

2023 | 1st QUARTER REPORT



Webcast presentation for M Vest Water 1st Quarter Report is held on 16 May 2023 at 10:00 AM, Central European Time (CET).

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MVEST WATER AS – 1st QUARTER 2023 REPORT

BERGEN, NORWAY, 16 MAY 2023.

M VEST WATER AS (MVW) TODAY ANNOUNCED ITS Q1 2023 REPORT AND FINANCIAL RESULTS FOR THE FIRST QUARTER, ENDING 31 MARCH 2023.

M Vest Water is a global Greentech company with offices in Norway and Germany. MVW develops products and technologies enabling environmentally responsible and highly efficient water treatment for a wide array of industries worldwide. MVW has a singular and clear-cut mission: to realize a zero-discharge future. With its disruptive technology, the company is already making significant strides towards achieving this goal. The technology is well protected under a family of patents in applicable states and regions.

Highlights Q1 2023

Events Q1	Subsequent events
<p>NORWAPOL® in full scale operation, Oil & Gas Produced Water – Norwegian oil terminal</p>	
<p>Contract awarded – NORWAFLOC®, Oil & Gas 2 months full-scale water treatment successfully completed Slopwater treatment plant - Norway</p>	<p>US Oil & Gas – project 1 NORWAPOL® - Test program successfully completed, 8 months pilot testing program in collaboration at an US onshore oilfield completed in April. MVW is invited for final large-scale qualification, (California, heavy oil)</p>
<p>Contract awarded – NORWAFLOC®, Oil & Gas 2 months full-scale water treatment successfully completed Slopwater treatment plant - Norway</p>	<p>US Oil & Gas – project 2 NORWAPOL® - Beaver Creek – full scale in planning Large plant, 20 000 bbl produced water per day</p>
<p>Contract awarded – NORWAPOL®, Aquaculture NORWAPOL® solution to the Erko Settefisk AS Intake water at RAS facility - Norway</p>	<p>Contract awarded – NORWAPOL® PFAS treatment Treatment of PFAS contaminated water at Bergen Airport</p>
<p>Contract awarded – NORWAPOL®, Aquaculture NORWAPOL® solution to the Erko Settefisk AS Intake water at RAS facility - Norway</p>	<p>NORWAFLOC® - Full scale verification successfully completed, Aquaculture Salmon processing facility - Norway</p>
<p>Contract awarded – NORWAPOL®, Aquaculture Sales of water treatment equipment to Downstream Marine AS Salmon processing facility - Norway</p>	<p>Full-scale verification – NORWAFLOC® Gravel & Sand, Germany</p>

Financial Review

Key figures

All figures in NOK 1000	1Q 2023/YTD 2023	1Q 2022	FY 2022
Revenues	2 851	435	1 818
EBIT	(7 664)	(8 083)	(28 617)
EBITDA	(7 124)	(7 663)	(26 720)
Profit/(loss) before tax	(7 807)	(8 176)	(28 903)
Cash flow operating activities	(8 546)	(12 607)	(34 872)
Total assets	59 088	89 823	67 221
Interest bearing debt (excl. leasing)	2 693	4 078	3 039
Cash and cash equivalents	24 557	65 804	34 823
Equity ratio	79%	84%	82 %

Sale of water treatment equipment to the aquaculture industry led to an increase in revenue in Q1 2023, NOK 2.8 million, compared to NOK 0.4 million in Q1 2022. The demand for our solutions is increasing in several industry segments and show positive developments in strategically important projects in the US, Germany, and Norway.

Total operating expenses were NOK 10 million for the quarter. The operating expenses are mainly staff and project related costs. As of 31 March 2023, the company had NOK 24.6 million in cash. Cash burn for the quarter amounted to NOK 10 million, hereof cashflow from operating activities NOK 8,5 million. The equity ratio at the end of the quarter was 79%.

Business update

In addition to important contract awards and continuous technological advancements, we receive an increasing number of inquiries, paid projects, and business requests from larger corporations within MVW's four targeted markets.

Oil & Gas

MVW supplies two wastewater treatment plants in Norway with NORWAFLOC® for treatment of highly oil-contaminated water (produced water and slop water) related to oil production in the North Sea.

