

BAWAT Q2 REPORT 2024

BAWAT is a leading supplier of sustainable ballast water treatment technology and services. BAWAT was listed on Nasdaq First North Premier Growth Market in Stockholm in March 2022. This quarterly report represents the ninth financial update to the Stock Exchange since the company was listed. The report contains information that BAWAT is required to disclose pursuant to the EU Market Abuse Regulation. The report was submitted for publication on 31. August 2024, at 14:30 CET.



First BaaS installation permanent in place in Hamburg Port and continued efforts to introduce BaaS (Ballast-as-a-Service) in larger scale to market.

Q2 2024

- Sales in H1 was SEK 8.9m, slightly higher than H2 2023. Sales is still trailing behind prorata for the Full Year. Main reason is still low conversion of back-log and delay in the actual placement of new orders for particularly mobile systems.
- Sales guidance for the Year is changed to SEK 30-42m, from previously SEK 42-54m. Impacted significantly (SEK 9.2m) by post quarter dissolution of the partnership with American Green Swan Partners. The drop in sales will however be more than fully compensated in earnings over time by having full ownership of the BaaS (Ballast-as-a-Service) business.
- As of mid June Hamburg Port now has a permanent BaaS offering with a trained operating partner Jongen GmbH to physically provide the service. A first of its kind in the world. A record achievement by Bawat.
- The change in the global ballast water regulation as from 8. September 2024 after years of implementation will result in significant expected growth of both mobile BWMS units and the Bawat BaaS business leg. The Port State Authorities in general enforcing the ballast water convention are aware of the very large (+30%) non-compliance of the discharges coming from vessels operating ballast water, and thus a gradual and steady enforcement is foreseen. Shortly before the deadline, more than 20,000 vessels of the global fleet have still not installed ballast water systems according to Clarksons Research (World Fleet Register).
- With Bawat's innovative Ballast-as-a-Service offering, it is expected gross profit margins will increase to around 40% after a phase-in period from previous guidance of +30%

Bawat is investing significantly into the business opportunity that Ballast-as-a-Service provides. With the ballast water convention coming to its final implementation in September 2024, whereafter the national authorities can inspect and test the system functionality as well as the discharged ballast water. With the introduction of Ballast-as-a-Service concept, Bawat can help non-compliant vessel owners when it comes to ballast water. The market for BaaS is coming both from non-compliant vessels arriving in port, non-compliant discharges from docks and yards, but Bawat is also experiencing interest in BaaS as prioritized availability for customers, ensuring fleet compliance relative to ballast water. With its unique one-pass technology, Bawat BaaS is positioned well as first mover in the BaaS market.

After considerations, Bawat has post quarter also decided to move into the BaaS space without financial partners and have thus parted with its American partners, Green Swan. This separation allows Bawat to drive its BaaS business 100% to its own bottom line at own effort. Post Quarter Bawat has therefor raised SEK 25m in a directed share issue to finance the manufacturing of mobile units that can be deployed into the BaaS business model. The units will be debt financed to largest extent possible and build by the Bawat Damen Joint Venture for mobile BWMS units.

Short term the separation will affect sales for 2024 with negative SEK 9.2 m and will delay EBITDA break even with one quarter, but medium to long term the separation will more than be made up in earnings as the service business now is 100% owned by Bawat.

FINANCIAL KEY FIGURES Q2 2024

SEK '1.000	Q2 2024	Q2 2023	H1 2024	H1 2023	12M 2023
Sales	4.424	4.135	8.786	8.294	19.140
Gross Profit	343	1.447	1.155	2.346	10.704
Gross Profit %	7,8%	35,0%	13,2%	28,3%	55,9%
EBITDA*	-6.576	-5.144	-12.381	-12.601	-14.701
Result for the period	-11.155	-11.487	-21.562	-21.708	-33.603
Earnings per share	-0,20	-0,30	-0,39	-0,56	-0,71
Cash flow from operations**	-5.543	-2.038	-11.871	-9.851	-26.568
Net working capital	-3.978	-3.450	-3.978	-3.450	-732
Equity ratio %	-47,9%	6,9%	-47,9%	6,9%	-17,5%

*In addition to this, Capital raise and other related non-recurrent items SEK 0.8m in H1 2024 (SEK 1.0m in H1 2023)

**In addition to this, Capital raise and other related non-recurrent items SEK 1.2m (SEK 4.0m in H1 2023)

Marcus P. Hummer, CEO. "We are very proud to have introduced Ballast-as-a-Service in Hamburg Port in June this year. Hamburg Port has taken a first step as a first port to ensure that vessels unable to discharge compliant ballast water now have an option to stay in port and continue planned cargo operations. We are in dialogue with the other port authorities in Germany and neighboring countries for a further introduction of Bawat BaaS".

"Capital is needed to roll out our BaaS strategy, and I'm pleased that we in a very short timeframe in the post quarter have raised SEK 25m primarily dedicated towards BaaS BWMS equipment".

