

Fluence Corporation Limited
Appendix 4E
31 December 2019

Name of entity:	Fluence Corporation Limited
ABN:	52 127 734 196
Year ended	31 December 2019
Previous period:	31 December 2018

Results for announcement to the market

US \$'000			
Revenue for ordinary activities	Down	39.6%	to 60,962
Loss after tax attributable to members	Down	49.7%	to (31,585)
Net loss after tax (from ordinary activities) for the period attributable to owners of Fluence Corporation Limited	Down	50.7%	to (31,434)

Distributions

No dividends have been paid or declared by the Group since the beginning of the current reporting period. No dividends were paid for the previous reporting period. The Group has no dividend reinvestment plan.

Net tangible assets per security

	31 December 2019	31 December 2018
Net tangible assets (per share)	\$0.05	\$0.07

Explanation of results

Consolidated revenue for the year was US\$61 million (2018: US\$101 million).

The consolidated loss for the Company after income tax for the reporting period was US\$32 million (2018: loss of US\$63 million). The 2018 consolidated loss included US\$56 million of goodwill write off.

The financial report is presented in United States Dollars which is the Group's presentation currency.

Cash and cash equivalents at 31 December 2019 amounted to US\$22 million (2018: US\$39 million). In addition, Other Financial Assets at 31 December 2019 included a short term deposit of US\$5 million (2018: US\$1 million).

As at 31 December 2019, the Group had borrowings of US\$3 million (2018: US\$0.3 million).

Following the 2019 results, Fluence plans to continue its current growth strategy. Smart Solutions revenue in 2018 was US\$22 million. In 2019 this grew to US\$26 million and is forecast to reach at least US\$32 million in 2020. Furthermore, Fluence anticipates secured annual recurring revenue to increase from US\$7 million in 2019 to \$9 million in 2020.

On 8 January 2020 the Company announced that financial close on the €165 million (US\$182 million) Ivory Coast water treatment plant has been achieved with the execution of the financing agreement by the Ministry of Finance of Ivory Coast (the "Customer") and the Israeli Discount Bank ("IDB")

The Appendix 4E financial report follows, with further details to be included in the audited financial statements to be released by 31 March 2020.

Fluence Corporation Limited
Appendix 4E
31 December 2019
(continued)

Other information required by Listing Rule 4.3A

N/A

Audit

These accounts are currently in the process of being audited. An Annual Report for the year ended 31 December 2019 containing the Audit Report shall be provided in due course.

Fluence Corporation Limited

ABN 52 127 734 196

Appendix 4E Preliminary Final Report for the year ended 31 December 2019

Fluence Corporation Limited ABN 52 127 734 196

Annual Report - 31 December 2019

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**Fluence Corporation Limited
Corporate Directory**

Directors

Mr Richard Irving
Non-Executive Chairman

Mr Henry Charrabe
Managing Director and Chief Executive Officer (CEO)

Mr Peter Marks
Non-Executive Director

Mr Ross Haghighat
Non-Executive Director

Dr Ramesh Rengarajan
Non-Executive Director

Mr Paul Donnelly
Non-Executive Director

Mr Arnon Goldfarb
Non-Executive Director

Company Secretary

Mr Ross Kennedy

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8th Floor
White Plains New York 10606
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Share Registry

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Auditors

BDO Audit Pty Ltd
Tower 4, Level 18, 727 Collins Street,
Melbourne, Victoria, 3008, Australia

Solicitors

Lander & Rogers Lawyers
Level 12, Bourke place, 600 Bourke Street
Melbourne, Victoria, 3000, Australia

Bankers

HSBC Bank Australia Limited
Melbourne, Victoria, Australia

Securities Quoted

Australian Securities Exchange
- Ordinary Fully Paid Shares (Code: FLC)

Website

<https://www.fluencecorp.com/investor-news/>

Fluence Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

		Consolidated entity	
		31 December 2019	31 December 2018
	Notes	\$'000	\$'000
Revenues			
Operating revenue	3	60,962	100,873
Other income		332	250
		61,294	101,123
Expenses			
Cost of sales (*)		(51,473)	(67,422)
Research and development expenses		(4,658)	(7,214)
Sales and marketing expenses (*)		(9,985)	(9,769)
General and administration expenses		(25,559)	(27,742)
Goodwill impairment		-	(56,293)
Other gains - net		1,328	4,436
Finance income/(costs) - net		(545)	521
Loss before income tax		(29,598)	(62,360)
Income tax expense		(1,987)	(442)
Loss for the year		(31,585)	(62,802)
Loss for the year is attributable to:			
Owners of Fluence Corporation Limited		(31,434)	(63,757)
Non-controlling interests		(151)	955
		(31,585)	(62,802)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		882	(14,376)
Total comprehensive income for the year		(30,703)	(77,178)
Total comprehensive income for the year is attributable to:			
Owners of Fluence Corporation Limited		(30,552)	(78,133)
Non-controlling interests		(151)	955
		(30,703)	(77,178)
Losses per share from continuing operations attributable to the ordinary equity holders of the Group:			
Basic and diluted loss per share	4	(0.06)	(0.14)

