

Phoslock Environmental Technologies

Half year results

6 months to 30 June 2020 – CEO/MD, Lachlan McKinnon

Building a stronger and more diversified business

Key Business Developments in First Half



Flooding in parts of China results in project delays



COVID-19 negatively impacts project timing and working capital



All deferred projects expected to resume in due course. No project cancellations



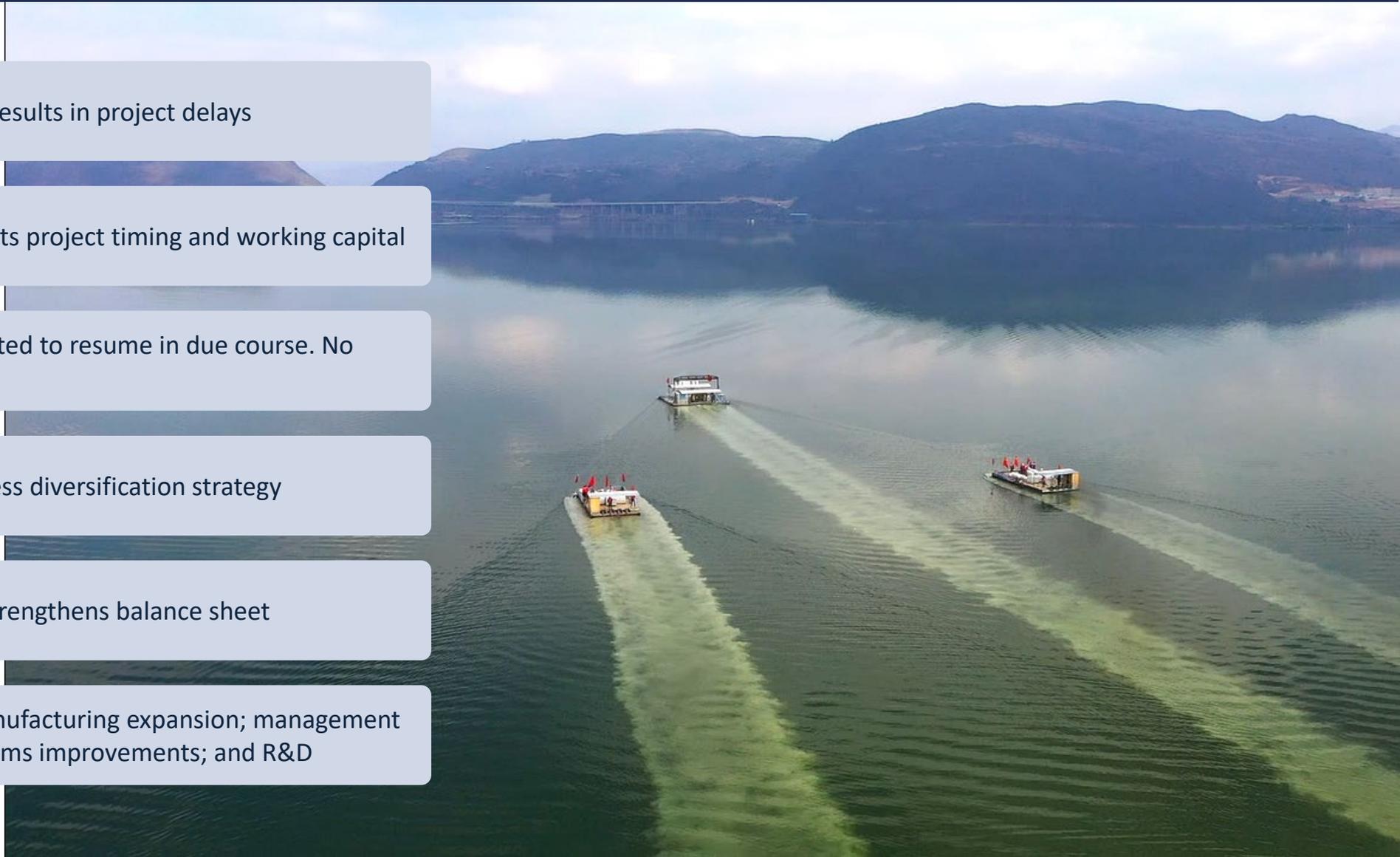
Positive progress on business diversification strategy



Successful capital raising strengthens balance sheet



Further investments in manufacturing expansion; management strength; process and systems improvements; and R&D



Financials – Matthew Parker, CFO

Key Financial Results	6 months to 30 June 2020	6 months to 30 June 2019
Revenues	\$1.2 million	\$9.8 million
Gross Profit	\$0.61 million	\$6.3 million
EBIT ¹	(\$5.1 million)	\$1.7 million
NPAT ²	(\$5.1 million)	\$1.0 million
Net Operating Cash Flow	(\$8.4 million)	\$10.8 million
Key Balance Sheet Metrics	30 June 2020	31 Dec 2019
Cash and Equivalents	\$35 million	\$15 million
Receivables	\$15 million	\$17 million
Inventories	\$4 million	\$2 million

1. Earnings Before Interest/Finance Costs and Tax
2. Net Operating Profit/(Loss) after Tax

Results highlight impact of project timing on revenues, earnings and cash flow

Working Capital – Matthew Parker, CFO



Period-end working capital/cash flow has been impacted by a number of 'one-off' events

