

BAWAT Q3 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 sixth 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 21. November 2023, at 10:00 am.



Signing ceremony between Damen and Bawat with Bawat CEO Marcus Hummer and CEO Damen Arnout Damen

Full year guidance and highlights Q3 2023

- The Order Intake for the quarter including orders received up until this press release supports a narrower target guidance for the year from the previously SEK 40-60m range to a SEK 40-50m range. This is more than a doubling from 2022.
- The Gross Profit in the quarter was reported at 38.3%, which raises the 9M Gross profit to 33.1%, in line with the long-term projection of 30% pending product mix. The gross profit is trending higher and faster than originally anticipated and will support our goal to reach EBITDA break-even late 2024.
- No new large orders were reported in the quarter.
- Ballast as a Service, BaaS, has been organized under one executing organization called Bawat BaaS.

Post quarter, Damen and Bawat has on 9th November signed a significant Joint Venture agreement focusing on manufacturing and global sales of mobile ballast water units. Details later in this press release.

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 Q3 2023

SEK '1000	Q3 2023	9M 2023	9M 2022
Order intake	3.291	23.848	16.883
Sales	7.649	15.943	13.468
Gross Profit	2.928	5.274	1.173
Gross Profit %	38,3%	33,1%	8,7%
EBITDA*	-1.998	-14.599	-15.356
Result for the period	-7.108	-28.816	-31.793
Earnings per share	-0,14	-0,63	-0,80
Cash flow from operations**	-6.689	-22.156	-27.242
Net working capital	-1.870	-1.870	-5.921
Equity ratio %	-5,8%	-5,8%	29,9%

*In addition to this, Capital raise and other related non-recurrent items SEK 2,2m (SEK 8.1m in 9M 2022)

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Marcus P. Hummer, CEO comments on the developments in the third quarter: *“The quarter was characterized by daily business in delivering on ongoing orders. No significant orders were reported from the quarter.*

The revenue conversions converted at a gross profit margin of 38.3% which for the 9M reaches 33.1% and is now at our long-term projection of minimum 30%. This is a positive trend that is due to more mobile BWMS orders in the product mix, and the trend will support the speed for reaching prognosed EBITDA breakeven late in 2024.

We have established our sales organization related to our Ballast as a Service (BaaS) approach and is now communicating with one clear approach in both USA and Europe on Bawat BaaS. The BaaS organization has

been strengthened with a business development manager in Europe and post-closing of the quarter two more seasoned BWMS individuals are entering the US based organization.

We have significant expectations that this entity will propel Bawats sales and Ballast as a Service significantly in the years to come.

Post-closing significant events;

Post quarter orders have been received to support a full year guidance of SEK 40-50m. This means that we expect to close the year with more than double the order intake relative to 2022 and with a gross margin that supports our continue forecast to be EBITDA breakeven at the end of 2024”.

On November 9th, Damen Shipyard Group and Bawat signed a 50/50 joint venture agreement finalizing the already communicated intention at term sheet level during Q2 2023. With the establishment of the joint venture, Bawat gets a unique and significant scaling ability on sales and manufacturing for its mobile units through Damens global manufacturing and sales network. Bawat will still retain ownership of all IP rights to the mobile solutions and is selling a technology license to the Joint Venture that in turn is buying the finished product from Damen. The combination of BWMS know-how, manufacturing capabilities, a combined global sales network and a joint belief in mobile BWMS demand in the market is the synergy that drives the Joint Venture. More details in press release by following below link.

<https://investor.bawat.com/news/detail?releaseIdentifier=F8A9974FB74C0E3E>

The contracts for the mobile BWMS will onwards be taken through the Damen Bawat Joint Venture and this will have a consolidating effect on Bawat Water Technologies AB's Profit & Loss. At EBITDA level the consolidating effect will be negligible relative to the reporting method used prior Joint Venture reporting.

OPERATIONAL HIGHLIGHTS Q3 2023

Market activity

No reporting.

Operations

No reporting.

Product development

No reporting.

FINANCIAL DEVELOPMENTS Q3 2023

Sales

Sales in third quarter of 2023 amounted to SEK 7.6m. First nine months of 2023 show sales of SEK 15.9m, which is an 18% increase from same period in 2022. Order intake in third quarter of 2023 was without any large orders. However, first nine months is at SEK 23.8m order intake and thus more than 41% up from same period 2022. More than 75% of first nine months sales are generated by progress on mobile units with higher margins as expected.

Gross profit

Gross profit in nine months of 2023 amounted to SEK 5.3m (2022 SEK 1.2m). Gross profit ratio was 33,1% which confirms 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 Q3 amounted to SEK -3.2m demonstrating gradual improvement quarter on quarter, bringing the first nine months of 2023 to SEK -16.8m (2022 SEK -15.4m excl. IPO cost). Cost for loans and capital raise, first time AGM and IFRS cost is included in first nine months of 2023 with SEK 2.2m. Considering inflation and devaluation of SEK/DKK, then operating fixed cost is on par with same period last year. Nominal increase in reporting currency is thus 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 Q3 2023 amounted to SEK -7.1m, bringing first nine months of 2023 to SEK -28.8m (9M 2022 SEK -31.8m).

