

# **Annual report**

Financial year  
2023-01-01 – 2023-12-31

and

# **Consolidated financial statements**

Financial year  
2023-01-01 – 2023-12-31

for

# **Bawat Water Technologies AB (publ)**

559338-6443

The Board of Directors and CEO of Bawat Technology AB (publ) hereby present the Annual Report for the financial year January 1, 2023 – December 31, 2023 and the consolidated financial statements for the financial year 2023.

The consolidated financial statements have been prepared in Swedish kronor (SEK), and all amounts are in thousands of SEK (KSEK) unless otherwise specified. The Annual Report for the Parent Company has been prepared in Swedish kronor (SEK), and all amounts are in thousands of Swedish kronor (KSEK) unless otherwise specified.

## Administration report

### Information regarding the operations

The Group carries out its main commercial activities through its subsidiary Bawat A/S from facilities in Hørsholm, Denmark. Bawat provides patented heat-based ballast water management system (“BWMS”). While ballast water is essential for modern shipping operations, it also poses ecological, economic and health problems due to the multitude of marine species and pathogens inadvertently transferred between ecosystems when ballast water is dumped. Using otherwise wasted excess onboard engine heat to achieve pasteurization, Bawat’s heat-based system is suited for on-board vessel solutions and at-port (land based) containerized installations and is the only heat-based ballast water treatment system on the market today. The system is approved by both the International Maritime Organization (“IMO”) and the U.S. Coast Guard.

The Parent Company Bawat Water Technologies AB (publ) has its registered office in Stockholm, Sweden. Bawat Water Technologies AB is the company that is listed on Nasdaq First North Growth Market. The parent company’s main activities relate to its role as shareholder in the operational companies. This includes setting strategic directions, Group policies & procedures and oversee the compliance of same.

Bawat is active in three market areas within ballast water management

- Ship solutions
- Mobile solutions USD
- Ballast-water-as-a-Service (BaaS)

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.

The ballast water market has since its inception been driven by ship-installations, both retro-fit and for new buildings. With the final implementation phase for the IMO convention being in September 2024, this means for Bawat that 2024 is expected to be the year where mobile systems and BaaS will be the main contributors to the growth of the company. This is due to the fact, that many types of vessels that are required to treat ballast water under the IMO ballast water convention has chosen not to install ballast water equipment until now. These vessels could be such as but not limited to barges, offshore units, smaller

vessels with little ballast need alternatively installed but malfunctioning shipsolutions. All of these are from September 2024 conventionally complied to treat its ballast water, and Bawat technology is ideal to support those customers. Either with mobile systems or via service in BaaS.

The increase in request for both mobile systems as well as BaaS has seen a significant increase in the last part of 2023 and the expectation for 2024 is only growing in those two markets due to before mentioned effects.

The Bawat patented single-pass technology in a mobile system sets the company in a possible very favorable situation in terms of competition for the clients in need of this type of equipment or BaaS service and thus this will to a large degree drive the future growth of Bawat. There are currently no other competitive mobile system in the market place nor do the company expect there will be in years to come.

#### **Owner structure/group relationships**

Shares of the Parent Company have been listed since 28. March 2022. Since beginning of 2023 Nasdaq decided to move listing of Bawat Technologies AB from Nasdaq First North Premier Growth Market to Nasdaq First North Growth Market.

The shareholders of Bawat who hold shares representing at least one tenth of the votes for all shares in the company are:

- Selfinvest Aps with 16.4 percent of the votes.
- Homarus Holding A/S with 14.4 percent of the votes.
- Klaus Nyborg (and associated companies) with 12.6 percent of the votes.

#### **Significant events during the financial year**

The income statement of the Parent Company for 2023 shows a loss of kSEK -91.873 and on 31 December 2023 the balance sheet of the Company shows an equity of kSEK 137.550. The shares in Bawat A/S have been revalued at 150 mSEK. The revaluation is in line with the yearly valuation assessment.

Consolidated Statement of Profit and Loss shows a loss of kSEK -33.605 and on 31 December 2023 the Consolidated Statement of Financial position shows an equity of kSEK -8.033.

Management considers the net loss for the year to be as expected.

The Consolidated financial report for financial year 2023 is prepared in accordance with IFRS. Refer to note 2 for a summary of significant accounting principles.

During 2023 Bawat Water Technologies AB has conducted directed share Issues and raised additional capital of 18.8 mSEK before transaction cost.

Bawat and Damen has joint forces in a 50/50 owned Dutch incorporation. Bawat A/S will provide its innovative system for treating ballast water, leveraging its patented pasteurisation process that eradicates organisms without the use of chemicals, filters, or UV. Damen Green Solutions, known for its expertise in maritime solutions, will undertake the construction of these systems. The partners will share a joint focus on sales and global marketing. The formalization of the Bawat Damen joint venture marks a pivotal moment in maritime innovation. Starting from 2024 the joint operations will be pro rata consolidated into group numbers for Bawat Water Technologies AB.

#### **Significant events after the financial year**

As announced on 15. January 2024, Bawat Water Technologies AB resolved on directed share issues of 4.060.000 shares. The first shares were issued under mandate from General Assembly 7. June 2023 and were issued at 1,60 per share. The second directed share issue will be proposed at the Annual General Meeting on 30. May 2024 for issuing of further 350.000 shares to Chairman of the Board. In total the share issues will provide additional capital for Bawat Water Technologies AB for appr. 7 mSEK before transaction cost.

With the Directed Share Issues conducted in 2024, the group has now fully matched the requirements for full disbursement of loans granted by Nefco. Proceeds from convertible loan from Nefco of 1 mEUR to Bawat Water Technologies AB were received in April 2024.

The cash already raised after year end is expected to cover the liquidity needs until the group generates sufficient funds from its own operations.

### **Initiatives and developments in relation to BAWAT's business**

#### **Ballast Water Management**

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 uses (in ship installations) 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.

#### **Mobile Solutions (Ballast Water Management)**

Customers are showing significant 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.

As planned, a new 300 m<sup>3</sup>/hr mobile system was delivered to GWRC (Great Water Research Collaborative) in the US in order to demonstrate the Bawat technology superior performance. Tests were conducted in October 2023 and post closure of the financial year of 2023, the results were reported.

Quoting from the executive summary of the test report, "The Bawat BWMS Mk2 was found to be highly effective at reducing the densities of organisms in all three regulated size classes. Protist, zooplankton, E. coli and Enterococcus spp. densities on discharge were below the USCG ballast water discharge standard (BWDS) in all trials". Thus, the Bawat technology once again has proven that it delivers perfectly treated ballast water even in water conditions (Great Lakes) where competitive technology (UV and filter based) give up. The Bawat system was post test trials transferred back to Europe where it is now part of the Bawat BaaS (see next Section) service set-up.

In November 2023, Bawat signed a Joint Venture agreement with Dutch Shipyard Group Damen regarding

the manufacturing and selling of Bawats mobile BWTS containers. The Joint Venture company will act as global selling and manufacturing outlet of the mobile BWTS containers with a joint and coordinated sales force between Bawat and Damen personnel. Manufacturing will be done in Damen global manufacturing set-up across multiple locations. The Joint Venture will enable Bawat to scale up deliveries of mobile units without investing in its own manufacturing and assembly capabilities. Included in the Joint Venture agreement is Damen agreed stop for its own product line of containerized BWTS equipment.

From the combined sales effort through both the Bawat and Damen sales network, there has been a significant increase in quoting and sales activity in 2023. The response from customers is due to the final enforcement of the IMO ballast water convention coming into final force in September 2024.

### **Ballast water-as-a-Service (BaaS)**

Bawat with its partners in BTS (Bawat Technology Service) has during 2023 focused on setting up an organization for both operational execution of service jobs as well as a day-to-day sales and marketing organization of Ballast-as-a-Service. The result is branded as Bawat BaaS. A first long term service contract was landed in the US for an offshore company in 2023 in the Gulf of Mexico region, and in Europe focus has been on establishing Bawat BaaS in the greater Western European port zones.

After the test unit from GWRC in North America has returned to Europe after finishing test series in October, the unit has, post-closing of the financial year, delivered several service jobs in Germany/Denmark region and in medio Q2 2024 it is expected that the equipment will be permanently positioned in Hamburg Port for both planned and contingency ballast water treatment jobs. An operating partner is in place, and with the final implementation date for ballast water discharge convention coming in force in September 2024, the Hamburg Port authorities are welcoming a ballast water reception facility that will support their own efforts to enforce compliance to the ballast water convention.

### **Ship solutions**

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, 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.

2023 saw the first fleet order for Bawat's ship solutions for a European customer. At the end of the year the first installation was ongoing with the remaining part of the order expected to be delivered in 2024. Also, 2023 saw the first order in the smaller luxury yacht segment, a segment where the Bawat system suits very well, not only due to the vast amount of available heat from the yacht's engine cooling, but also due to the robustness of the Bawat system. This allows the Bawat system to be switched on and off with great irregularities which suits the operating pattern well in this segment.

2023 was again a year where all commissioning tests of installed Bawat systems passed – again irrespective of geography and water quality. See also above in mobile solutions section for test conducted in Great Lakes, North America.

### **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.

Work has been ongoing in 2023 and close to ending in Q2 2024 to obtain US Flag approval for the current Type Approval under US Coast Guard.

#### **Expected future development and significant risks and uncertainties**

The financial statements for 2023 have been prepared on a going concern basis which includes the assessment of the cash available and the projections made by the Company. The Company successfully raised new equity in January 2024 and has received convertible loan from NEFCO. This cash, already raised after year end is expected to cover the liquidity needs until the group generates sufficient funds from its own operations..

Should the projections not materialize, measures can be taken to reduce costs and investments as well as raising additional funds when needed.

Bawat is present at all significant Maritime hubs working pro-actively to expand business. Looking forward, we have high expectations for growth, especially in the American market and especially driven by our service offering (BaaS). Also, high quoting activities are experienced from Asia and Europe with some movements also from Africa. Bawat currently has little focus on Eastern Europe and no exposure to market instabilities there.

#### **Financial risk management and use of financial instruments**

Through its operations, Bawat Group is exposed to various financial risks attributable to primarily cash, trade receivables, trade payables and liabilities to credit institutions.

The financial risks are market risk, mainly interest risk and currency risk, credit risk, liquidity risk and refinancing risk. The Group strives to minimize potential unfavorable effects from these risks on the Group's financial results. Refer to Note 3 for further information on the Group's management of financial risks.