- Produced water: In addition to our continuous supply of NORWAFLOC®, MVW's NORWAPOL® solution (implemented in January 2023), has been operating in full-scale since February 2023 with excellent results.
- Slop water: The supply is increasing. In Q4 2022 MVW was awarded a contract for 2 months' supply of treatment chemicals to a larger slop water terminal in Norway. The 2-month period is successfully completed, and MVW has received additional orders of Norwafloc® from the client.

As part of a pilot program in Q3 MVW's NORWAPOL® technology was field proven in the US Oil & Gas industry. The pilot was carried out in collaboration with a global Oil & Gas operator and our products replaced their existing old-fashioned technology for treatment of onshore produced water.

Extended verification pilot testing over the past 6 months is now successfully completed and prove MVW's NORWAPOL® to be superior to existing technology, such as walnut shell filters, the most commonly used method globally for polishing oily produced water.

In competition with alternative technologies, MVW has stood out as the preferred supplier. A large-scale verification (20 000 bbl/day) is now in planning. This intermediate step is the final verification prior to a full-scale permanent field installation for treating 1 mill bbls of produced water per day.

In addition, MVW is participating in several quotations for treatment of produced water.

This breakthrough brings our NORWAPOL® and NORWAFLOC® into commercial phase in the global onshore Oil & Gas market, attracting the attention from markets players with operations in the USA and the Middle East. MVW's green and disruptive solution gives robust and cost efficient operations for the clients as well as contributing to a circular economy.

Aquaculture

Smolt facilities

Erko Settefisk AS awarded MVW a contract for treatment of intake water for Erko's RAS facility in Norway. The contract include delivery of MVW's NORWAPOL® technology. NORWAPOL® was chosen in competition with established solutions in this market segment due to superior technical treatment efficiency. This achievement states the start of MVW's commercial entrance in this market segment. The installment is planned to be completed within the end of Q2 2023.

MVW completed a pilot verification for one of the major salmon farming companies with NORWAPOL® technology at a smolt facility in Norway in Q4 2022. The test documented satisfying results for the various water treatment steps at the plant as well as for the discharged wastewater. The customer wants to continue the cooperation with MVW. A full-scale qualification is being planned for Q2/Q3 2023.

Salmon processing facilities – blood water

MVW's Norwafloc® was proven to the aquaculture industry for treatment of bloodwater at a salmon processing facility in Q3 2022. Following this MVW has done additional progress through full-scale verifications, proving MVW's solutions to be highly cost efficient in addition to excellent operational and technical results. In collaboration with our business partner Downstream Services AS, who has supplied 70% of the Norwegian market with disinfection systems, MVW is now actively targeting this customer base.

From December 2023, salmon processing facilities face new and stricter discharge requirements. In terms of the industry, this means introduction of modifications or chemical treatments.

Dredging water treatment and sludge dewatering

MVW has, at one of the very largest European mechanical dredging sludge dewatering sites, in a full-scale qualification in Q4 2022, successfully treated 2000 m³/h dredging sludge for dewatering. Currently used flocculants in sludge dewatering are synthetic. These are targeted and set to be reduced in general by legislation and operators, due to negative environmental impact.

In total the qualification test duly verified cost saving potential and environmental gain for the client and the industry in general by obtaining large reduction in use of unwanted synthetic chemicals, cleaner water discharge and substantially more dry sludge for transport to land fill with 25% less synthetic flocculant polymers in this sludge.

Next step is a repeated and final full-scale verification. The project has been rescheduled by the client to Q4 2023, due to mechanical modifications to the treatment system.

MVW has in cooperation a major dredging operator qualified Norwafloc® to be applied for the German dredging market. Norwafloc® is now being qualified at 4 operating mobile dredging units, and the first sales to this customer was done in Q1 2023.

Municipal wastewater and sludge dewatering

This market accounts for 60% of the total flocculants and coagulants market globally. MVW is involved in municipal wastewater projects in both Norway and Germany. MVW experience great synergies working with ongoing projects in both countries in parallel. The main priority in 1H 2023 is working towards commercialization.

Due to market size and access to treatment plants MVW prioritize now the German projects. Following up technical achievements and results from pilots in 2022, we are now preparing a full-scale qualification during the summer at a treatment plant for municipal sewage.