(*) Commission expenses were reclassified in 2019 from "Sales and marketing expenses" to "Cost of sales". As the result of this reclassification, for the year ending 31 December 2018, "Cost of sales" increased by \$920 thousands to \$67,422 thousands and "Sales and market expenses" have decreased by \$920 thousands to \$9,769 thousands.

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. All amounts are presented in US dollars.

Fluence Corporation Limited
Consolidated Statement of Financial Position
As at 31 December 2019

	Consolidated entity	
	31 December 2019	31 December 2018
Notes	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	21,908	38,741
Other financial assets	5,416	2,417
Trade and other receivables	39,777	33,514
Inventories	12,610	18,866
Prepayments	7,021	4,049
Other assets	357	67
Total current assets	87,089	97,654
Non-current assets		
Other receivables	-	10
Investments accounted for using the equity method	434	484
Deferred tax assets	858	1,208
Property, plant and equipment	14,162	14,846
Intangible assets	5,998	5,603
Concession arrangements asset	21,473	18,830
Other assets	4,180	3,159
Total non-current assets	47,105	44,140
Total assets	134,194	141,794
LIABILITIES		
Current liabilities		
Trade and other payables	5 43,826	48,845
Borrowings	877	368
Current tax liabilities	38	853
Provisions	6,264	4,092
Deferred revenue	21,596	25,898
Total current liabilities	72,601	80,056
Non-current liabilities		
Other liabilities	5 9,812	9,301
Borrowings	2,030	-
Deferred tax liabilities	2,041	532
Provisions	632	838
Total non-current liabilities	14,515	10,671
Total liabilities	87,116	90,727
Net assets	47,078	51,067
EQUITY		
Contributed equity	211,840	185,126
Foreign currency translation reserve	(14,870)	(15,752)
Accumulated losses	(150,955)	(119,521)
	46,015	49,853
Non-controlling interests	1,063	1,214
Total equity	47,078	51,067

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.
All amounts are presented in US dollars.*

Fluence Corporation Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

Consolidated entity	Notes	Contributed equity \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 January 2018		156,898	(1,376)	(52,075)	103,447	154	103,601
Adjustment on adoption of AASB 15		-	-	(407)	(407)	-	(407)
Adjustment on adoption of AASB 16		-	-	(328)	(328)	-	(328)
Adjustment on adoption of AASB 129		-	-	(2,954)	(2,954)	-	(2,954)
Restated total equity at the beginning of the financial year		156,898	(1,376)	(55,764)	99,758	154	99,912
Loss for the period		-	-	(63,757)	(63,757)	955	(62,802)
Other comprehensive income		-	(14,376)	-	(14,376)	-	(14,376)
Total comprehensive income for the year		-	(14,376)	(63,757)	(78,133)	955	(77,178)
Transactions with owners in their capacity as owners:							
Issue of ordinary shares, net of transaction costs		26,237	-	-	26,237	-	26,237
Issue of options		1,991	-	-	1,991	-	1,991
Non-controlling interests on acquisition of subsidiary		-	-	-	-	105	105
Balance at 31 December 2018		185,126	(15,752)	(119,521)	49,853	1,214	51,067
Restated balance at 1 January 2019		185,126	(15,752)	(119,521)	49,853	1,214	51,067
Loss for the period		-	-	(31,434)	(31,434)	(151)	(31,585)
Other comprehensive income		-	882	-	882	-	882
Total comprehensive income for the year		-	882	(31,434)	(30,552)	(151)	(30,703)
Transactions with owners in their capacity as owners:							
Issue of ordinary shares, net of transaction costs		25,009	-	-	25,009	-	25,009
Issue of options		1,705	-	-	1,705	-	1,705
Balance at 31 December 2019		211,840	(14,870)	(150,955)	46,015	1,063	47,078

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes. All amounts are presented in US dollars.