#### **Environmental impact**

Bawat is built on an idea to supply equipment and solutions designed from beginning to enable Maritime industry to manage their ballast water in a compliant and sustainable way. Bawat equipment operates without use of chemicals and based on re-use of surplus heat for pasteurization of Ballast water before discharge. Indirectly Bawat supports in this manner the prevention of global spread of invasive species.

**Sales, earnings and financial position, Group (KSEK)**

<b>Group</b>	<b>2023</b>	<b>2022</b>
Revenue from customer contracts	22.675	12.598
EBITDA*	-18.134	-28.184
Result after financial items	-33.605	-38.906
Total assets	45.809	54.988
Equity/assets ratio** (%)	-18%	16%
Average number of employees	13	15

\* EBITDA is an important operational KPI. It is derived from operational profits, excluding depreciations and amortizations.

\*\*Total equity as a percentage of total assets.

Bawat has invested heavily in development of heat treatment of ballast water. More than 120 kSEK has been invested in mainly IMO Type Approval, US Coast Guard Approval, Automation software and the mobile Bawat containerized system.

The vast majority of the investments have been undergoing 10-year linear depreciation plan since around 2014-2017. Significant grants (30-50%) have been received for some of the major development projects. Consequently in 2023, the gross investment is presented under development cost at a total net value of below 27 mSEK. With some of the major depreciation plans terminating within the coming 3 years, the current level of depreciation will be reduced to only 1/3 of current level of depreciation. This is normal practice and in line with Bawat accounting principles.

**Proposed appropriation of profits**

The Board of Directors proposes that profits available for disposal (SEK):	
Retained earnings	228.576.710,14
Loss for the year	-91.872.986,87
Be appropriated as follows to be carried forward	136.703.723,27

The Group's and Parent Company's results and financial position in general are shown in the following income statements, balance sheets and cash-flow statement with associated Notes.

<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>			
<b>For the year ended December 31</b>			
(in thousands of SEK)	<b>Notes</b>	<b>2023</b>	<b>2022</b>
Revenue from customer contracts	5	22.675	12.598
Other operating income		-	-
<b>Total</b>		<b>22.675</b>	<b>12.598</b>
Other external expenses	6	-21.919	-23.078
Personnel expenses	7	-18.891	-17.704
Depreciation and amortization of tangible, intangible and right-of-use assets		-10.057	-9.134
<b>Operating profit/loss</b>		<b>-28.191</b>	<b>-37.318</b>
Finance income	8	242	3.164
Finance expenses	8	-5.656	-4.752
<b>Finance expenses – net</b>		<b>-5.414</b>	<b>-1.588</b>
Share of net profit of investments accounted for using the equity method		-	-
<b>Profit/loss before income tax</b>		<b>-33.605</b>	<b>-38.906</b>
Income tax	10	0	0
<b>Profit/loss for the year</b>		<b>-33.605</b>	<b>-38.906</b>
<b>Earnings per share, attributable to shareholders of the Parent Company:</b>	11		
Basic earnings per share, SEK		-0,71	-1,18
Diluted earnings per share, SEK		-0,71	-1,18

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>For the year ended December 31</b>			
<i>(in thousands of SEK)</i>	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>Profit/loss for the year</b>		<b>-33.605</b>	<b>-38.906</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified to consolidated statement of profit or loss (net of tax):		20	
Exchange differences on translation of foreign operations		1.026	452
<b>Other comprehensive income for the year</b>		<b>1.046</b>	<b>452</b>
<b>Total comprehensive income for the year</b>		<b>-32.559</b>	<b>-38.454</b>
Profit/loss for the year and total comprehensive income are, in their entirety, attributable to shareholders of the Parent Company.			

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
<i>(in thousands of SEK)</i>	<b>Notes</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	13	29.434	37.354
Right-of-use assets	15	541	1.267
Property, plant, and equipment	14	4.781	3.315
Investments accounted for using the equity method	12	30	30
Other non-current receivables	16	307	280
<b>Total non-current assets</b>		<b>35.093</b>	<b>42.246</b>
<b>Current assets</b>			
Contract assets		5.167	1.611
Trade receivables	18	531	1.482
Tax receivables		-	-
Other receivables	19	1.987	1.912
Prepaid expenses	20	771	1.014
Cash and cash equivalents	21	2.260	6.723
<b>Total current assets</b>		<b>10.716</b>	<b>12.742</b>
<b>TOTAL ASSETS</b>		<b>45.809</b>	<b>54.988</b>

<i>(in thousands of SEK)</i>	Notes	December 31, 2023	December 31, 2022
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	22	846	652
Other contributed capital		70.437	55.343
Foreign exchange reserves		-	-
Retained earnings (incl. profit for the year)		-79.316	-46.963
<b>Total equity</b>		<b>-8.033</b>	<b>9.032</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	23	35.073	23.890
Lease liabilities	15	0	592
Other liabilities	24	-	-
<b>Total non-current liabilities</b>		<b>35.073</b>	<b>24.482</b>
<b>Current liabilities</b>			
Trade payables		3.771	4.983
Contract liabilities		141	2.843
Current tax liabilities		-	-
Borrowings	23	9.579	6.228
Lease liabilities	15	590	738
Other liabilities	25	4.688	3.414
Accrued expenses and prepaid income	26	-	3.268
<b>Total current liabilities</b>		<b>18.769</b>	<b>21.474</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>45.809</b>	<b>54.988</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY						
		Attributable to shareholders of the Parent Company				
<i>(in thousands of SEK)</i>	Notes	Share capital	Other contributed capital	Foreign exchange reserves	Retained earnings (incl. profit for the year)	Total equity
<b>January 1, 2022</b>		<b>15.365</b>	-	-	<b>-23.716</b>	<b>-8.351</b>
Profit/loss for the year		-	-	-	-38.906	-38.908
Other comprehensive income		-	-	-	452	452
<b>Total comprehensive income for the year</b>		-	-	-	<b>-38.454</b>	<b>-38.456</b>
<i>Transactions with owners in their capacity as owners:</i>						
Previous parent company reversed		-15.365	-	-	15.365	-
New Parent Company share swap	22	508	-	-	-508	-
2021 Employee Warrant program		-	-	-	350	350
Issue of shares (IPO)	22	90	35.310	-	-	35.400
Share issue related transaction costs (IPO)		-	-1.213	-	-	-1.213
Conversion of loans		54	21.246	-	-	21.300
<b>Balance at December 31, 2022</b>		<b>652</b>	<b>55.343</b>	-	<b>-46.963</b>	<b>9.032</b>
Exchange rate adjustment 2022/23		-	-	-	22	22
<b>January 1, 2023</b>		<b>652</b>	<b>55.343</b>	-	<b>-46.941</b>	<b>9.054</b>
Profit/loss for the year		-	-	-	-33.605	-33.605
Other comprehensive income		-	-	-	1.046	1.046
<b>Total comprehensive income for the year</b>		-	-	-	<b>-32.559</b>	<b>-32.559</b>
2021 Employee Warrant program		-	-	-	186	186
Directed share issues	22	194	18.608	-	-	18.802
Share issue related transaction costs		-	-3.515	-	-	-3.515
<b>Balance at December 31, 2023</b>		<b>846</b>	<b>70.437</b>	-	<b>-79.316</b>	<b>-8.033</b>

<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>			
<b>For the year ended December 31</b>			
<i>(in thousands of SEK)</i>	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>			
Operating profit/loss		-28.190	-37.320
<b>Adjustments for non-cash transactions</b>			
- Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	13,14,15	10.057	9.134
- Share-based payments		192	333
<b>Other cash transactions</b>			
- Interest received	8	200	1.321
- Interest paid	8	-5.190	-3.931
- Income taxes received		-	352
<b>Cash flow from operating activities before working capital change</b>		<b>-22.931</b>	<b>-30.111</b>
<b>Changes in working capital:</b>			
- Increase/decrease in trade receivables and other receivables		-2.748	-1.758
- Increase/decrease in trade payables and other payables		-2.148	2.564
<b>Cash flows from operating activities</b>		<b>-27.827</b>	<b>-29.305</b>
<b>Cash flows from investing activities</b>			
Investments in intangible assets	13	-1.271	-1.239
Investments in property plant and equipment	14	-4.927	-22
Cash flow from financial assets		-29	-9
Payments for investments accounted for using the equity method		-	-
<b>Cash flows from investing activities</b>		<b>-6.228</b>	<b>-1.271</b>
<b>Financing activities</b>			
Proceeds from issuance of shares	22	18.802	35.834
Share issue related transaction costs (IPO)	22	-3.515	-1.213
Proceeds from borrowings	28	15.650	1.403
Repayment of borrowings	28	-726	-3.261
Repayments of lease liabilities	28	-760	-650
<b>Cash flows from financing activities</b>		<b>29.451</b>	<b>32.113</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-4.603</b>	<b>1.537</b>
Cash and cash equivalents at January 1		<b>6.722</b>	<b>4.759</b>
Exchange rate differences in cash and cash equivalents		139	426
<b>Cash and cash equivalents at December 31</b>		<b>2.258</b>	<b>6.722</b>

## Notes to the consolidated financial statements

### 1. General information

These financial statements are consolidated financial statements for the Group (“Bawat”) consisting of Bawat Water Technologies AB (publ) and the subsidiary Bawat A/S.

Bawat Water Technologies AB (publ) (the “Company” or the “Parent Company”), is a limited company incorporated and domiciled in Sweden. The Company, with corporate identity number 559338–6443, has its registered office in Stockholm, Sweden.

The Group carries out its main commercial activities through Bawat A/S and provides patented heat-based ballast water management system (“BWMS”).

The annual report for the financial year 2023-01-01 - 2023-12-31 and consolidated financial statements for the financial year 2023-01-01-2023-12-31 were authorized for issue by the Board of Directors and the CEO of Bawat Water Technologies AB (publ) on 8. May 2024.

### 2. Summary of significant accounting principles

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

#### 2.1 Basis of preparation

IFRS accounting principles are applied for the consolidated financial Annual report for Bawat Water Technologies AB (publ). The consolidated financial statements of Bawat Water Technologies AB (publ) have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board and International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as endorsed by the EU.

The Parent Company’s accounting and valuation policies comply with the Swedish Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. Refer to Note 31 for further information regarding areas where the Parent Company applies other accounting policies than the Group.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

#### 2.2 New and amended standards and interpretations not yet adopted

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.