MVW has now processes and products able to replace competing coagulants/flocculant in municipal sludge dewatering, and furthermore ensure a sustainable solution for the client and the environment.



Stein E. Giljarhus, CEO

Interim financial statement

All figures in NOK 1000	1Q 2023 (Unaudited)	1Q 2022 (Unaudited)	FY 2022 (Audited)
Sales revenue	2 851	435	1 818
Total income	2 851	435	1 818
Cost of goods sold	1 115	301	754
Change in inventory	648	69	(380)
Employee benefits expense	5 718	4 335	17 981
Capitalized employee expense	(531)	(653)	(3 556)
Depreciation and amortization	2 539	420	1 897
Other operating expenses	3 027	4 045	13 738
Total expenses	10 514	8 518	30 434
Operating profit (loss) / EBIT	(7 664)	(8 083)	(28 617)
Other interest income	109	45	301
Other financial income	25	6	27
Other interest expenses	86	95	356
Other financial expenses	191	49	259
Net financials	(144)	(93)	(287)
Profit(loss) before income tax	(7 807)	(8 176)	(28 903)
Other comprehensive income			
Component of OCI			
Exchange differences on translation	4 (6)	-	13
Total comprehensive income	4 (7 813)	(8 176)	(28 891)
Attributable to			
Uncovered loss against share premium	(7 813)	(8 176)	(28 891)
Total	(7 813)	(8 176)	(28 891)
Earnings per share (diluted and basic)	(0,27)	(0,28)	(0,99)

Consolidated Interim Balance sheet

All figures in NOK 1000		1Q 2023 (Unaudited)	1Q 2022 (Unaudited)	FY 2022 (Audited)
ASSETS				
Non-current assets				
Intangible assets				
Capitalized development costs	2	8 193	4 615	7 528
Patents and trademarks	2	6 490	4 821	5 914
Total intangible assets		14 683	9 436	13 442
Machinery and equipment	2	6 396	5 544	6 396
Equipment and other movables	2	5 417	2 119	5 526
Office facilities (right-of-use asset)	2	3 503	4 670	3 795
Total property, plant and equipment		15 315	12 333	15 718
Total non-current assets		29 999	21 769	29 161
Current assets				
Inventories		1 105	1 269	1 357
Accounts receivables		1 943	129	596
Other short-term receivables		1 484	852	771
Total receivables		3 427	981	1 366
Cash and cash equivalents		24 557	65 804	34 823
Total current assets		29 089	68 054	37 546
Total assets		59 088	89 823	66 708
EQUITY				
Issued non-registered share capital				
Share capital	4	66	66	66
Share premium reserve	4	54 448	83 410	111 793
Profit/(loss) before income tax YTD	4	(7 813)	(8 176)	(29 041)
Translation reserve subsidiaries	4	(19)	-	14
Total equity		46 682	75 229	54 377
LIABILITIES				
Non current liabilities				
Liabilities to financial institutions	3	1 500	2 693	1 654
Financial lease long term	2	2 351	4 689	2 636
Total non-current liabilities		3 851	7 381	4 289
Current liabilities				
Borrowing one year installments	3	1 193	1 385	1 385
Trade payables		1 755	2 508	2 217
Public duties payable		796	285	899
Financial lease one year installments	2	1 289	1 285	1 289
Other current liabilities		3 521	1 750	2 252
Total current liabilities		8 554	7 213	8 041
Total liabilities		12 405	14 594	12 331
Total equity and liabilities		59 088	89 823	66 708