Fluence Corporation Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Consolidated entity	
	31 December 2019 \$'000	31 December 2018 \$'000
Cash flows from operating activities		
Receipt from customers	60,635	50,168
Payments to suppliers and employees	(96,384)	(99,317)
Royalties paid to Chief Scientist Office (Israel)	-	(23)
Receipt from/(transfer to) restricted cash	(114)	108
Interest received	306	3,066
Interest and other costs of finance paid	(654)	(353)
Income taxes paid	(512)	(154)
Net cash (outflow) from operating activities	(36,723)	(46,505)
Cash flows from investing activities		
Payment for purchases of plant and equipment	(1,092)	(2,848)
Funds transferred to term deposit, net	(4,018)	(780)
Proceeds from sale of property, plant and equipment	2,443	24
Acquisition of non-controlling interest in a subsidiary	(300)	(1,803)
Payments for construction of concession assets	(1,946)	(3,378)
Net cash (outflow) from investing activities	(4,913)	(8,785)
Cash flows from financing activities		
Proceeds from issues of ordinary shares	26,072	26,415
Proceeds from exercise of share options	20	799
Final payment to redeem a note from original vendor of Emefcy Ltd (Israel)	-	(1,000)
Contributions from non-controlling interests	-	105
Transactions costs related to issue of ordinary shares	(1,128)	(977)
Proceeds from / (repayment of) borrowings	2,557	(519)
Lease payments	(1,849)	(1,631)
Net cash inflow from financing activities	25,672	23,192
Net (decrease) in cash and cash equivalents	(15,964)	(32,098)
Cash and cash equivalents at the beginning of the financial year	38,741	75,153
Effects of exchange rate changes on cash and cash equivalents	(869)	(4,314)
Cash and cash equivalents at end of year	21,908	38,741

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes. All amounts are presented in US dollars.

1 Statement of significant accounting policies

Corporate information

This Preliminary Financial Report covers the consolidated entity of Fluence Corporation Limited and its controlled entities (the 'Group' or 'Fluence'). The Group provides fast-to-deploy, decentralised and packaged water and wastewater treatment solutions.

The Group's Preliminary Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, it cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full Financial Report.

Basis of presentation

This Preliminary Financial Report has been prepared in accordance with the recognition and measurement requirements, but not all disclosure requirements, of the Australian Accounting Standards and Interpretations and the *Corporations Act 2001*. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards.

The presentation currency adopted in the preparation of the Preliminary Financial Report is United States Dollars.

2 Segment information

Segment disclosure replicates the manner in which the Managing Director and Chief Operating Decision Maker (CODM) monitors the business performance.

The Group's operating segments are:

- Operating Units (OUs) - These are defined as the operating entities of the Group that earn revenues and incur expenses that are reviewed by the CODM and their discrete financial information is available. OUs include the Group's entities in Argentina, Italy, Israel, USA, China and Middle East. The OUs are aggregated into a single operating segment on the basis that the OUs are similar in each of the following respects:
 - nature of the products and services;
 - nature of the production processes;
 - type or class of customer for their products and services;
 - methods used to distribute their products or provide their services; and
 - nature of the regulatory environment
- Product and Innovation Group (P&I) - Defined as the Research and Development vehicle of the Group.

	Operating Units \$'000	Production and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
2019				
Segment revenue				
Operating revenue and other income	60,765	1,920	(1,391)	61,294
	60,765	1,920	(1,391)	61,294

2 Segment information (continued)

	Operating Units \$'000	Production and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
2019				
Segment expense				
Segment depreciation and amortisation	(2,038)	(863)	-	(2,901)
Share of profits of associates	84	-	-	84
Write off of inventories	(1,299)	-	-	(1,299)
Segment expense	(63,578)	(7,730)	(6,783)	(78,091)
Unallocated expenses - corporate	-	-	-	(10,672)
	(66,831)	(8,593)	(6,783)	(92,879)
Segment results	(6,066)	(6,673)	(8,174)	(31,585)
Assets				
Investments in associates	434	-	-	434
Segment assets	110,880	6,536	(5,483)	111,933
Unallocated assets - corporate	-	-	-	21,827
	111,314	6,536	(5,483)	134,194
Liabilities				
Segment liabilities	(80,184)	(8,871)	4,168	(84,887)
Unallocated liabilities - corporate	-	-	-	(2,229)
	(80,184)	(8,871)	4,168	(87,116)
Acquisitions of non-current assets	2,352	80	-	2,432
2018				
Segment revenue				
Operating revenue and other income	100,722	1,588	(1,187)	101,123
	100,722	1,588	(1,187)	101,123
Segment expense				
Segment depreciation and amortisation	(1,886)	(860)	-	(2,746)
Goodwill impairment	(56,293)	-	-	(56,293)
Share of profits of associates	38	-	-	38
Write off of inventories	(172)	-	-	(172)
Segment expense	(103,556)	(11,995)	22,661	(92,890)
Unallocated expenses - corporate	-	-	-	(11,862)
	(161,869)	(12,855)	22,661	(163,925)
Segment result	(61,147)	(11,267)	21,474	(62,802)