#### 2.3 Basis of consolidation

##### *Subsidiaries*

Subsidiaries are all companies over which the Group has control. The Group has control over a company when it is exposed to or has a right to variable returns from its participation in the company and has the possibility to influence the return through its participation in the company. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated.

##### *New Parent Company*

The Parent Company of the Group changed from Bawat A/S to Bawat Water Technologies AB on 22. February 2022, through a share swap. The shareholders of the Group remained unchanged. The share swap was classified as a common control reorganization and the transaction is not covered by IFRS 3. In these financial statements, all historical figures up to 31. December 2021, comprise of Bawat A/S and its subsidiaries. There were no activities in Bawat Water Technologies AB before 22. February 2022. After this date and onwards, Bawat Water Technologies AB (publ) is the Parent Company of the Group. The Group has chosen to recognize the historical consolidated financial statements for the former Parent Company of the Group, Bawat A/S.

#### 2.4 Segment reporting

The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The CEO is the chief operating decision maker and evaluates financial position and performance and makes strategic decisions. The internal reporting consists of the following-up of performance measures for the Group as a whole. When the chief operating decision

maker makes decisions regarding the allocation of resources and measure results for the Group as a whole, the Group in its entirety is deemed to make up one segment.

## 2.5 Foreign currency translation

### *Functional currency and presentation currency*

The entities in the Group have the local currency as their functional currency, as the local currency has been defined as the primary economic environment in which each entity operates. The Group's presentation currency is Swedish krona (SEK). The Parent Company's presentation currency is Swedish krona (SEK).

### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction dates. Foreign exchange rate profits and losses from the settlement of such transactions and the translation of monetary assets and liabilities in foreign currencies using the exchange rates prevailing at the reporting date are recognized in operating loss in the consolidated statement of profit or loss.

Foreign exchange rate profits and losses attributable to loans and cash and cash equivalents of the Group are recognized in the consolidated statement of profit or loss as finance income and finance costs. All other foreign exchange rate profits and losses are recognized under other operating income/expense.

### *Translation of foreign group companies*

The results and financial position for all companies with a functional currency other than the presentation currency are translated into the Group's reporting currency according to the following:

- assets and liabilities are translated from the foreign operation's functional currency using the exchange rates prevailing at the reporting date;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all foreign exchange differences arising from the currency translation of foreign operations are recognized in other comprehensive loss.

## 2.6 Revenue recognition

The Group's principles for recognition of revenue from customer contracts are presented below.

### *Sale of goods*

Bawat's business model is built on a patented heat-based ballast water management system suited for on-board vessel solutions and at-port (land based) containerized installations to treat ballast water. The solution includes systems specifically tailored to customers. In general, the customer contracts hold one performance obligation as the elements of the contract are not separable from each other but form an overall commitment.

### *Determination of the transaction price*

The customer contracts are essentially fixed-price contracts. Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled to. Under the fixed price contracts, the customer pays the contractual transaction price at agreed payment dates. The Group generally has no impact of variable remuneration affecting the transaction price.

### *Timing of revenue recognition*

Contracts may involve that the Group performs work on products that are controlled by the customer. In these cases, revenue is recognised over time, as the work is performed. For other contracts, revenue recognised over time as the product is transferred to being customer-specific and the Group has no other use for the product manufactured and is entitled to payment from the customer for work performed. The extent to which the Group is entitled to payment at each time depends on the contractual terms and is assessed by contract. If the criteria are not met, revenue is recognised at point in time.

Revenue is recognised over time by measure of progress. Progress is measured as incurred cost over estimated total project cost. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Group incurs items in the consolidated statement of financial position related to the relationship between performance and consideration received from the customer. The Group presents the position of each contract net, as either an asset or a liability. A contract is recognized as an asset when project expenses and reported revenue exceed invoiced amounts and are reported as contract assets in the consolidated statement of financial position. In the event of advance payment from customers, a liability is recognized and reported as

contract liabilities in the consolidated statement of financial position.

The Group does not expect to have any contracts where the time between delivery of goods to the customer and payment from the customer exceeds one year. As a result, the Group does not adjust the transaction price for the effects of a significant financing component. All contracts have an original expected duration of one year or less. The Group applies the practical expedient in IFRS 15 and does not disclose information of transaction price allocated to remaining performance obligations. In the event of agreements with expected terms of one year or more, information of the transaction price distributed to unfulfilled obligations is provided in the notes.

## 2.7 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants related to depreciable assets reduce the asset's reported value by the grant. The grant is recognised in the consolidated statement of comprehensive income over the life of a depreciable asset as a reduced depreciation expense.

## 2.8 Leases

### *The Group as lessor*

A Bawat mobile BWMS is leased to users under operational lease agreements with variable length and payment terms. Revenue from operational lease agreements, where the group is the lessor is accounted for linearly during the lease period. The *Bawat mobile BWMS unit*, leased out, are accounted for under *PPE* with linear depreciation.

### *The Group as lessee*

The Group's leases where the Group is lessee mainly pertain to premises.

For all lease agreements, except below mentioned exemptions, the Group recognizes a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease terms are generally 2-3 years, however options to extend or terminate the lease terms exist.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments
- variable lease payment that are based on an index or a rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. The Group determines the incremental borrowing rate by using the applied rate comprising the long-term liability that is disclosed as liabilities to credit institutions in the consolidated statement of financial position.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability and
- lease payments made at or before the commencement date when the leased asset was made available to the lessee

The Group applies the exemption in IFRS 16 whereas payments associated with short-term leases (a lease term of 12 months or less) and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of comprehensive income. Leases of low-value assets mainly comprise office equipment.

### *Options to extend or terminate agreements*

Extension and termination options exist in the Groups lease agreements relating to premises. The terms are used to maximise operational flexibility in terms of managing the assets used in the group's operations. Extension and termination options are included in the lease term if the Group is reasonably certain to exercise such options.

### *Subsequent recognition*

The lease liability is revalued if there are any changes in the lease or if there are changes in the cash flow on which the original lease terms are based. Changes in cash flows based on original contract terms arise when; the Group changes its initial assessment whether options for extension and/or termination will be used, when there are changes in previous assessments as to whether a call option will be utilised, or when leasing fees will change due to changes in indices or interest rates. A revaluation of the lease liability leads to a corresponding adjustment of the right-of-use asset. If the carrying amount of the right-of-use asset has already been reduced to zero, the

remaining revaluation is recognised in the income statement. Right-of-use assets are assessed for impairment whenever events or changes in conditions indicate that the carrying amount of an asset cannot be recovered.

### ***Presentation***

Right-of-use assets and lease liabilities are reported in a separate line in the consolidated statement of financial position. In the income statement, depreciation on right-of-use assets is reported in the line depreciation and interest expenses on leasing liabilities are reported as a financial cost.

Leasing fees referring to low-value lease agreements and short-term lease agreements are recognised in the income statement as other operating expense. Repayment of the lease liabilities is recognised as cash flow from financing operations. Payments of interest and payments of short-term lease agreements and lease agreements of low value are recognised as cash flow from the operating activities.

## **2.9 Income tax**

The income tax expense for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction. The income tax expense is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the parent company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group measures, when applicable, its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax is recognized for all temporary differences that arise between the taxable value of assets and liabilities and their carrying values in the consolidated financial statements. However, a deferred tax liability is not recognized if it arises as a result of the initial recognition of goodwill, nor is a deferred tax liability recognized if it arises as a result of a transaction that constitutes the initial recognition of an asset or a liability that is not a business combination and which, at the date of the transaction, neither impacts the carrying value nor the taxable profit (loss).

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects at the reporting date to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized to the extent that it is probable that there will be future taxable surpluses against which the temporary differences can be utilized.

Deferred tax assets and tax liabilities are offset when there is a legal right to offset for current tax assets and tax liabilities, and when the deferred tax assets and tax liabilities are attributable to taxes charged by the same tax authorities and are either attributable to the same tax subject or different tax subjects, where there is an intention to settle the balances through net payments.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## **2.10 Intangible assets**

### ***Patents***

Separately acquired intangible assets relating to patents are shown at historical cost. They are reported at fair value at the time of acquisition and amortized on a straight-line basis over the projected useful life. They are reported in subsequent periods at cost less accumulated amortization and impairment. The estimated useful life is in general 10 years, which corresponds to the estimated time these will generate cash flow.

### ***Capitalized expenditure for development activities***

Expenditure for development and testing of new or significantly improved processes or systems are recognized as an asset in the consolidated statement of financial position if the following criteria are met:

- it is technically feasible to complete the asset so that it will be available for use,
- it is the Group's purpose to complete the asset so that it will be available for use or sale,
- there are prerequisites to make the asset available for use or sale,
- it is possible to prove how the asset is likely to generate future economic benefits,
- there are adequate technical, economic and other resources to fulfil the development and to make the asset available for use or sale,
- the costs attributable to the asset during development can be reliably measured.

Capitalized development expenditure is recognized as intangible assets and is depreciated from the date when the asset is ready for use. Other development costs are recognized in the statement of comprehensive income as costs when incurred. Development expenditure

previously carried at cost is not recognized as an asset in a subsequent period.

Amortization is calculated using the straight-line method. The estimated useful life is in general 5-10 years, which corresponds to the estimated period of time during which these assets will generate cash flows.

## 2.11 Tangible assets

### *Property, plant and equipment*

Property, plant and equipment consist of fixtures and fittings, tools and equipment. These are recognized at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are added to the asset's carrying value or recognized as a separate asset, depending on which is most suitable, only when it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be reliably measured. The carrying value of the replaced component is derecognized from the consolidated statement of financial position. All other kinds of repairs and maintenance are recognized at cost in the statement of comprehensive income in the period in which they incur.

Depreciation of assets is calculated using the straight-line method to allocate the cost of the assets, net of their residual values, over the estimated useful life as follows:

- Fixtures and fittings, tools and equipment 3 years

The assets' residual values and useful lives are assessed at the end of each reporting period and adjusted, if needed.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Profit or loss from disposals is established through a comparison of the profit from sales and carrying value and is recognized in other operating income/expense in the consolidated statement of comprehensive income.

## 2.12 Impairment of non-financial assets

Intangible assets not ready to use are not subject to amortization and are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for reversal of the impairment at the end of each reporting period.