"We see Bawat BaaS as an opportunity for port state and vessels owners to bridge the ballast water compliance gap that recent years' experience building so clearly has demonstrated. With the full implementation of the ballast water convention on 8th September 2024, we must expect a significant change in Port State Authorities regulatory regime in order to reduce non-compliant ballast water discharges".

Guidance 2024

- Full year guidance for the company is changed to Sales between SEK 30-42m from original SEK 42-54m and EBITDA to SEK -17--12m from SEK -12 -- -7m. Sales are impacted negatively with SEK 9.2m by the separation from Green Swan Partners and total EBITDA negatively with SEK 5.0m.
- Guidance figures for 2024 are **NOT** comparable to 2023 actual figures due to new P&L consolidation methods after having established the Bawat Damen JV.
- EBITDA break-even is expected in Q1 2025 – one quarter later than latest guidance.

FINANCIAL DEVELOPMENTS Q2 2024

Order Intake

Order Intake in Q2 was SEK 4.0m. This is trailing behind prorated Order Intake for the year. It is largely due to delay in decision from customers on New Building projects and delay in orders for mobile units.

Sales

Sales in Second quarter of 2024 amounted to SEK 4.4m (Q2 2023 SEK 4.1m). The quarter was dominated by Mobile BWMS projects in the very last phase of execution, which is also the reason for stagnation in sales recognition.

Gross profit

Gross profit second quarter of 2024 amounted to SEK 0.3m (Q2 2023 SEK 1.4m). Gross profit in the quarter was reduced in Q2 due to two mobile units in final delivery and also delivered in the quarter. This has contributed to lower-than-normal level of GP ratio mainly driven by lessons learned, building the first mobile BWMS. Ship orders have performed as expected. Overall margin on service jobs in H1 2024 has been 40-50%, which is considered very positive, given that it is still early days for these services. The average ratio of the quarter is 10.5% - before a.o. depreciations on mobile BWMS for rent. The Full Year expected gross profit margin remains unchanged at 30%. -

The company expects gross profit to stay above 30% over time, driven by greater efficiency in project execution as well as delivery of repeat orders to single customers in combination with delivery of mobile systems and/or recurrent cashflow from BaaS.

Operating profit

Operating profit, EBITDA, h1 in 2024 amounted to SEK -12.4m (H1 2023 SEK -12.6m). It is expected that operating profit will be negative until quarter 4 2024. Positive operating profit is now expected in Q1 2025 and will be driven primarily by increased activity level in BaaS. Operating fixed cost in H1 2024 is more than 15 percent below last year's level.

Earnings

Earnings after tax in H1 2024 amounted to SEK -21.6m (H1 2023 SEK -21.7m).

No dividends will be paid out for the financial year 2024.

Bawat is gradually approaching break even at EBITDA level with EBIT following same path. Investments in intangible assets to develop our systems were substantial some 3-8 years ago and hence current high depreciation levels will reduce significantly over the coming 2-3 years. Bawat expects current depreciation level to reduce from SEK -10m to SEK -5m. Bawat do not see any need for new investment in product development in the coming years.

Circulating shares

The number of circulating shares at the end of June 2024 was 55,703,621 (Q2 2023 51,293,621). The average number of circulating shares for H1 2024 was 54,852,083 (H1 2023 39,789,909).

Further, 457,850 (Q2 2023 458,650) warrants are circulating. The exercise impact of the warrants is not included above. The warrants are out of the money and thus insignificant.

Cash flow and working capital

Cash flow from operating activities in Q2 2024 amounted to SEK -5.5m (Q2 2023 SEK -6.6m). Cash flow from investment activities in Q2 2024 amounted to SEK -0.5m (Q2 2023 SEK -0.4m).

Cashflow from financing activities of SEK 17.9m in H1 2024 includes proceeds from directed share issues conducted in January 2024 and June 2024, where 4,410,000 new shares were issued at SEK 1.60 each. Gross proceeds SEK 7.1m. Further included is disbursement of convertible loan to Bawat Water Technologies AB of EUR 1m.

At the end of June 2024, net working capital amounted to SEK -4.0m (Q2 2024: SEK -3.5m).

Cash and financial position

Cash at the end of second quarter 2024 amounted to SEK 7.6m (Q4 2023: 2.6m) and Net interest-bearing debt amounted to SEK 57.9m (End of 2023: SEK 45.2m).

At the end of second quarter 2024, Equity amounted to SEK -22.7m (End of 2023: SEK -8.0m), equivalent to an equity ratio of -47.9%.

Directed share issues carried out in January 2024 and June 2024 of SEK 7.1m and disbursement of convertible loan from NEFCO of SEK 11.2m (EUR 1m) is included in H1 2024. In August a new share issued were carried through, with the purpose to support the company's new strategy to market BaaS services.

Risks

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

FINANCIAL CALENDAR 2024

Q2/H1 report 31. August

Management view

A video recording of management's view of the quarterly result will be available online on Bawat investor page on 4. September 2024.

FORWARD-LOOKING STATEMENTS

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

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This report constitutes inside information that Bawat *Water Technologies AB* is obliged to make public pursuant to the EU Market Abuse Regulation 596/2014. The information was sent for publication, through the agency of the contact persons set out above, at the time stated by the Company's news distributor, Cision, at the publication of this press release *on May 30, 2024*.