ISSUES

Lower revenues driven by temporary flooding and COVID impacts

Later than normal / deferred payments due to project delays and COVID related pressures; and a single project with long-dated payment terms

Higher expenses relating to one-off employee transition entitlements

Action taken in May/June to reduce manufacturing activity results in lower payables

Higher inventories due to project delays and strategic decision to build safety stocks early in first half period as a safeguard against possible COVID-related manufacturing interruptions



China Flooding

- Severe flooding in Yunnan Province delays multiple projects
- Damage to catchment infrastructure and lakes
- High levels of nutrient and pollutant inflows
- Phosphorous levels must stabilise to facilitate resumption of remediation works
- Some delayed projects expected to resume in late FY20 or early FY21



No affected projects cancelled, with relevant authorities reaffirming commitment to proceed with remediation works as soon as possible

COVID-19 Impacts

China

- Projects delayed; travel difficult; government spending temporarily reprioritised
- Minimal disruption to manufacturing – safety stocks produced as a risk mitigation measure, but production activity reduced later in period as project delays become apparent

International

- Several new projects delayed (including in Europe, USA, Brazil)
- Later than expected payments on some ongoing projects
- Comprehensive business continuity; and employee safety and welfare programs implemented



Ongoing China Operations

Multiple ongoing projects in China
continue on schedule

*Xing Yun Lake, Huixian Lake, YuTan Reservoir,
.....and others*

New restoration plan for South Lake
(Wuhan, Hubei Province) due to
commence in second half FY20

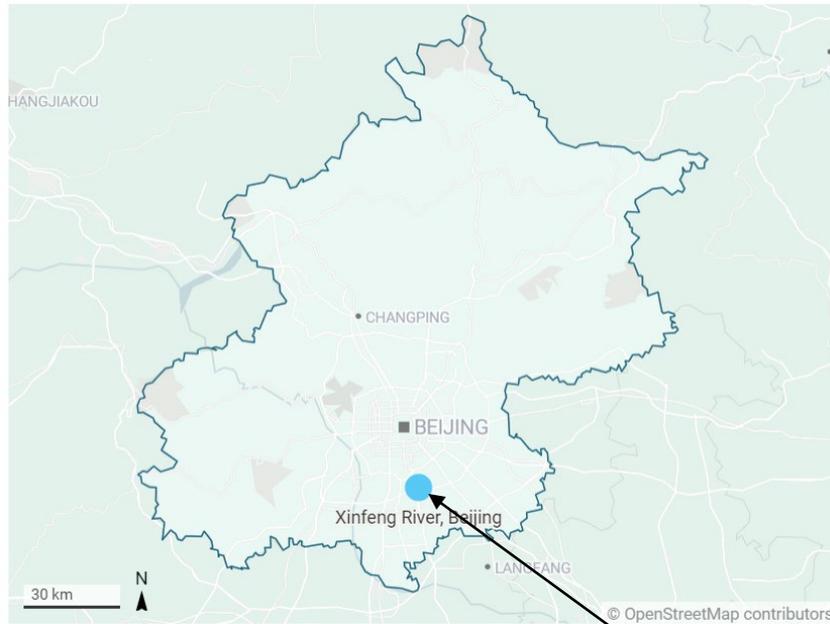
New contract finalised for Phase 1 of
restoration project in Hengshui City
(Hebei Province) canal system; work
due to start in second half of FY20



Xinfeng River, Beijing



Xinfeng River project has been completed and the results well published in the press in China.



International Business Update



- Multiple trials underway in **USA**, representing strong growth in regional activity
 - Washington State, New Jersey, Michigan, Utah and Florida
- Further treatments completed and scheduled for second half FY20 in **Brazil**
 - Pampulha (Belo Horizonte), Rio de Janeiro, North Eastern (Bahia state), and Southern Brazil (Rio Grande do Sul).
- **European** business continues to expand, but COVID-related delays impacted some projects
- New opportunities identified in Nordic Region, with work underway in Finland and Norway
- Projects in Netherlands, Belgium, Germany and Italy expected to resume/continue in second half FY20

Investing in Future Growth

- Lease signed on new manufacturing plant in China
 - Facilitates significant increase in production capacity and lower cost of goods
 - Construction/commissioning will be staged to reflect growth in volume demand
- Additional resources are being secured to support international diversification of business
- Increased investment and focus on R&D to develop stronger pipeline of new products and services
- New management team in place to drive sustainable and profitable growth



Building a stronger and more diversified business

- **China will continue to be a major market for PET products and services**
 - Large number of waterways impacted by phosphorous loading
 - Environmental remediation a key strategic priority of Chinese Government and local authorities
 - PET has strong and growing market presence
 - Strong portfolio of current projects; growing pipeline of new contracts and trial work
- **Substantial growth opportunities in other international markets**
 - Market development continues in ANZ; Asia (ex China); North & South America; and Europe
 - Strong interest from potential distributors in new markets
- **Strategic objective to achieve a more balanced project and revenue base within next three years**



Outlook continues to look positive

- Disappointing half year result is a factor of timing issues and other largely one-off impacts
- All deferred/delayed projects are expected to resume and be completed in due course; either in second half FY20 or in FY21
- Inherent uncertainty on timing – forecasts suspended
- Pipeline remains strong (estimated contract value: \$380 million)
- Interest in Phoslock technology and other PET services continues to grow



Phoslock Environmental Technologies

ASX Code – PET
PET is included in the ASX 300 Index

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