## 2.13 Financial instruments

### *a) Initial recognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the financial instrument's contractual conditions. The purchase or sale of a financial asset or financial liability is recognised on the trade date, i.e. the date when the Group commits to buying or selling the asset.

Financial instruments are initially recognised at fair value, plus, for financial assets or financial liabilities that are not recognised at fair value through the income statement, transaction costs that are directly attributable to the acquisition or the issue of a financial asset or financial liability, such as fees and commissions.

### *b) Financial assets – Classification and measurement*

The Group classifies and measures its financial assets in the category of *financial assets measured at amortised cost*.

#### *Financial assets measured at amortised cost*

Classification of investments in debt instruments depends on the Group's business model for managing financial assets and on the contractual terms for the assets' cash flow. The Group reclassifies debt instruments only when the Group's business model for the instruments is changed.

Assets held to collect contractual cash flows and where these cash flows are solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is recognised using the effective interest method and is included in finance income.

The Group's financial assets that are measured at amortised cost consist of other receivables (non-current and current), accrued revenue,

trade receivables and cash and cash equivalents.

**c) Derecognition of financial assets**

Purchases and sales of financial assets are recognized on trade date, being the date upon which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

Profits and losses arising from derecognition from the consolidated statement of financial position are recognized directly as other operating income/expense in the consolidated statement of comprehensive income.

**d) Financial liabilities—Classification and measurement**

The Group classifies and measures its financial liabilities in the category *financial liabilities measured at amortised cost*.

*Financial liabilities measured at amortized cost*

At initial recognition, the Group measures a financial liability at its fair value plus transaction costs that are directly attributable to the financial liability. After initial recognition, the majority of the Group's financial liabilities are valued at amortized cost applying the effective interest method. The Group's financial liabilities measured at amortized cost comprise liabilities to credit institutions, other liabilities (long-term and short-term) and trade payables.

**e) Derecognition of financial liabilities**

Financial liabilities are derecognized from the consolidated statement of financial position when the obligations are settled, cancelled or have expired in any other way. The difference between the carrying value of a financial liability that has been extinguished or transferred to another party and the fee paid are reported in the consolidated statement of comprehensive income.

When the terms and conditions of a financial liability are renegotiated and are not derecognized from the consolidated statement of financial position, a profit or loss is reported in the consolidated statement of comprehensive income. The profit or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

**f) Offsetting of financial instruments**

Financial assets and liabilities are offset and recognized with a net amount in the consolidated statement of financial position only when there is a legal right to offset the recognized amounts and an intention to balance the items with a net amount or to simultaneously realize the asset and settle the liability.

**g) Impairment of financial assets recognized at amortized cost**

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach, i.e., the reserve will correspond to the expected loss over the lifetime of the trade receivables. To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due. The Group applies forward-looking variables for expected credit losses. Expected credit losses are recognized as other operating expense in the consolidated statement of comprehensive income.

**2.14 Trade receivables**

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provisions for expected credit loss.

**2.15 Cash and cash equivalents**

Cash and cash equivalents include cash and available bank balances, both in the statement of financial position and in the cash flow statement.

**2.16 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**2.17 Liabilities to credit institutions (borrowings)**

Liabilities to credit institutions are initially recognized at fair value, net of transaction costs incurred. Liabilities to credit institutions are subsequently measured at amortized cost and any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of comprehensive income over the period of the liabilities to credit institutions using the effective interest method.

Liabilities to credit institutions are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in

the consolidated statement of comprehensive income.

Liabilities to credit institutions are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### **2.18 Trade payables**

Trade payables are financial instruments and represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost,

### **2.19 Employee benefits**

#### ***Short-term benefits to employees***

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

#### ***Post-employment obligations***

Within the Group, there are only defined-contribution plans. A defined-contribution plan is a pension plan according to which the Group pays a fixed amount to a separate legal entity. The Group has no legal or constructive obligation to pay additional premiums if this legal entity does not have adequate means to pay all benefits to employees, attributable to their service in current or previous periods. The premiums are reported as personnel costs in the consolidated statement of profit or loss when they fall due.

### **2.20 Share-based payments—equity settled**

The Group grants warrants to certain employees as part of compensation for services rendered. For share-based payment schemes, the fair value of the instruments granted are established at the grant date and recognized as an employee benefits expense, with a corresponding increase in equity.

The fair value at grant date has been determined using the Black-Scholes option-pricing model. The awards only have a service condition whereby the awards vest in 12-month installments over 4 years, which means a term of in total 48 months.

Each of the instalments are treated as separate awards which are expensed on a linear basis for each instalment period i.e., 12 months, 24 months, 36 months and 48 months and is recognized as an employee benefit expense. At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the service conditions and recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to retained earnings within equity.

### **2.21 Statement of cash flows**

The statement of cash flows is prepared according to the indirect method. The reported cash flow includes transactions that resulted in inflows or outflows.

### **2.22 Earnings per share**

Basic earnings per share is calculated by dividing the net result after tax for the period by the weighted average number of ordinary shares outstanding for the period. Diluted earnings per share is computed using the treasury stock method to the extent that the effect is dilutive by using the weighted-average number of outstanding ordinary shares and potential ordinary shares during the period. The Group's potential ordinary shares consist of incremental shares issuable upon the assumed exercise of warrants, excluding all anti-dilutive ordinary shares outstanding during the period. To make the measurement comparable EPS has been calculated for historical years based on the 1:3 share swap in 2022 (so historically Earnings per 3 shares).

## **3. Financial risk management**

### **3.1 Financial risk factors**

Through its operations, the Group is exposed to various financial risks attributable to primarily trade receivables, trade payables and liabilities to credit institutions. The financial risks are market risk, mainly interest risk and currency risk, credit risk, liquidity risk and refinancing risk. The Group strives to minimize potential unfavorable effects from these risks on the Group's financial results.

The aim of the Group's financial operations is to:

- ensure that the Group can meet its payment obligations,
- manage financial risks,
- ensure a supply of necessary financing, and
- optimize the Group's finance net.

The Group's risk management is predominantly controlled by and after policies owned by the CFO and approved by the Board of Directors. The CEO is responsible to the Board of Directors for the risk management and ensuring that the guidelines and risk mandates are followed and carried out in accordance with established treasury policy.

The CFO identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The treasury policy provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity. The treasury policy (a) identifies categories of financial risks and describe how they should be managed, (b) clarifies the responsibility in financial risk management among the Board of Directors, the CEO and the CFO, (c) specifies reporting and control and (d) ensures that the treasury operations of the Group are supporting the overall strategy of the Group.

### 3.1.1. Market risk

#### *Currency risk (transaction risk)*

The Group operates internationally and is exposed to foreign exchange risk. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. Primarily, the Group is exposed to currency risk in Group companies with DKK as the functional currency. The primary risks in these companies are DKK/SEK, EUR/DKK and USD/DKK due to sales (trade receivables), purchases (trade payables) and borrowings. Due to the growth profile of the Group it is necessary to maintain a dynamic risk management of currency. CFO monitors forecasted cash flows per currency pair and strives to achieve a natural match between inflow and outflow to the extent possible.

#### *Exposure*

The Group's primary exposure to foreign currency risk at the end of the reporting period, expressed in thousands of SEK was as follows:

As at December 31	2023			2022		
	SEK/EUR	SEK/DKK	SEK/oth	SEK/EUR	SEK/DKK	SEK/oth
Trade receivables	137	0	394	1.430	48	4
Borrowings (short and long term)	13.750	30.903	-	-	30.118	-
Other liabilities (short and long term)	-	4.560	128	-	3.414	-
Trade payables	472	2.936	362	2.306	2.193	484
Lease liabilities (short and long term)	-	590	-	-	1.330	-
<b>Total</b>	<b>-14.085</b>	<b>-38.989</b>	<b>-96</b>	<b>-876</b>	<b>-37.007</b>	<b>-480</b>

#### *Sensitivity*

The Group is primarily exposed to changes in EUR/SEK and DKK/SEK exchange rates. The Group's risk exposure in foreign currencies:

	Impact on loss before tax	Impact on loss before tax
For the year ending December 31	2023	2022
EUR/SEK exchange rate—increase/decrease 10 %	+/- 1.408	+/- 88
DKK/SEK exchange rate—increase/decrease 10 %	+/- 3.899	+/- 3.701

#### *Currency risk (translation risk)*

The Group is also exposed to currency risk when foreign subsidiaries with a functional currency other than SEK are consolidated, primarily for DKK. The Group's policy is not to hedge the translation exposure related to net foreign assets to reduce translation risk in the consolidated financial statements.

#### *Interest-rate risk*

The Group debt is based on Cibur 3M and the interest cost is exposed to variations in same.

**Sensitivity**

Profit or loss is sensitive to higher/lower interest expense primarily from liabilities to credit institutions as a result of changes in interest rates.

	Impact on loss before tax	Impact on loss before tax
<b>For the year ending December 31</b>	<b>2023</b>	<b>2022</b>
Interest rates—increase/decrease by 100 basis points	+/- 447	+/- 301

**3.1.2. Credit risk**

Credit risk arises primarily from cash and cash equivalents and debt instruments carried at amortized cost.

Financial counterparty credit risk is managed on a Group basis. The external financial counterparties must be high-quality international credit institutions or other major participants in the financial markets, in each case, with a minimum investment grade rating A+

Customer credit risk is mitigated through credit risk assessment, credit limit setting in case of payment obligations overdue and through the contractual terms. There are no significant concentrations of credit risk in regards of exposure to specific industry sectors and/or regions.

The Group has primarily one type of financial asset that is subject to the expected credit loss model:

- Trade receivables and contract assets

**Trade receivables**

The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on days past due. The expected loss rates are based on sales over a period of 36 months before December 31, 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. In cases when the Group has more information on customers than the statistical model reflects, a management overlay is made for those specific customers.

The aging of the Group's trade receivables is as follows:

<b>As at December 31</b>	<b>2023</b>	<b>2022</b>
Current	4	52
1-30 days past due	89	472
31-60 days past due	-	31
61-90 days past due	48	806
91- days past due	390	460
Gross carrying amount	<b>531</b>	<b>1.821</b>
Allowance for expected credit losses	-	-339
Net carrying amount	<b>531</b>	<b>1.482</b>

The movements in the Group's allowance for expected credit losses of trade receivables are as follows:

	2023	2022
<b>As at January 1</b>	<b>-339</b>	<b>-</b>
Increase of allowance recognized in the consolidated statement of profit or loss during the year	339	-339
<b>As at December 31</b>	<b>-</b>	<b>-339</b>

Trade receivables are written off where there is no reasonable expectation of recovery. Assessments are made individually, in each case, based on indicators that there is no reasonable expectation of recovery. Indicators include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Impairment losses on trade receivables in other external expenses within the consolidated statement of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

### 3.1.3 Liquidity risk

Liquidity risk is the Group's risk of not being able to meet the short-term payment obligations due to insufficient funds.

