



28 April 2022

Fluence Corporation Quarterly Activities Report

Fluence Corporation Limited (ASX: FLC; the “Company”) presents its Quarterly Activities Report and accompanying ASX Appendix 4C (the “Quarterly Cashflow Report”) for the quarter ended 31 March 2022 (“Q1 2022”). All financial numbers contained herein are in US dollars and are unaudited.

Q1 2022 Summary

The Company is pleased to report significant quarterly sales growth year on year and confirm guidance. Key achievements include:

- **Q1 Revenues from Continuing Operations of \$34.5M¹** - Up 116% on Q1 2021.
- **SPS revenues from Continuing Operations of \$7.3M¹** - Up 78% on Q1 2021.
- **Nearly 90% of Q1 SPS revenues from outside China** including US, Latin America and Middle East.
- **CES revenues from Continuing Operations of \$25.3M¹** - Up 141% on Q1 2021, mainly from the Ivory Coast project.¹
- **Cost Efficiency Improvement** – Q1 2022 fixed expenses of \$6.7M (19% of revenues) versus \$6.4M (40% of revenues) in Q1 2021.
- **Contracted backlog \$99.3M of which \$75M anticipated to become revenue in 2022.**
- **Cash Balance of \$31.1M down from \$41.4M at end of 2021 but up from \$14.9M at the end of Q1 2021** - Operating cashflow negative \$10.4M as expected due to paying vendors with some of the funds already received in Q4 2021.
- **Guidance** – Full year 2022 revenue outlook is \$144M, up 40% from \$103.2M in 2021. \$109.4M or 76% of this anticipated full year revenue is comprised of Q1 revenues plus contracted backlog anticipated to become 2022 revenue. SPS revenues continue to be forecast at \$45M, up 22% from \$36.9M in 2021. Underlying EBITDA² continues to be forecast at \$3M, up from \$1M in 2021.
- **CEO and Chairman to visit Australia** - Richard Irving, Chairman and Tom Pokorsky, CEO and Managing Director anticipate attending the Company’s May 26 AGM in person and being available at other times during that week to meet investors and shareholders in Sydney and Melbourne. Please contact Andrew Angus to schedule a meeting.

New CEO

The Company appointed Tom Pokorsky as CEO and Managing Director effective March 14, 2022. Mr. Pokorsky is a proven water industry executive with 35 years of executive experience, including 15 years as CEO. He brings a strong track record of growing water businesses organically and inorganically, including multiple successful exits and is highly experienced in wastewater treatment in the North American market with significant experience in Europe, China and Israel. Mr. Pokorsky’s achievements include:

- Growing public and private businesses to achieve returns of 5–10x with IRR’s up to 50%;

¹ Continuing operations exclude Italy business held for sale.

² Underlying EBITDA = Statutory EBITDA excluding one-off items

- Doubling revenue and profits at Water Pollution Control Corporation (later Sanitaire), negotiating its sale to ITT Industries and further building the business at ITT;
- Growing ITT's Advanced Water Treatment group (now part of Xylem) from \$60M to \$350M in four years including \$100M in organic growth and five successful acquisitions on three continents; and
- Founding and growing Nexom in the wastewater sector, delivering 25% annual revenue growth and 50% EBITDA growth leading to its sale to KKR.

Ivory Coast Progress

In FY 2021, Fluence saw continued successful execution of the Ivory Coast Water Treatment Project, including achieving sign-off on milestones 3, 4 and 5 with the receipt of corresponding payments of \$51.8M. In addition, the Company procured the release of \$15.8M in restricted funds from the advance payment received in Q4 2020. The latest video showing plant progress is available on the Fluence YouTube channel and can be viewed at <https://youtu.be/tcfe4OMi6UY>

Divestment of Peru Project Completed

The Company has concluded the sale of its Peruvian subsidiary, GCM Peru Ltda. ("GCM") to Israel-based IDE Technologies ("IDE"). The Company originally acquired GCM in November 2018. Over the last several years, GCM has continued to develop the desalination project in Paracas, Peru (the "Paracas Project"), which is anticipated to come online later this year. The Paracas Project will continue to utilize five Fluence Niroboxes.