Fluence Corporation Limited
Notes to the Consolidated Financial Statements
31 December 2019
(continued)

2 Segment information (continued)

2018	Operating Units \$'000	Production and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
Assets				
Investments in associates	484	-	-	484
Segment assets	115,475	9,006	(1,383)	123,098
Unallocated assets - corporate	-	-	-	18,212
	115,959	9,006	(1,383)	141,794
Liabilities				
Segment liabilities	(81,469)	(8,663)	3,004	(87,128)
Unallocated liabilities - corporate	-	-	-	(3,599)
	(81,469)	(8,663)	3,004	(90,727)
Acquisitions of non-current assets	4,087	733	-	4,820

Unallocated expenses

Consolidated entity	
31 December 2019 \$'000	31 December 2018 \$'000
Other corporate expenses	(10,672)
	(11,862)

Unallocated assets

Consolidated entity	
31 December 2019 \$'000	31 December 2018 \$'000
Cash and cash equivalents	11,575
Other assets	10,252
	4,209
21,827	18,212

Unallocated liabilities

Consolidated entity	
31 December 2019 \$'000	31 December 2018 \$'000
Trade and other payables	(882)
Other liabilities	(2,126)
	(1,473)
(2,229)	(3,599)

2 Segment information (continued)

Intersegment transactions

Intersegment transactions are made on a arm's-length basis. Intersegment transactions are eliminated on consolidation.

3 Operating revenue

	Consolidated entity	
	31 December 2019 \$'000	31 December 2018 \$'000
Operating revenue		
Contract revenue		
Smart product solutions	26,394	21,795
Customer engineering solutions	25,247	51,820
Service concession arrangements revenue	2,465	20,847
	54,106	94,462
Service revenue		
Revenues on services	4,946	3,699
Other	1,910	2,712
	6,856	6,411
	60,962	100,873

4 Loss per share

(a) Basic loss per share

	Consolidated entity	
	31 December 2019 \$	31 December 2018 \$
Loss attributable to the ordinary equity holders of the Group	(0.06)	(0.14)

(b) Diluted loss per share

	Consolidated entity	
	31 December 2019 \$	31 December 2018 \$
Loss attributable to the ordinary equity holders of the Group	(0.06)	(0.14)

4 Loss per share (continued)

(c) Reconciliation of earnings used in calculating earnings per share

	Consolidated entity	
	31 December 2019 \$'000	31 December 2018 \$'000
Loss attributable to the ordinary equity holders of the Group used in calculating basic and diluted earnings per share:		
From continuing operations	(31,585)	(62,802)

(d) Weighted average number of shares

	Consolidated entity	
	2019 Number	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	553,262,961	439,535,108

5 Trade and other payables and other liabilities

	Consolidated entity	
	31 December 2019 \$'000	31 December 2018 \$'000
Current		
Trade payables	12,357	10,558
Accrued payroll liabilities	2,594	2,919
Accrued project expenses	22,116	29,040
Payable to non-controlling interests	-	300
Government grants	1,384	1,852
Lease liability	1,201	1,319
Other accruals	4,174	2,857
	43,826	48,845
Non-current		
Government grants	3,179	2,982
Lease liability	6,329	6,026
Other liabilities	304	293
	9,812	9,301

6 Commitments and Contingent Liabilities

The Group is involved in litigation in the ordinary course of business.

7 Events occurring after the reporting period

On 8 January 2020 the Company announced that financial close on the €165 million (US\$182 million) Ivory Coast water treatment plant has been achieved with the execution of the financing agreement by the Ministry of Finance of Ivory Coast (the "Customer") and the Israeli Discount Bank ("IDB").

8 Audit

This Preliminary Financial Report is currently in the process of being audited. An Annual Report for the year ended 31 December 2019 containing the Audit Report shall be provided in due course.