### 3.1.4 Refinancing risk

Refinancing risk is defined as the risk for difficulties in refinancing the Group, that financing cannot be achieved, or can only be achieved at a higher cost.

The tables below analyze the Group's financial liabilities into maturity groupings based on their contractual maturities for all applicable financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

December 31, 2023	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Total contractual cash flows	Carrying amount
Borrowings	914	10.456	17.668	28.413	1.530	58.981	44.653
Lease liabilities	203	406	-	-	-	609	589
Other liabilities	2.297	530	-	-	1.861	4.688	4.688
Trade payables	3.771	-	-	-	-	3.771	3.771
<b>Total</b>	<b>7.185</b>	<b>11.392</b>	<b>17.668</b>	<b>28.413</b>	<b>3.391</b>	<b>68.049</b>	<b>53.701</b>

December 31, 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years	Total contractual cash flows	Carrying amount
Borrowings	726	5.881	10.310	20.621	-	37.538	30.118
Lease liabilities	204	611	543	-	-	1.358	1.330
Other liabilities	1.655	490	-	-	1.269	3.414	3.414
Trade payables	4.983	-	-	-	-	4.983	4.983
<b>Total</b>	<b>7.568</b>	<b>6.982</b>	<b>10.853</b>	<b>20.621</b>	<b>1.269</b>	<b>47.293</b>	<b>39.845</b>

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that the Group can continue its business and provide future returns for shareholders and benefits for other stakeholders. The group is focused on growing business as fast as possible, but always on healthy commercial terms. In first instance, the goal is to reach break-even from an operational point of view. After that is achieved, focus will be also on reduction of debt to obtain an optimal capital structure and reduce cost of capital. Only after these first goals are achieved the Group will start evaluating the possibility of dividend payments to shareholders. Group solidity target is to be above 15%.

## 4. Significant Accounting judgements, Estimates and Assessments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and equity in the consolidated financial statements and the accompanying disclosures. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events. Uncertainty about these assumptions and the use of accounting estimates may not equal the actual results. This note provides an overview of the areas that involved a higher degree of judgment or complexity.

### *Valuation of loss carry-forwards*

A deferred tax asset is only recognized for loss carry-forwards, for which it is probable that they can be utilized against future tax surpluses and against taxable temporary differences. The loss carry-forwards as at December 31, 2022, 2021 and 2020 are not recognized in the Group as these are not expected to be utilized in the foreseeable future. Refer to Note 10 for further details.

### *Recognition of income from customer contracts*

The valuation of ongoing projects is based on measurement of progress and the revenue is recognized in line with the percentage of completion. The percentage of completion is mainly determined on the basis of incurred project costs in relation to estimated incurred project costs at final completion. A contract is recognized as an asset when project expenses and reported revenue exceed invoiced amounts and are reported as contract assets in the consolidated statement of financial position. In the event of advance payment from customers, a liability is recognized and reported as contract liabilities in the consolidated statement of financial position. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change and there may be a risk that the estimated revenue may deviate with an adjustment in the period in which the circumstances that give rise to the revision become known by management.

### *Shares in subsidiaries*

The parent company owns shares in subsidiaries in Bawat A/S, the booked value of the shares amounts to 150 MSEK in the balance sheet. The Group's revenue generating operations are carried out in the subsidiary. Bawat Water Technologies AB performs an impairment test annually of the subsidiary's value in use or when there is an indication that the value in use is below the subsidiary's book value. Substantial deviations between forecasts and actual outcomes as part of impairment testing can result in a changed assessment of the asset's value.

### *Intangible assets*

The Group capitalizes development costs for projects and patents in accordance with the disclosed accounting policies. Initial capitalization is based on Management's judgment that technical and financial feasibility is achieved. Management regularly estimates whether the development project is likely to generate future economic benefits for the Group in order to qualify for recognition. The Group capitalizes development costs as intangible assets to the extent that the criteria in IAS 38 Intangible Assets are met and approval from the appropriate regulatory body is received. Refer to note 13 for further information of the carrying amount of capitalized development costs and patents.

## 5. Revenue from contracts with customers

Revenue (and CoS) from lease of mobile BWMS was restated from 2022 to 2023.

The corrections made was these:

	Revenue	Other external expenses	Total
<b>Annual Report 2022</b>	15.866	-26.348	
Restated to 2023 in 2023 Annual Report	-3.268	+3.270	<b>+2</b>
<b>2022 in 2023 Annual Report</b>	12.598	23.078	

In 2022 an agreement was entered with a customer in USA. As per the agreement Bawat A/S started in 2022 the design and construction of a 300 m3 mobile BWMS to be used by the customer in a test program in Great Lakes in USA in 2023. In 2022 Annual Report for Bawat Water Technologies AB, the agreement was accounted for as revenue from customer contracts under work-in-progress. After having concluded its test program in 2023, the customer has returned the equipment to Bawat A/S. The agreement is assessed after IFRS to be a short-term lease contract. Consequently, no sales should have been recognized from this contract in 2022.

The following overall restatement has been made:

	Entry	Profit & loss statement	Balance Sheet	Total
Revenue from customer contracts	Debet	+3.268	-	+3.268
Accrued expenses and prepaid income	Credit		-3.268	-3.268
Other external expenses	Credit	-3.270		-3.270
Property, Pland and Equipment	Debet	-	+3.270	+3.270
Total		+2	-2	-

### 5.1 Disaggregation of revenue from customer contracts

The Group is domiciled in Sweden. No external sales were recorded in Sweden until now. Revenue is allocated and evaluated by the Group into the following areas:

<b>For the year ending December 31</b>	Geographical area Europe	Geographical area Asia	Geographical area North America	<b>Total</b>
<b>2023</b>				
Revenue from sales of goods	2.135	1.969	18.571	<b>22.675</b>
<b>2022</b>				
Revenue from sales of goods	3.433	6.565	2.600	<b>12.598</b>

Inside the respective geographical areas are included the following Countries with more than 10% of total revenue:

Denmark 19% (2022), Singapore 47% (2022), USA 50% (2023), Trinidad 31% (2023), Panama 10% (2022).

### 5.2 Segment assets

The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown in the following tables:

<b>At December 31</b>	<b>2023</b>	<b>2022</b>
Sweden	-	-

Denmark	34.756	42.104
<b>Total</b>	<b>34.756</b>	<b>42.104</b>

## 6. Remuneration to auditors

For the year ending December 31	2023	2022
<b>PwC</b>		
Audit assignment	1.003	369
Audit work other than audit assignment	242	379
Other services	88	402
<b>Total</b>	<b>1.333</b>	<b>1.149</b>
<b>Other auditors</b>		
Audit work other than audit assignment	32	-
<b>Total</b>	<b>32</b>	<b>-</b>

The audit assignment pertains to the examination of the annual report and the accounting as well as the Board's and CEO's administration, all other tasks incumbent on the company's auditor as well as any consultancy or other services brought about by the observations made during such an examination or the performance of other such tasks.

## 7. Employee benefits

The disclosure amounts are based on the expense recognized in the consolidated statement of profit or loss.

<b>Salaries, other benefits and social security expenses</b>		
For the year ending December 31	2023	2022
Salaries and other remuneration ( <i>of which bonus</i> )	14.471	15.026
Social security expenses	197	221
Share-based payments	192	333
Pension costs – defined contribution plans	1.488	1.578
Other Employee cost	2.543	546
<b>Total employee benefits</b>	<b>18.891</b>	<b>17.704</b>

Other Employee cost includes cost for 2 full time contracted service Engineers. In 2023 they were engaged the full year. In 2022 only from mid-November/early December.

<b>Salaries, other benefits and social security expenses - Board members, Chief Executive Officer and other Senior Executives (1 person)</b>		
<b>For the year ending December 31</b>	<b>2023</b>	<b>2022</b>
Salaries and other remuneration ( <i>of which bonus</i> )	3.902	3.586
Social security expenses	31	30
Share-based payments	-	225
Pension costs – defined contribution plans	266	265
<b>Total</b>	<b>4.199</b>	<b>4.106</b>

No remuneration was paid to members of the Board for any of the years above. The CEO of Bawat Water Technologies AB is employed in Denmark in the operating company Bawat A/S. For the CEO, a notice period of 6 (+12) months applies if a termination of employment should be initiated by the company. Should a termination of employment be initiated by the CEO, the notice period is 6 months.

<b>Salaries, other benefits and social security expenses - Chief Executive Officer</b>		
<b>For the year ending December 31</b>	<b>2023</b>	<b>2022</b>
Salaries and other remuneration ( <i>of which bonus</i> )	2.235	2.048
Social security expenses	15	15
Share-based payments	76	131
Pension costs – defined contribution plans	164	170
<b>Total</b>	<b>2.490</b>	<b>2.364</b>

<b>Average number of employees per country</b>						
	<b>2023</b>			<b>2022</b>		
<b>For the year ending December 31</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
Sweden	-	-	-	-	-	-
Denmark	13	11	2	15	13	2
<b>Total</b>	<b>13</b>	<b>11</b>	<b>2</b>	<b>15</b>	<b>13</b>	<b>2</b>

	<b>2023</b>			<b>2022</b>		
<b>For the year ending December 31</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
Board members	4	3	1	4	3	1
CEO and other Senior Executives	2	2	-	2	2	-
<b>Total, Group</b>	<b>6</b>	<b>5</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>1</b>

**Share-based payments**

The Group grants warrants to certain employees as part of compensation for services rendered. The fair value at grant date has been determined using the Black-Scholes option-pricing model. The awards only have a service condition whereby the awards vest in 12-month installments over 4 years, which means a term of in total 48 months.

Each of the instalments are treated as separate awards which are expensed on a linear basis for each instalment period i.e., 12 months, 24 months, 36 months and 48 months and is recognized as an employee benefit expense. At the end of each period, the Group revises its estimates of the number of instruments that are expected to vest based on the service conditions and recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to retained earnings within equity.