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

Cash flow and working capital

Cash flow from operating activities in Q3 amounted to SEK -8.9m, bringing 9M 2023 to a total of SEK -22.2m (9M 2022 SEK -27.2m). Included in 9M 2023 is capital raise cost of SEK 2.2m vs. SEK 8.1m in 9M 2022. Development in operating cash flow is positive, also adjusted for non-recurring items. Cash flow from investment activities in Q3 amounted to SEK 0.1m, bringing 9M 2023 to a total of SEK 1.2m (9M 2022 SEK 1.0m). At the end of Q3, net working capital amounted to SEK -1.9m (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 Q3 amounted to SEK 7.6m (End of 2022: 6.7m) and Net interest-bearing debt amounted to SEK 42.6m (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 Q3, Equity amounted to SEK -2.9m (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 22. November 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.

FOR MORE INFORMATION, PLEASE CONTACT:

Investors & Media:

Marcus P. Hummer, CEO, E-mail: mph@BAWAT.com

John B. Henriksen, CFO, E-mail jbh@BAWAT.com

Certified Adviser

Svensk Kapitalmarknadsgranskning AB

ca@skmg.se

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 21, 2023*.

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

FINANCIAL STATEMENTS JAN-SEP 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	Q3 2023	Q32022	9M 2023	9M 2022	12M 2022
Sales	7.649	3.306	15.943	13.468	15.866
Gross Profit	2.928	669	5.274	1.173	2.718
Gross Profit %	38,3%	20,2%	33,1%	8,7%	17,1%
Personnel cost	-4.293	-3.767	-14.328	-13.107	-17.704
EBITDA**	-3.164	-4.866	-16.811	-23.456	-28.186
Operating profit/loss**	-5.734	-6.662	-24.330	-30.079	-37.320
Finance cost – net	-1.374	-1.324	-4.486	-1.714	-1.588
Result for the period before income tax**	-7.108	-7.986	-28.816	-31.793	-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 2,2m, Q3 SEK 1,2m (2022 9M SEK 8.1m FY SEK 8.1m)

Consolidated balance sheet (condensed)

SEK '1000	30 Sept. 2023	30 June 2023	31 Decem- ber 2022	31 December 2021*
Total intangible assets	32.866	35.986	37.354	41.322
Total tangible fixed assets	771	991	1.267	1.834
Total financial assets	349	358	355	352
Total non-current assets	33.986	37.335	38.976	43.508
Trade receivables	287	1.473	1.482	1.043
Contract assets	4.720	859	1.611	2.102
Other receivables	1.654	2.314	1.912	1.334
Prepayments	896	998	1.014	70
Total current receivables	7.557	5.644	6.019	4.549
Cash and cash equivalents	7.625	17.880	6.723	4.759
Total assets	49.168	60.859	51.718	52.816
Share capital	846	846	652	14.150
Total equity	-2.867	4.179	9.030	-7.691
Total non-current liabilities	37.847	42.232	24.482	46.033
Borrowings, current	4.761	5.353	6.228	3.615
Lease liabilities, current	809	813	738	630
Trade payables	2.484	4.187	4.983	2.523
Contract Liabilities	460	1.462	2.843	1.938
Other payables	5.674	2.633	3.414	5.768
Total current liabilities	14.188	14.448	18.206	14.474
Total liabilities	52.035	56.680	42.688	60.507
Total liabilities and equity	49.168	60.859	51.718	52.816

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Consolidated statement of changes in equity (condensed)

SEK '1000	30 September 2023	30 June 2023	31 December 2022	31 December 2021*
Equity 1 January	9.030	9.030	-8.351	5.725
Profit/loss for the period	-28.816	-21.708	-38.908	-30.053
Other comprehensive income for the pe- riod	1.117	1.055	452	-298
Total comprehensive income for the pe- riod	-27.699	-20.653	-38.456	-30.351
Total transactions with owners	15.802	15.802	55.487	16.310
Equity 31 December	-2.867	4.179	9.030	-7.691

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Consolidated statement of cash flows (condensed)

SEK '1000	Q3 2023	9M 2023	9M 2022	31 December 2022	31 December 2021*
Cash flow from operations**	-8.889	-22.156	-27.242	-29.305	-13.982
Cash flow from investments	-99	-1.232	-988	-1.271	-1.840
Cash flow from financing activities	-1.327	24.351	36.179	32.113	12.951
Total	-10.315	963	7.949	1.537	-2.871

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** including capital raise cost and other related non-recurrent items SEK 2.2m (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 third 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, 21 November 2023

Executive Management

Marcus P. Hummer

CEO

Board of Directors

Klaus Nyborg

Charlotte Vad

Steffen Jacobsen

Lars H. Hansen

Chairman