Consolidated Interim Cash flow statement	1Q 2023/YTD 2023 (Unaudited)	1Q 2022 (Unaudited)	FY 2022 (Audited)
<i>All figures in NOK 1,000</i>			
Cash flows from operating activities			
Profit / (loss) before income tax	(7 813)	(8 176)	(28 923)
Adjustments for:			
+ Depreciation, amortization and impairment	539	420	1 896
(Increase)/decrease in inventories	145	(737)	(719)
(Increase)/decrease in trade receivables	(1 347)	(128)	(595)
(Increase)/decrease in other receivables	(96)	257	(207)
Increase/(decrease) in short term liabilities	790	684	(2 034)
Increase/(decrease) in trade and other payables	(758)	(4 756)	(4 239)
Changes in other operating activities	(6)	(171)	(85)
Net cash from operating activities	(8 546)	(12 607)	(34 872)
Cash flows from investing activities			
Capital expenditures PPE	(99)	(395)	(5 134)
Capital expenditures patents, R&D etc.	(1 275)	(1 217)	(5 175)
Net cash used in investing activities	(1 373)	(1 612)	(10 309)
Cash flows from financing activities			
Increase/(decrease) in borrowings credit institutions	(346)	(346)	(1 385)
Grants from Innovation Norway	-	-	1 020
Net cash from financing activities	(346)	(346)	(365)
Net (decrease)/increase in cash and cash equivalents	(10 265)	(14 565)	(45 546)
Cash and cash equivalents at beginning of the period	34 823	80 369	80 369
Cash and cash equivalents at end of the period	24 557	65 804	34 823

Notes to the Condensed Interim Financial Statements

1 Basis of preparation

MVW's condensed consolidated interim financial statements for the first quarter of 2023 were authorized for issue by the Board of Directors on the 15th of May 2023.

In the third quarter of 2022 MVW has registered a 100 % owned subsidiary in Germany under the company name M Vest Water GmbH. The financial statements and disclosures as of 31 March 2023 are consolidated and include the activity in the subsidiary in the period.

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). The condensed interim financial statements do not include all the information and disclosures required by IFRS. For a complete set of financial statements, these condensed interim financial statements should be read in conjunction with the annual statement of 2022.

The condensed interim financial statements are unaudited. The audit will be carried out in connection with the 2023 year-end closing.

Fair Value:

The condensed interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the dates and interim periods presented. Interim period results are not necessarily indicative of results of operations or cash flows for an annual period.

Use of estimates:

The preparation of financial statements in conformity with simplified IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, considering current and expected future market conditions.

2. Intangible assets, plant, equipment and ROA

All figures in NOK 1000

	Capitalized development costs	Patents and trademarks	Plant and machinery	Equipment and other movables	Right of use assets (IFRS 16)	YTD 2023
						Total
Accumulated cost 31 December 2021	7 527	5 914	6 396	5 531	3 795	29 162
Additions	667	607	0	99	0	1 374
Depreciation	0	-34	0	-214	-292	-539
Closing net book amount 31 Dec 2022	8 193	6 488	6 396	5 417	3 503	29 999
As at January 1 2022						
Acquisition cost	7 528	6 144	6 396	6 279	5 750	32 096
Accumulated depreciation and write downs	0	-230	0	-748	-1 955	-2 933
Net book amount	7 528	5 914	6 396	5 531	3 795	29 164
As at Dec 30 2022						
Acquisition cost	8 195	6 751	6 396	6 378	5 750	33 470
Accumulated depreciation and write downs	0	-263	0	-961	-2 247	-3 472
Net book amount	8 195	6 488	6 396	5 417	3 503	29 999

Economic life	1) 3 years/ 1)/2)	3) 3-10 years	5 years
Depreciation method	1) Linear/ 1)/2)	3) Linear	Linear

- 1) The group's products have not been fully developed and tested. When they are ready for use, associated R&D will be depreciated in line with expected lifetime.
- 2) Capitalized website costs is depreciated on a straight-line basis over 3 years.
- 3) The mobile container Norwamix, is now completely delivered, however modifications need to be done to consider the unit ready to use. The modifications are expected to be done within 1H2023, thereafter the unit will be depreciated over its expected lifetime has been developed and delivered by the supplier, but technical team at MVW has concluded that there need to be installed a powder mix in the machine to consider it fully ready to use. When this is done, it will be depreciated over its expected lifetime.

Research and development, patents and trademarks

Research and development in the company involves several innovative solutions that can be used for water treatment, products, equipment and process development. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Examples of directly attributable costs are costs of materials and services used or consumed in generating the intangible asset, costs of employee benefits (as defined in IAS 19) arising from the generation of the intangible asset, fees to register a legal right and amortization of patents and licenses that are used to generate the intangible asset.