Set out below are summaries of warrants granted under the plans:

	<b>Average exercise price per warrant</b>	<b>Number of warrants</b>
<b>As at January 1, 2022</b>	<b>6 DKK</b>	<b>466.704</b>
Granted during the year	-	-
Redeemed during the year	6 DKK	-3.848
<b>As at December 31, 2022</b>	<b>6 DKK</b>	<b>463.220</b>
Granted during the year	-	-
Redeemed during the year	6 DKK	-4.570
<b>As at December 31, 2023</b>	<b>6 DKK</b>	<b>458.650</b>

Warrants outstanding at the end of the year have the following expiry dates and exercise prices:

<b>Grant date</b>	<b>Contractual expiry date</b>	<b>Exercise price</b>	<b>Warrants December 31, 2023</b>
January 1, 2021	December 31, 2024	6 DKK	458.650
<b>Total</b>			<b>458.650</b>

The model inputs for warrants granted during the year included:

	<b>2021</b>
Weighted average exercise price	6 DKK
Grant date	Jan 1, 2021
Contractual term	4 years
Weighted average share price at grant date	6 DKK
Expected price volatility of the Company's shares	40.00
Risk-free interest rate	0.0001

## 8. Finance income and expenses

<b>For the year ending December 31</b>	<b>2023</b>	<b>2022</b>
Interest income	109	4
Other finance income	-	1.317
Foreign exchange difference	143	1.843
<b>Total finance income</b>	<b>252</b>	<b>3.164</b>
Interest expenses—loan from credit institutions	-4.773	-3.783
Interest expenses—lease liabilities	-79	-125
Other financial expenses	-145	-486
Foreign exchange difference	-669	-358
<b>Total finance expenses</b>	<b>-5.666</b>	<b>-4.752</b>
<b>Finance net</b>	<b>-5.414</b>	<b>-1.588</b>

## 9. Net exchange-rate differences

The exchange-rate differences recognized in the consolidated statement of profit or loss are included as follows:

<b>For the year ending December 31</b>	<b>2023</b>	<b>2022</b>
Other operating income and expense, net	-	-
Finance income and expenses (Note 8)	-526	1.485
<b>Exchange-rate differences—net</b>	<b>-526</b>	<b>1.485</b>

## 10. Income tax

The major components of income tax expense are:

<b>For the year ending December 31</b>	<b>2023</b>	<b>2022</b>
<b>Current tax:</b>		
Current income tax charge	-	-
Adjustments in respect of income tax of previous years	-	-
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	-	-
<b>Income tax expense reported in the consolidated statement of profit or loss</b>	<b>-</b>	<b>-</b>

<b>For the year ending December 31</b>	<b>2023</b>	<b>2022</b>
<b>Result before tax</b>	<b>-33.603</b>	<b>-38.908</b>
At Sweden's corporate income tax rate of 20.6 % (2020: 21.4 %)	6.922	8.015
Effect of tax rates in foreign jurisdictions	436	421
Non-deductible costs	-65	-476
Adjustments in respect of income tax of previous years		
Change in unrecognized deferred taxes	-7.294	-7.960
Tax effect of changes in tax rates		
Other		
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

## Deferred tax

Deferred tax relates to the following:		
<b>At December 31</b>	<b>2023</b>	<b>2022</b>
Tax losses carried forward	-179.029	-145.278
Temporary differences	35.395	38.614
Leases		
<b>Net deferred tax asset</b>	<b>-143.634</b>	<b>-106.664</b>
<i>Reflected in the consolidated statement of financial position as follows:</i>		
Deferred tax assets	-	-
Deferred tax liabilities	-	-
<b>Deferred tax liabilities, net</b>	<b>-</b>	<b>-</b>
<i>Not reflected in the consolidated statement of financial position as follows:</i>		
Unrecognised Deferred tax asset	<b>-31.478</b>	<b>-24.515</b>

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Deferred income tax assets are recognized for tax loss carry-forwards, temporary differences, or other tax credits to the extent that the realization of the related tax benefit through future taxable profits is probable.

A reconciliation of net deferred tax is shown in the table below:

	2023	2022
<b>Balance at January 1</b>	<b>24.515</b>	<b>14.933</b>
Movement unrecognized in the consolidated statement of profit or loss	7.294	7.960
Exchange differences	-330	1.622
<b>Balance at December 31</b>	<b>31.478</b>	<b>24.515</b>

In the Danish subsidiary, a deferred income tax asset has been recognized to the extent that there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity.

The Group's accumulated loss carry-forwards amounted to 179.029 kSEK. The Group has unrecognized tax losses that arose in Sweden of 8.662 that are available indefinitely for offsetting against future taxable profits of the companies in Sweden. Furthermore, the Group has unrecognized tax losses in Denmark amounting to kSEK 170.367.

No deferred income tax asset has been recognized for the tax losses in Sweden since, according to the Group, the criteria for reporting deferred tax assets in IAS 12 were not met. If the Group would recognize a deferred income tax impact for the unrecognized tax losses in Sweden, the deferred tax impact would amount to 1.784 kSEK.

Further, no deferred income tax asset has been recognized for the tax losses in Denmark, except for the deferred income tax asset as shown above for which sufficient taxable temporary differences exist and that relates to the Danish entity and the corresponding tax authority. If the Group would recognize a deferred income tax impact for the unrecognized tax losses in Denmark, the deferred tax impact would amount to 29.694 (23.170) kSEK.

Tax loss carry-forwards as of December 31 2023 were expected to expire as follows:

Expected expiry	Less than 5 years	Unlimited	Total
Tax loss carry-forwards		150.460	150.460

Utilization of loss carry-forwards in jurisdictions in which the Group operates may be subject to limitations if there is a change in control.

## 11. Earnings per share

Earnings per share	2023	2022
Profit for the year attributable to the Parent Company's ordinary shareholders	-33.605	-38.906
Weighted average number of ordinary shares outstanding during the year, (thousands)	47.266	33.035
<b>Earnings per share, SEK</b>	<b>-0,71</b>	<b>-1,18</b>

Potential dilutive instruments that were not included in the diluted loss per share calculations because they would be antidilutive (due to reported losses) were as follows:

	2023	2022
Warrants	458.650	463.220

**12. Investments in subsidiaries**

Name	Proportion of shares and voting rights (directly or indirectly) (%) Dec 31, 2023	Proportion of shares and voting rights (directly or indirectly) (%) Dec 31, 2022	Proportion of shares and voting rights (directly or indirectly) (%) Dec 31, 2021	Number of shares	Carrying amount December 31, 2023
<i>Direct ownership</i>					
Bawat A/S	100%	100%	N/A	10.273.071	150.000

**13. Intangible assets**

	Patents	Capitalized development projects	Total
<b>Cost</b>			
<b>At January 1, 2022</b>	<b>4.902</b>	<b>74.673</b>	<b>79.575</b>
Additions	673	629	1.302
Transfers	-	-	-
Exchange differences	421	6.411	6.832
<b>At December 31, 2022</b>	<b>5.996</b>	<b>81.713</b>	<b>87.709</b>
Additions	520	710	1.230
Transfers	-	-	-
Exchange differences	-28	-377	-405
<b>At December 31, 2023</b>	<b>6.488</b>	<b>82.046</b>	<b>88.534</b>
<b>Accumulated amortization</b>			
<b>At January 1, 2022</b>	<b>-2.816</b>	<b>-35.437</b>	<b>-38.252</b>
Amortization charge	-329	-8.490	-8.819
Exchange differences	-241	-3.042	-3.283
<b>At 31 December, 2022</b>	<b>-3.386</b>	<b>-46.969</b>	<b>-50.354</b>
Amortization charge	-395	-8.583	-8.978
Exchange differences	16	217	232
<b>At 31 December, 2023</b>	<b>-3.765</b>	<b>-55.335</b>	<b>-59.100</b>
<b>Cost, net accumulated amortization</b>			
At December 31, 2022	2.610	34.744	37.354
At December 31, 2023	2.723	26.711	29.434

## 14. Property, plant and equipment

	<b>Property, plant, and equipment</b>
<b>Cost</b>	
<b>At January 1, 2022</b>	<b>895</b>
Additions	3.462
Exchange differences	77
<b>At December 31, 2022</b>	<b>4.433</b>
Additions	1.467
Exchange differences	-20
<b>At December 31, 2023</b>	<b>5.879</b>
<b>Accumulated depreciation</b>	
<b>At January 1, 2022</b>	<b>-819</b>
Depreciation charge	-61
Exchange differences	-70
<b>At December 31, 2022</b>	<b>-949</b>
Depreciation charge	-153
Exchange differences	4
<b>At December 31, 2023</b>	<b>-1.098</b>
<b>Cost, net accumulated amortization</b>	
At December 31, 2022	3.483
At December 31, 2023	4.781

Lease asset under construction was restated in 2023 from other external expenses to lease asset:

	Additions to PPE	Depreciations on asset
<b>Annual Report 2022</b>	23	-61
Restated 2023 lease asset	3.438	-
<b>2022 in 2023 Annual Report</b>	3.462	-61

## 15. Leases

This note provides information for leases where the Group is a lessee.

### 15.1 Extension and termination options

Extension and termination options are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective

lessor.

**Amounts recognized in the consolidated statement of financial position.**

The consolidated statement of financial position discloses the following amounts relating to leases:

<b>At December 31</b>	<b>2023</b>	<b>2022</b>
<b>Right-of-use assets</b>		
Premises	541	1.267
<b>Total</b>	<b>541</b>	<b>1.267</b>
<b>Lease liabilities</b>		
Non-current	-	592
Current	590	738
<b>Total</b>	<b>590</b>	<b>1.330</b>

**15.2 Amounts recognized in the consolidated statement of profit or loss**

The consolidated statement of profit or loss discloses the following amounts relating to leases:

	<b>2023</b>	<b>2022</b>
<b>Depreciation charge of right-of-use assets</b>		
Premises	745	689
<b>Total</b>		
Interest expense (included in finance cost)	79	125
Expense relating to short-term leases	-	-
Expense relating to leases of low-value assets that are not shown above as short-term leases	19	20

The total cash outflow for leases in 2023 was:

<b>CF total outflow for leases</b>	<b>2023</b>	<b>2022</b>
Amortization	-760	-650
Interest expense	-79	-125
Expense relating to short-term leases	-	-
Expense relating to leases of low-value assets that are not shown above as short-term leases	-19	-20
<b>Total</b>	<b>-858</b>	<b>-796</b>

For further information on the maturity of the lease liability, see Note 3.1.4.

