the long-term perspectives in its technology and business model. The financing package is a loan facility from NEFCO (Nordic Environment Financing Corporation) of SEK 25m that has to be matched by equity in 1:1. Bawat has thus carried out a directed share issue raising SEK 18.8m to more than match first tranche of NEFCO loan of EUR 1.3m. The directed share issue was conducted at a share price of 1.60 SEK/share. The net-proceeds from a full SEK 25m equity raise and the full NEFCO financing are considered to be sufficient until Bawat reaches a positive cash flow from its operation.

Order intake of SEK 11.2m supports our full year guidance of SEK 40-60m. For this overall guidance, the positive or negative impact including timing of mobile orders will to a large extent influence Order Intake for year end and thus guidance. We expect that BaaS order intake start to have a gradual and positive value from H2 of 2023. As BaaS contractually is secured through part owned companies, the effect on the total Bawat P&L will be reflected thereof. However, the consolidated margin is expected to be above 30% as margin consists of both hardware sales of mobile units as well as margin from BaaS.

Last but not least, did we receive during the quarter, from both the US and European patent authorities Intention to grant (Europe) and Notice of Allowance (USA) on our mobile systems. This further secures IP rights to our innovative approach to ballast water handling”. We have now 4 patents issued in different jurisdictions in the world and 2 patents in process with relevant patent authorities.

OPERATIONAL HIGHLIGHTS Q2 2023

Market activity

Market activity is still high with a continuously steady inflow of requests for new quotes. More than SEK 55m was quoted for the period. There are still many ship owners with fewer and specialized fleets that need to decide on BWMS. This is the case for the fleet order received in the quarter for 10+ vessels. Also, we are experiencing customers who are in the market for a new BWMS as what they have installed so far is simply not working to the operational standard needed. Some vessel owners have now operated a BWMS for several years and have decided to do a second retro fit as the first BWMS system installed for multiple reasons is not operating as expected. This trend is seen from both small and large ship owners and ship management companies. A Bawat system with its ability to operate evenly good in all water conditions/types and with its filter less one-pass solution is the obvious new choice for customers looking for an alternative to a poor performing or non-operable BWMS already installed.

The quoting activity and the general activity for mobile BWMS and BaaS is increasing. There is an increase in frequency in unsolicited approaches to Bawat from Ports/Yards/Terminals who are asking for mobile BWMS or BaaS to vessels calling with a malfunctioning or non-operational BWMS. Similar ship operators are on a continuous and increasing basis calling Bawat and its BaaS partners BTS (Bawat Technology Service) and Freedom Ballast to inquire for BaaS. The trend was firstly seen in the US market but is also now on the increase in Western Europe. Thus, Bawat are actively investigating the market in Western Europe for suitable operating partners. During 2023 we expect that the increase in demand will spur further investment into mobile systems to be delivered to BTS and/or Freedom Ballast. Before the service can be delivered in a more regular and continuous manner, Bawat will not guide for either Order Intake Volume or profitability. However, already performed jobs and quotes indicate a potential beyond what is currently forecasted in BWMS sales to vessels.

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, then 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. More agents will actively be sought in coming quarters, but as of now, all main markets are covered by active agents. During the quarter a new sales agent in Brazil was signed up.

Product development

Development of the Bawat system towards especially smaller BWMS installations and standardization of mobile systems is to a large extent completed. The range for Bawat is now extended in the low range from 5-100 m³/hr and approved by IMO and during the quarter we have worked with USCG for similar approval for the same lower capacity range. Similar we are well under way to secure the approval for US flagged vessels.

We received from both European Patent and US Patent authorities an Intention to Grant and Notice of Allowance respectively for the Bawat mobile solutions patent application. Thus, during the second half of 2023, we expect that the patent will be issued in relevant jurisdictions.

FINANCIAL DEVELOPMENTS Q2 2023

Sales

Sales in second quarter 2023 amounted to SEK 4.1m. H1 2023 show sales of SEK 8.3m. Order intake has been more than SEK 20m, more than double of same period 2022. However, due to timing of the order intake, recognition of sales in P&L has not increased since same period last year. Around 75% of first half year 2023 sales are generated by progress on mobile units with higher margins as expected.

Gross profit

Gross profit in first half year amounted to SEK 2.3m (2022 SEK 0.5m). Gross profit ratio was 28,3% which is in line with expectations and once again confirm the longer-term aspiration of achieving 30% gross profit margin pending mix of mobile solutions and ship solutions. The realized margins are in excess of expectations.

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 Q2 amounted to SEK -7.0m, bringing H1 2023 to SEK -13.6m (H1 2022 SEK -11.9m excl. IPO cost). Capital raise cost is included in H1 2023 with SEK 1.0m. Operating fixed cost in local currency is on par with same period last year. Increase in reporting currency is partly due to devaluation of SEK/DKK partly due to incurred cost of Holding structure in the listed entity in 2023. The development is in line with expectations.

Earnings

Earnings after tax in Q2 amounted to SEK -11.5m, bringing H1 2023 to SEK -21.7m (H1 2022 SEK -24.0m).