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

FINANCIAL STATEMENTS 2024

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

A number of new standards and interpretations are effective for financial years beginning after 1. January 2024 and have not been applied in the preparation of these financial statements. These new standards and interpretations are not expected to have a significant impact on the consolidated financial statements.

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

Consolidated income statement (condensed)

SEK '1.000	Q2 2024	Q2 2023	H1 2024	H1 2023	12M 2023
Sales	4.424	4.135	8.786	8.294	19.140
Gross Profit	343	1.447	1.155	2.346	10.704
Gross Profit %	7,8%	35,0%	13,2%	28,3%	55,9%
Personnel cost	-4.908	-4.473	-9.491	-10.035	-18.891
EBITDA*	-6.525	-6.990	-12.381	-13.647	-18.133
Operating profit/loss*	-9.069	-9.481	-17.419	-18.596	-28.190
Finance cost – net	-2.086	-2.006	-4.143	-3.112	-5.413
Result for the period before income tax*	-11.155	-11.487	-21.561	-21.708	-33.603

*including cost of the capital raise and other related non-recurrent items FY SEK 0.8m (H1 2023 SEK 1.0m)

Consolidated balance sheet (condensed)

SEK '1.000	30 Jun 2024	31 Mar 2024	31 Dec 2023	31 Dec 2022
Total intangible assets	25.638	28.207	29.434	37.354
Total tangible fixed assets	5.337	5.308	5.322	1.267
Total financial assets	349	353	336	355
Total non-current assets	31.324	33.868	35.092	38.976
Trade receivables	3.143	1.888	531	1.482
Contract assets	2.669	6.270	5.167	1.611
Other receivables	1.447	1.598	1.987	1.912
Prepayments	1.149	962	772	1.014
Total current receivables	8.408	10.718	8.457	6.019
Cash and cash equivalents	7.634	2.120	2.260	6.723
Total assets	47.366	46.707	45.809	51.718
Share capital	919	913	846	652
Total equity	-22.703	-12.280	-8.033	9.030
Total non-current liabilities	50.465	33.848	35.073	24.482
Borrowings, current	7.217	13.072	9.579	6.228
Lease liabilities, current	205	411	590	738
Trade payables	4.718	3.498	3.771	4.983
Contract Liabilities	1.214	2.526	141	2.843
Other payables	6.250	5.632	4.688	3.414
Total current liabilities	19.604	25.140	18.769	18.206
Total liabilities	70.069	58.988	53.842	42.688
Total liabilities and equity	47.366	46.707	45.809	51.718

Consolidated statement of changes in equity (condensed)

SEK '1.000	30 Jun 2024	31 Mar 2024	31 Dec 2023	31 Dec 2022
Equity 1 January	-8.033	-8.033	9.030	-8.351
Profit/loss for the period	-21.561	-10.407	-33.603	-38.908
Other comprehensive income for the period	220	49	738	452
Total comprehensive income for the period	-21.341	-10.358	-32.865	-38.456
Total transactions with owners	6.671	6.111	15.802	55.487
Equity 31 December	-22.703	-12.280	-8.033	9.030

Consolidated statement of cash flows (condensed)

SEK '1.000	Q2 2024	Q2 2023	H1 2024	H1 2023	12M 2023
Cash flow from operations*	-5.457	-6.622	-11.871	-13.851	-33.000
Cash flow from investments	-534	-411	-697	-1.133	-6.354
Cash flow from financing activities	11.520	20.670	17.921	25.678	35.021
Total	5.529	13.637	5.353	10.694	-4.333

* including capital raise cost and other related non-recurrent items SEK 1.2m (H1 2023 SEK 4.0m)

Financial statement, Bawat Water Technologies AB (Parent Company) (condensed)

SEK '1.000	H1 2024	Q1 2024	12M 2023	12M 2022
Income Statement				
Sales	267	0	530	0
Operating profit/loss	-1.232	-525	-2.967	-7.843
Finance Income - net	-534	-1	831	1.317
Result for the period before income tax	-1.766	-526	-2.136	6.526

Balance Sheet	Q2 2024	Q1 2024	12M 2023	12M 2022
Investment in subsidiaries	155.000	155.000	150.000	200.325
Current assets	1.317	773	805	23.682
Cash and cash equivalents	1.611	1.270	936	92
Total assets	157.928	157.043	151.741	224.099
Equity	142.490	143.135	137.550	214.136
Borrowings, long term	9.605	-	-	-
Current liabilities	5.833	14.189	14.191	9.963
Total liabilities and equity	157.928	157.043	151.741	224.099

MANAGEMENT'S STATEMENT

The Executive Management and Board of Directors of BAWAT have today adopted the interim financial statement for the Second quarter of 2024. The Financial report has not been reviewed by the Company's independent auditors.

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

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

Copenhagen, 30. August 2024

Executive Management

Marcus P. Hummer

CEO

Board of Directors

Klaus Nyborg

Charlotte Vad

Steffen Jacobsen

Lars H. Hansen

Chairman