



## **Chairman's Address to Fluence 2020 AGM**

*Melbourne, New York 4 June 2020*

Ladies and Gentlemen:

Thank-you for joining us today in these most unusual COVID-19 impacted circumstances. I wish you and your families good health. Thank-you too to Henry and the executive team for taking all steps necessary to secure the health and safety of our workforce.

I will now give you a brief update on the progress we have achieved in 2019 and into this year, and then hand over to Henry who will take us through the Company's performance in greater detail before we discuss and present the resolutions. We then welcome your questions during this webcast submitted via the online questions & answers tool.

Fluence's main goals in 2019 were to continue to grow sales of higher margin Smart Products Solutions (SPS), specifically in China and to grow the recurring revenues. We finished the 2019 year with total contract backlog of US\$265 million and were pleased that SPS sales of US\$26.5M exceeded our revised guidance, showing 21% growth over 2018. This is part of our core strategy to shift away from lower margin custom engineered projects towards higher margin SPS sales. We have come a long way in China in a short time and continue to win contracts with major clients such as Beijing China Rail and The Three Gorges Group, as well as our three existing strategic partnerships. We are also glad to report that our teams in the factory in Changzhou, and in the offices in Beijing and Shanghai are working effectively despite occasional government travel limitations due to COVID-19.

Importantly SPS sales require very little engineering support, enabling us to continue to reduce SG&A spending not only in percentage terms but also in absolute dollars. In fact, SG&A has significantly continued to fall year by year since Fluence's merger in 2017 and we anticipate this to continue in 2020.

Fluence's proprietary MABR technology, enabling scalable, pre-engineered, quiet, low-cost, low-energy, rapidly deployed solutions has now become the leader in this emerging space, with over 160 MABR plants active globally, multiple times our nearest competitor. We anticipate this number will continue to grow, in particular thanks to the volume deployments by our China partners as well as other opportunities in the Philippines, Cambodia, the US and Latin America.

As noted in the Annual Report, Fluence's innovative SPS solutions deliver on ten of the 17 United Nations Sustainable Development Goals, including delivery of clean water, significant power savings

and waste-to-energy solutions. These significant and beneficial environment impacts are increasingly being noted by global investors and partners.

Importantly we achieved financial close for the €165 million Ivory Coast water treatment plant contract in January this year, which we anticipate helps enable us to sustain EBITDA profitability, first reported last quarter. We anticipate this project will also help us to become cash flow positive beginning this quarter, subject to meeting conditions precedent.

We were very pleased with the strong support we have received from shareholders over the year including a successful capital raise in Q4 2019 to strengthen the Company's balance sheet and support growth opportunities. At this point we target meeting any further working capital growth needs via nondilutive sources.

The current COVID-19 crisis presents much of the world with an unprecedented pandemic together with tremendous economic disruption. Since it began, our highest priority has been for the continued welfare of Fluence's employees and contractors. We set initial guidance at the end of January prior to the COVID-19 crisis. Unlike many of our peers, and based on best available information, we continue to reiterate that guidance, including continued SPS and recurring revenue growth and sustained EBITDA profitability.

While reaffirming guidance, we expect to see some first half 2020 revenue shift to the second half of the year. We have therefore moved to conserve cash in all jurisdictions, including the deferral of board member fees and a 30% deferral of most senior management salaries at headquarters. In addition, we have applied for COVID-19 relief funding made available by different governments in jurisdictions where we operate, to help offset any costs and temporary cash collection delays associated with the pandemic. And we have fast-tracked reductions in overhead costs.

I wish to thank my fellow Directors, and Henry together with the Executive team for their significant contributions and energy throughout the year. I also acknowledge the contribution of Peter Marks who retired from the Board on 31 March 2020, after nearly five years of involvement from the very early days of Emefcy, to Fluence which is now recognised as a leading global innovative provider of water and wastewater treatment solutions.

Despite the pandemic, Henry and his team remain committed to delivering on the full promise of our highly competitive Smart Products Solution and we remain confident that your patience in these difficult times will be rewarded as further successes are reported. I will now ask Henry to present an overview of the business and our strategic opportunities to achieve this success. At the end of the presentation, we will answer any questions that have been submitted through the on-line portal, including any questions relating to the formal resolutions.

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