## 16. Other non-current receivables

	December 31, 2023	December 31, 2022
Other receivables		
Deposits	306	280
<b>Total</b>	<b>306</b>	<b>280</b>

Other non-current receivables primarily include deposit related to lease agreement for premises Agern Alle 5A, 1. Hørsholm Denmark

## 17. Financial instruments per category

The Group classifies and measures all its financial assets in the category of financial assets measured at amortised cost and its financial liabilities in the category financial liabilities measured at amortised cost.

The Group's financial assets that are measured at amortised cost consist of other receivables (non-current and current), accrued revenue, trade receivables and cash and cash equivalents.

The Group's financial liabilities measured at amortized cost comprise liabilities to credit institutions, other liabilities (long-term and short-term) and trade payables.

### *Fair value hierarchy*

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques, which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The Group has financial instruments that are classified at amortized cost. The fair value of liabilities to credit institutions is estimated to correspond to the carrying amount since all borrowing is at a floating interest rate, and the credit risk in the Group has not changed significantly.

The carrying amount of other financial instruments in the Group is a reasonable approximation of fair value since they are short-term, and the discount effect is not significant.

## 18. Trade receivables

At December 31	2023	2022
Trade receivables	531	1.821
Less: allowance for expected credit losses	0	339
<b>Trade receivables-net</b>	<b>531</b>	<b>1.482</b>

Carrying amounts, by currency, for the Group's trade receivables are as follows:

	2023	2022
EUR	137	1.430
USD	390	
DKK	-	49
Other	4	4
<b>Total</b>	<b>531</b>	<b>1.482</b>

For more information on aging schedule and the allowance for expected credit losses, please see Note 3.1.2. The maximum exposure to credit risk on the date of the statement of financial position is the carrying amounts according to the above.

## 19. Other short-term receivables

At December 31	2023	2022
Receivable VAT	786	910
Receivable regarding JV upstart	835	428
Prepaid components for customer orders	366	575
<b>Total</b>	<b>1.987</b>	<b>1.912</b>

## 20. Prepaid expenses and deferred income

At December 31	2023	2022
Accrued cost	771	861
Prepaid cost service provider	0	153
<b>Total</b>	<b>771</b>	<b>1.014</b>

## 21. Cash and cash equivalents

The consolidated statement of financial position and the consolidated statement of cash flows include the following items in "cash and cash equivalents":

At December 31	2023	2022
Bank balances	2.260	6.722
<b>Total</b>	<b>2.260</b>	<b>6.722</b>

## 22. Share capital and other contributed capital

	Number of A-shares (thousands)	Par value	Share capital (kSEK)	Other contributed capital (kSEK)
<b>Balance at January 1, 2022</b>	<b>10.273</b>	<b>1,38</b>	14.150	-
<i>Equity swap for the Parent Company:</i>				
Bawat A/S (old Parent Company)	-10.273	1,50	-15.365	-
Bawat Technology AB (new Parent Company)	30.819	0,0165	508	-

New share issue (IPO)	5.446	0,0165	90	34.097
Loan conversion	3.277	0,0165	54	21.246
<b>Balance at December 31, 2022</b>	<b>39.542</b>	<b>0,0165</b>	<b>652</b>	<b>55.343</b>
New share issue	11.752	0,0165	194	18.608
<b>Balance at December 31, 2023</b>	<b>51.294</b>	<b>0,0165</b>	<b>846</b>	<b>73.951</b>

As at December 31, 2023, the Company's share capital consisted of 51.293.621 A-shares with a par value of SEK 0,0165. The shares carry a voting power of one vote/share. All shares issued by the parent are fully paid.

Other contributed capital consists of share premium, shareholders contribution.

During 2023 Directed Share Issues were conducted. In total 11.752.0000 new shares were issued at a price of 1,60 SEK per share.

### 23. Borrowings (Liabilities to credit institutions)

At December 31	2023	2022
Non-current liabilities to credit institutions	35.073	23.890
Current liabilities to credit institutions, consisting of the following:		
- Liabilities to credit institutions	9.579	6.228
<b>Total</b>	<b>44.652</b>	<b>30.118</b>

#### *Collateral*

Loan is secured by first ranking floating charge DKK 20.3 million over the assets of the Borrowers together with share pledge over the shares of the Borrower.

### 24. Other non-current liabilities

At December 31	2023	2022
Loan Den Danske Maritime Fond	-	-
Covid '19 and other loans	-	-
Other non-current payables	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

### 25. Other current liabilities

At December 31	2023	2022
Withheld taxes and holiday allowance employees	1.914	1.323
Covid '19 and other loans	-	987
Other cost payable	2.774	1.104
<b>Total</b>	<b>4.688</b>	<b>3.414</b>

### 26. Accrued expenses and prepaid income

At December 31	2023	2022
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Prepaid rent	-	3.436
<b>Total</b>	-	<b>3.436</b>

Prepaid rent 2022 was restated in 2023 from revenue to Accrued expenses and prepaid income:

	Accrued expenses and prepaid income
<b>Annual Report 2022</b>	-
<b>Prepaid rent 2022 restated from revenue</b>	<b>3.436</b>
<b>2022 in 2023 Annual Report</b>	<b>3.436</b>

## 27. Related party disclosures

The Group is majority and beneficially owned by Bawat Water Technologies AB (Org No 559338-6443), Office adress in Stockholm. Related parties are major shareholders in Bawat Water Technologies AB and before 22. February 2022 in Bawat A/S, as well as the Board of Directors and key management (senior executives and their associates) in the Bawat Group. Information about key management compensation is found in Note 7 Employee benefits.

<b>The following transactions have incurred with related parties:</b>	<b>2023</b>	<b>2022</b>
<i>Loan agreements, paid back before closing date</i>		
SelfInvest, loan to Bawat A/S	3.350	-
Chairman and shareholder Klaus Nyborg, loans to Bawat A/S	1.489	-
Homarus Holding A/S, loans to Bawat A/S	-	-
<b>Total</b>	<b>4.838</b>	<b>-</b>

<b>Receivables and liabilities by the end of the year related to loan agreements with related parties</b>		
<b>At December 31</b>	<b>2023</b>	<b>2022</b>
<i>Liabilities to related parties</i>		
SelfInvest, loan to Bawat A/S	-	-
Chairman and shareholder Klaus Nyborg, loans to Bawat A/S	-	-
Homarus Holding A/S, loans to Bawat A/S	-	-

**28. Changes in liabilities attributable to financing activities**

	<b>Borrowings</b>	<b>Leases</b>	<b>Total</b>
<b>Balance at January 1, 2022</b>	<b>44.301</b>	<b>1.856</b>	<b>46.157</b>
Cash flows	843	-650	193
Non-cash flows:			
Foreign exchange adjustments	2.539	124	2.663
Debt Den Grønne Investeringsfond, converted to cap.	-18.051	-	-18.051
Net financial cost added to borrowings	486	-	486
<b>Balance at December 31, 2022</b>	<b>30.118</b>	<b>1.330</b>	<b>31.448</b>
Cash flows	-3.898	-760	-4.658
Non-cash flows:			
Foreign exchange adjustments	-797	+20	-777
Loan from NEFCO	14.908		14.908
Net financial cost added to borrowings	4.321		4.321
<b>Balance at December 31, 2023</b>	<b>44.652</b>	<b>590</b>	<b>45.242</b>

**29. Commitments and contingencies***Commitments*

EIFO (previously The Green Investment Fund) and Nefco have a shared pledge in the shares in Bawat A/S as security for payments obligation on existing loan in Bawat A/S.

*Legal contingencies*

As collateral for debt to credit institutions a company pledge of 30.222 kSEK has been provided comprising goodwill, intellectual property rights, other plant, fixtures and fittings, tools and equipment, inventories as well as trade receivables.

**30. Significant events after the financial year**

See Management Report

<b>PARENT COMPANY PROFIT OR LOSS</b>			
(in SEK thousands)	<b>Notes</b>	<b>2023</b>	<b>October 5, 2021 – December 31, 2022</b>
<b>Total operating revenue</b>		530	
Other external costs	33	-3.497	-7.842
Personnel costs	34		-
<b>Total operating expenses</b>		<b>-3.497</b>	<b>-7.843</b>
<b>Operating profit/loss</b>		<b>-2.967</b>	<b>-7.843</b>
Result from subsidiary		-89.737	-35.150
Finance income	35	839	1.379
Finance expenses	35	-8	-63
<b>Finance Income – net</b>		<b>831</b>	<b>-33.834</b>
<b>Profit/loss before income tax</b>		<b>-91.873</b>	<b>-41.677</b>
Income tax	36	-	0
<b>Profit/loss for the year</b>		<b>-91.873</b>	<b>-41.677</b>
The Parent Company has no items that are recognized as other comprehensive income. Total comprehensive income for the period equals profit/loss for the year.			