Plant and machinery

The company has received a total of 5,1 MNOK in grants from Innovation Norway to develop the Norwamix machine. The status of the project is that the machine has been delivered and tested, however modifications is needed to consider it fully ready to use. Expected time frame is mid-2023. The Innovation Norway project has been successfully completed and reported in the beginning of 2023.

Right of use assets (ROA) and lease liability (IFRS 16)

MVW has recognized its office facilities as a leasing contract according to IFRS 16. Lease liabilities according to IFRS 16 is measured as the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Office rent due within 12 months are classified as short-term.

The company elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') and lease contracts for which the underlying asset is of low value ('low-value assets').

Depreciation, amortization and impairment

The Group's intangible assets, and machinery, have not been fully developed and tested and it is therefore not relevant with depreciation this year. When the products are ready for use, they will be depreciated in line with expected lifetime.

The Group has not identified any impairment indicators related to its machinery and equipment. No impairment, losses or reversals of write downs have been recognized in this or previous years accounts.

3 Loans and borrowings

All figures in NOK 1000

	Effective interest rate	Maturity date	YTD 2023	YTD 2022
Loan credit institutions				
Bank loan (5 years)	4,50 %	October 2025	2 500	2 750
Bank loan (3 years)	2,30 %	October 2023	193	289
Total secured long-term debt			2 692	3 038
Total other long-term debt			0	0
Total long-term debt			2 692	3 038
1st year's principal repayments on non-current debt			1 193	1 385
Total long-term debt excluding the 1st year's principal repayments and leasing			1 499	1 653

Change in long-term interest-bearing debt to credit institutions in the first quarter of 2023 is equal to the company's installments during the period.

It's been given a guarantee from Innovation Norway on 75 % of the credit adjusted for other collateral (loss guarantee).

The loan is granted against a mortgage with a nominal value of NOK 5 million in accounts receivable.

There is no other pledge, collateral or guarantees associated with the company debt to credit institution.

4 Equity

All figures in NOK 1000

	YTD 2022 As at 31.12.2022	YTD 2022 As at 31.03.2022	YTD 2023 As at 31.03.2023
Opening balance	83 405	83 405	54 502
Translation reserve *	(13)	-	(6)
Net profit for the period	(28 891)	(8 176)	(7 813)
Ending balance	54 502	75 229	46 682

* In 3Q22 the company has registered a 100 % owned subsidiary in Germany under the company name M Vest Water GmbH.

5 Shareholders

The total number of ordinary shares in MVW at 31 March 2023:

	Total	Face value	Entered
Ordinary shares	29 200 000	0,002277	66488,4

Ownership structure

Largest shareholders per 31 March 2023

Name		
M VEST INVEST AS	10 800 000	37,0 %
HAUGLAND GRUPPEN AS	4 739 145	16,2 %
J.P. Morgan SE	2 400 000	8,2 %
Atlichka Holding AS	1 908 019	6,5 %
Slothe-Holding AS (us)	1 141 767	3,9 %
SK TUFTA HOLDING AS	970 000	3,3 %
Other shareholders	7 241 069	24,8 %
Ending balance	29 200 000	100,0 %

Board member Atle Mundheim indirectly owns through Atlichka Holding AS 6,5 % of the shares in the company.

6 Share based option plan

M Vest Water AS has granted share options to selected employees in January 2023. The options give the holder the right to acquire shares from the company at an exercise price defined in the individual option agreements.

Options are granted under the plan for no consideration and carry no dividend or voting rights before exercise of the options.

Movement during the year	2023	2023
	Average exercise price per share option	Number of options
As at 1 January		
Granted in January 2023	15	400 000
Exercised during the year		
Forfeited during the year	15	50 000
Expired during the year		
As at 31 March	15	350 000

The value of the options is determined by determined by applying the Black-Scholes option pricing model. The Black-Scholes model considers the share price at the grant date, time until execution, exercise price, risk-free interest rate and volatility.

The estimated cost is expensed over the vesting period. 109.536 NOK have been expensed in the first quarter of 2023.

Share options held by group management and board members:	Number of share options
Atle Mundheim (Board member and CTO)	80 000
Morten Hilton Thomassen (CFO)	70 000
Total	150 000



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