No dividends will be paid out for the financial year 2023.

Cash flow and working capital

Cash flow from operating activities in Q2 amounted to SEK -6,0m, bringing H1 2023 to a total of SEK -13.3m (H1 2022 SEK -18.2m). Included in H1 2023 is capital raise cost of SEK 4m vs. SEK 8,1m in H1 2022.

Development in operating cash flow is positive, also adjusted for non-recurring items. Cash flow from investment activities in Q2 amounted to SEK 0.4m, bringing H1 2023 to a total of SEK 1,1m (H1 2022 SEK 0.8m). At the end of Q2, net working capital amounted to SEK -3.5m (End of 2022: -4.5 m). The positive change is a function of ongoing customer projects.

Cash and financial position

Cash at the end of Q2 amounted to SEK 17.9m (End of 2022: 6.7m) and Net interest-bearing debt amounted to SEK 47.4m (End of 2022: 30.1m). Proceeds from NEFCO loan 900 kEUR was received in Q2 2023 together with proceeds from directed share issue of SEK 18.8m.

At the end of Q2, Equity amounted to SEK 4.2m (End of 2022: SEK 9.0m), equivalent to an equity ratio of 6,9%.

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 2023

Interim report Q3	November 21, 2023
Interim report Q4	February 20, 2024

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 23. August 2023.

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 August 22, 2023*.

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

FINANCIAL STATEMENTS JAN-JUN 2023

This interim report for Bawat Water Technologies AB's is prepared in accordance with IFRS. The consolidated financial statements have been prepared using the cost method.

A number of new standards and interpretations are effective for financial years beginning after 1 January 2023 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	Q2 2023	H1 2023	H1 2022	12M 2022
Sales	4.135	8.294	10.162	15.866
Gross Profit	1.447	2.346	504	2.718
Gross Profit %	35,0%	28,3%	5,0%	17,1%
Personnel cost	-4.473	-10.035	9.340	17.704
EBITDA**	-6.990	-13.647	-18.590	-28.186
Operating profit/loss**	-9.481	-18.596	-23.417	-37.320
Finance cost - net	-4.218	-3.112	-390	1.588
Result for the period before income tax**	-11.487	-21.708	-23.807	-38.908

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

**including cost capital raise and other related non-recurrent items SEK 1,0m (2022 H1 SEK 6.6m FY SEK 6.9m)

Consolidated balance sheet (condensed)

SEK '1000	30 June 2023	31 March 2023	31 Decem- ber 2022	31 December 2021*
Total intangible assets	35.986	36.058	37.354	41.322
Total tangible fixed assets	991	1.201	1.267	1.834
Total financial assets	358	342	355	352
Total non-current assets	37.335	37.601	38.976	43.508
Trade receivables	1.473	655	1.482	1.043
Contract assets	859	1.321	1.611	2.102
Other receivables	2.314	2.598	1.912	1.334
Prepayments	998	1.241	1.014	70
Total current receivables	5.644	5.815	6.019	4.549
Cash and cash equivalents	17.880	3.572	6.723	4.759
Total assets	60.859	46.988	51.718	52.816
Share capital	846	652	652	14.150
Total equity	4.179	-1.268	9.030	-7.691
Total non-current liabilities	42.232	31.511	24.482	46.033
Borrowings, current	5.353	4.925	6.228	3.615
Lease liabilities, current	813	841	738	630
Trade payables	4.187	5.703	4.983	2.523
Contract Liabilities	1.462	1.800	2.843	1.938
Other payables	2.633	3.476	3.414	5.768
Total current liabilities	14.448	16.745	18.206	14.474
Total liabilities	56.680	48.256	42.688	60.507
Total liabilities and equity	60.859	46.988	51.718	52.816

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

Consolidated statement of changes in equity (condensed)

SEK '1000	30 June 2023	31 March 2023	31 December 2022	31 December 2021*
Equity 1 January	9.030	9.030	-8.351	5.725
Profit/loss for the period	-21.708	-10.221	-38.908	-30.053
Other comprehensive income for the pe- riod	1.063	-77	452	-298
Total comprehensive income for the pe- riod	-20.645	-10.298	-38.456	-30.351
Total transactions with owners	15.802	-	55.487	16.310
Equity 31 December	4.187	-1.268	9.030	-7.691

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

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Consolidated statement of cash flows (condensed)

SEK '1000	Q2 2023	H1 2023	H1 2022	31 December 2022	31 December 2021*
Cash flow from operations**	-6.038	-13.267	-18.241	-29.305	-13.982
Cash flow from investments	-411	-1.133	-845	-1.271	-1.840
Cash flow from financing activities	20.670	25.678	33.119	32.113	12.951
Total	13.637	10.694	14.033	1.537	-2.871

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

** including capital raise cost and other related non-recurrent items SEK 4.0m (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 second quarter of 2023. 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, 22 August 2023

Executive Management

Marcus P. Hummer

CEO

Board of Directors

Klaus Nyborg

Charlotte Vad

Steffen Jacobsen

Lars H. Hansen

Chairman