<b>PARENT COMPANY STATEMENT OF FINANCIAL POSITION</b>			
<i>(in SEK thousands)</i>	<b>Notes</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>			
<b>Financial Assets</b>			
Shares in subsidiaries	37	150.000	200.324
<b>Total Financial Assets</b>		<b>150.000</b>	<b>200.325</b>
<b>Current assets</b>			
Intercompany receivables		111	22.668
Prepayments and other receivables		974	1.014
Cash and cash equivalents	38	936	92
<b>Total current assets</b>		<b>2.021</b>	<b>23.774</b>
<b>TOTAL ASSETS</b>		<b>152.021</b>	<b>224.098</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	39	846	652
<b>Unrestricted equity</b>			
Additional paid in capital		270.253	255.160
Retained earnings (incl. profit for the year)		-133.549	-41.677
Total Retained earnings		136.704	213.483
<b>Total equity</b>		<b>137.550</b>	<b>214.135</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		302	158
Intercompany liabilities		14.169	9.805
<b>Total current liabilities</b>		<b>14.471</b>	<b>9.963</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>152.021</b>	<b>224.098</b>

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY					
		Restricted equity	Non-restricted equity		
<i>(in thousands of SEK)</i>	Notes	Share capital	Additional paid in capital	Retained earnings (incl. profit for the year)	Total equity
<b>At October 5, 2021</b>		-	-	-	-
Profit/loss for the year and other comprehensive income		-	-	-41.677	-41.677
<i>Transactions with owners in their capacity as owners:</i>					
Issue in kind	22	509	199.816	-	200.325
Issue of shares (IPO)	22	90	35.311	-	35.400
Share issue related transaction costs (IPO)	22		-1.213	-	-1.213
Conversion of loans		54	21.246	-	21.300
<b>Balance at December 31, 2022</b>		<b>652</b>	<b>255.160</b>	<b>-41.677</b>	<b>214.135</b>
Profit/loss for the year and other comprehensive income		-	-	-91.873	-91.873
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares	22	194	18.608	-	18.802
Share issue related transaction costs	22		-3.515	-	-3.515
<b>Balance at December 31, 2023</b>		<b>846</b>	<b>270.253</b>	<b>-133.549</b>	<b>137.550</b>

<b>PARENT COMPANY STATEMENT OF CASH FLOWS</b>			
<i>(in thousands of SEK)</i>	<b>Notes</b>	<b>2023</b>	<b>October 5, 2021 – December 31, 2022</b>
<b>Cash flows from operating activities</b>			
Operating profit/loss		-2.967	-7.843
- Interest received	36	839	1.368
- Interest paid	36	-8	-51
- Income taxes paid			-
<b>Cash flow from operating activities before working capital change</b>		2.136	-6.526
<b>Changes in working capital:</b>			
- Increase/decrease in receivables		40	-2.382
- Increase/decrease in payables		4.508	9.963
<b>Cash flows from operating activities</b>		<b>2.412</b>	<b>1.055</b>
<b>Cash flows from investing activities</b>			
Shareholder contribution	37	-16.856	-35.150
<b>Cash flows from investing activities</b>			
<b>Financing activities</b>			
Proceeds from issuance of shares	22	<b>18.802</b>	<b>35.400</b>
Share issue related transaction costs	22	<b>-3.515</b>	<b>-1.213</b>
<b>Cash flows from financing activities</b>		<b>15.287</b>	<b>34.187</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>843</b>	<b>92</b>
Cash and cash equivalents at January 1, 2023		92	-
<b>Cash and cash equivalents at December 31, 2023</b>		<b>935</b>	<b>92</b>

## Notes to the parent company financial statements

### 31. Summary of significant accounting principles

The principal accounting policies used in the preparation of this financial report are set out below. These policies have been consistently applied unless otherwise stated. All amounts are in thousands of SEK unless otherwise stated.

#### 32.1 Basis for preparation

The Parent Company's accounting and valuation policies comply with the Swedish Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. The application of RFR 2 requires that the Parent Company as legal entity shall apply all IFRS adopted by the EU and statements to the extent that this is possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act and with consideration to the relationship between accounting and taxation.

The Parent Company applies other accounting policies than the Group in the cases stated below:

#### 32.2 Presentation format

The income statement and balance sheet are presented in accordance with the presentation format prescribed in the Swedish Annual Accounts Act. The presentation format for the statement of changes in equity is also consistent with the Group's format but shall also include the columns stated in the Swedish Annual Accounts Act. Moreover, there is a difference in terms, compared with the consolidated accounts, mainly regarding financial income and expenses, and equity.

#### 32.3 Participations in subsidiaries

Participations in subsidiaries are recognized using the cost method, which means that the investments are recognized in the balance sheet at cost less any impairment. The cost includes acquisition-related costs and any contingent consideration. The recoverable amount is calculated if there is an indication of impairment of participations in subsidiaries. If this value is lower than the carrying amount, an impairment loss is recognized.

#### 32.4 Financial instruments

IFRS 9 is not applied in the Parent Company. Instead, the Parent Company applies the items set out in RFR 2 (IFRS 9 Financial instruments, p. 3-10). Financial instruments are measured based on cost. Financial assets acquired with the intention of holding them on a short-term basis will be recognized in subsequent periods in accordance with the lower value principle at the lower of cost and market value.

When calculating the net realizable value of receivables, the policies for impairment testing and loss risk provision in IFRS 9 are applied. For a receivable recognized at amortized cost at the Group level, this means that the loss risk provision recognized in the Group in accordance with IFRS 9 is also to be recognized in the Parent Company.

#### 32.5 Leases

The Parent Company has chosen not to apply IFRS 16 Leases but has instead chosen to apply RFR 2. This means that no right-of-use assets and lease liabilities are recognized in the balance sheet. Lease payments are recognized as a cost on a straight-line basis over the lease term.

### 32. Intra-Group purchases and sales

	2023	Oct 5, 2021 – Dec 31, 2022
Percentage of total purchases during the year from other Group companies	15%	0%
Percentage of total sales during the year to other Group companies	100%	0%

### 33. Remuneration to the auditors

	2023	Oct 5, 2021 – Dec 31, 2022
<b>PwC</b>		
Audit engagement	754	140
Auditing activities in addition to the audit engagement	190	379
Tax advisory services		
Other services	-	358
<b>Total</b>	<b>944</b>	<b>877</b>

Audit engagement refers to the examination of the annual accounts and accounting records, as well as the administration of the Board of Directors and the CEO, other tasks incumbent on the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examination or the performance of such other tasks.

### 34. Employee benefits

No remuneration was paid to members of the Board. The CEO of Bawat Water Technologies AB is employed in Denmark in the operating company Bawat A/S. See note 7 for remuneration of the CEO.

### 35. Finance income and expenses

	2023	Oct 5 2021, – Dec 31, 2022
Interest income from Group companies	797	1.368
Exchange-rate differences	-	11
Other interest income	42	0
<b>Total other interest income and similar profit/loss items</b>	<b>839</b>	<b>1.379</b>
Other interest expenses	8	
Exchange-rate differences	-	63
<b>Total interest expenses and similar profit/loss items</b>	<b>8</b>	<b>63</b>

### 36. Income tax

	2023	Oct 5 2021, – Dec 31, 2022
<b>Total reported tax</b>	0	0
Reconciliation of tax expenses and loss in the accounts, multiplied by current corporate tax rate:		
	2023	Oct 5, 2021 – Dec 31, 2022
<b>Loss after financial items</b>	-2.136	-41.677
Estimated Swedish income tax 20.6%	-440	-8.585
Non-deductible expense	-	7.241

Tax losses and other temporary differences for which deferred tax assets are not recognized	+440	+1.344
<b>Total reported tax</b>	-	-

## Deferred tax

Deferred tax assets are recognized on tax loss carry-forwards or other deficits to the extent that it is probable that these can be used against future taxable profits. No deferred tax assets have been recognized, since the Parent Company does not believe that the criteria in IAS 12 for recognizing deferred tax have been met.

## 37. Participations in Group companies

For the year ending December 31	2023	2022
<b>Opening balance</b>	200.324	-
<i>Additions</i>	-	200.324
Shareholders' contributions	39.413	35.150
Result in subsidiary	-89.737	-35.150
<b>Carrying amount</b>	<b>150.000</b>	<b>200.324</b>

## 38. Cash and bank balances

For the year ending December 31	2023	2022
Bank deposits	936	92
<b>Total</b>	<b>936</b>	<b>92</b>

## 39. Share capital

Refer to Group Note 22 for information on the Parent Company's share capital.

## 40. Pledged assets and contingent liabilities

Nordea has issued a guarantee for the company's payment obligations towards Euroclear 50 kSEK deposit has been pledged to cover the obligation.

EIFO (previously The Green Investment Fund) and Nefco have a shared pledge in the shares in Bawat A/S as security for payments obligation on existing loan in Bawat A/S.

## 41. Related party disclosures

For related-party transactions and information on loans issued to related parties, refer to Group Note 27.

## 42. Significant events after the financial year

The financial statements for 2023 have been prepared on a going concern basis which includes the assessment of the cash available and the projections made by the Company. The Company successfully raised new equity in January 2024 and agreed disbursement of remaining loan facility with NEFCO. In combination with the projected cashflow from its operation, the Management and Board of Directors are of the view that sufficient funds are available for the accounting year 2024 and well into 2025. Should the projections not materialize, measures can be taken to reduce costs and investments as well as raising additional funds when needed.

For other significant events after the financial year, refer to Group Note 30.

## 43. Proposed appropriation of profits

The Board of Directors proposes that profits available for distribution (SEK):	
Retained earnings	228.576.710,14
Loss for the year	-91.872.986,87
Be appropriated as follows to be carried forward	136.703.723,27

The Board of Directors and CEO affirm that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group's profit and financial position. The Annual Report has been prepared in accordance with generally accepted accounting policies and provides a true and fair view of the Parent Company's profit and financial position.

The administration report for the Group and the Parent Company provides a fair review of the development of the Group's and Parent Company's operations, profit and financial position and describes material risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

Stockholm, May 8, 2024

\_\_\_\_\_  
Klaus Nyborg  
Chairman of the Board

\_\_\_\_\_  
Marcus Hummer  
CEO

\_\_\_\_\_  
Charlotte Hummer Vad

\_\_\_\_\_  
Steffen Jacobsen

\_\_\_\_\_  
Lars H. Hansen

Audit report was submitted on the date indicated by our electronic signature,  
Öhrlings PricewaterHouseCoopers AB

Patrik Larsson  
Authorized Public Accountant



This is a literal translation of the Swedish original report

## Auditor's report

To the general meeting of the shareholders of Bawat Water Technologies AB, corporate identity number 559338-6443

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### Report on the annual accounts and consolidated accounts

#### Opinions

We have audited the annual and consolidated accounts for the year 2023 of Bawat Water Technologies AB.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

#### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Material Uncertainty Related to Going Concern

Without our opinion being modified in respect of this matter, we draw attention to the administration report and the heading Expected future development and significant risks and uncertainties, and note 42, in the annual accounts and consolidated accounts. These indicate that the Company's current liquid funds and financial solutions are expected to sufficiently finance the operation for the upcoming 12 month period. Further, it states that the Company after the financial year has made a share issue and made disbursements on an external loan facility. Should crucial conditions regarding the forecasts not be met, there is a risk regarding the Company's going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.



## **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's



and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that I identified.

## **Report on other legal and regulatory requirements**

### **Opinions**

In addition to our audit of the annual and consolidated accounts for the financial year 2023, we have also audited the administration of the Board of Directors and the Managing Director of Bawat Water Technologies AB and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### **Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.



The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### **Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. Our examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Malmö per the date of our electronic signature

Öhrlings PricewaterhouseCoopers AB

Patrik Larsson  
Authorized Public Accountant