The Company had previously advised that it had classified GCM and the Paracas Project as assets held for sale. The divestiture of GCM and the Paracas Project is not expected to have any material tax implications for the Company.

This divestiture aligns with the Company's strategy of concentrating on core markets. The proceeds will be used to fund Fluence's core strategy.

Divestment of Italy Business Unit

The Company had previously advised that it had classified the Italian business unit as assets held for sale. The Company has made significant progress in the divestment process and anticipates it will complete in Q2 2022 or shortly thereafter.

Strategic Focus

For FY 2022 and beyond, Fluence's key target segments include:

- MABR wastewater solutions in Asia and the Middle East;
- NIROBOX™ desalination solutions in the Middle East and South East Asia;
- Recurring revenue and equipment sales opportunities in the USA and Caribbean targeting water as a service to commercial customers; and
- Continue successful execution of the Ivory Coast Water Treatment Project.

Q4 and FY 2021 Commentary

Reflecting on Q1 2022, Fluence Chief Executive Officer and Managing Director Tom Pokorsky said:

"I'm honoured to join the Fluence team and excited by the growth prospects for the Company in North America, Asia and beyond. Despite strong Covid headwinds in China that continue to delay certain orders, we believe we can deliver on guidance as previously articulated and that Asia will remain an important growth geography for us.

We are encouraged that we have been able to maintain our gross margins and have so far prevented any material execution delays due to lengthening lead times on certain items. We're very pleased with continued strong execution of the Ivory Coast project and to have divested the Peru project which will allow management to focus better on continuing to grow our core business."

Q4 2021 Cash Flows

The Appendix 4C quarterly cashflow report for Q1 2022 is attached.

Cash and Cash Equivalents were \$31.1M as at 31 March 2022. In addition, the Company held \$20.6M in short and long-term deposits, of which \$17.4M is applied as collateral for bank guarantees for the Ivory Coast Project. Most of these guarantees are expected to be released to the Company over the next 18 months. Net Cash used by Operating Activities in Q1 2022 was \$10.4M, in addition to \$1.3M redemption of a short-term investment. Collections during Q1 were \$12.9M, none of which related to the Ivory Coast Project. Revenue in Q1 2022 was \$34.5M. Operating expenses in Q1 2022 were \$6.7M, 5% higher than the same quarter of 2021 but significantly reduced as a percentage of revenue: 19% in Q1 2022 compared to 40% in Q1 2021.

During Q1 2022, Fluence made payments of approximately \$2.0M to suppliers and subcontractors related to the Ivory Coast Project. The Company expects to make further payments of \$24M in Q2 2022. Approximately \$18M in respect of the Ivory Coast contract is expected to be received in Q2 2022.

Quarterly Update – Conference Call

Richard Irving (Chairman), Tom Pokorsky (CEO and Managing Director) and Francesco Fragasso (CFO) will host an investor conference call regarding the Company's quarterly update on Thursday 28 April 2022 at 9.30am Melbourne Time (AEST) / Wednesday 27 April 2022 at 7:30pm US EST.

For those wishing to dial into the call or access the webcast, you must register in advance via the link: <https://s1.c-conf.com/diamondpass/10021669-4ma2kd.html>

Questions must be submitted electronically through the webcast interface.

A link to the archived webcast will be accessible on the Company's website following the call: <https://www.fluencecorp.com/investor-news/>

-ENDS-

For further information, please contact:

Australia

Andrew Angus
Investor Relations
E: andrewangus@overlandadvisers.com.au
P: +61 402 823 757

United States of America

Richard Irving
Chairman
E: rirving@fluencecorp.com

This announcement is authorised for lodgement on the ASX by Tom Pokorsky, CEO and Managing Director, Fluence

Corporation Limited.

About Fluence Corporation Limited (ASX: FLC)

Fluence is a leader in the decentralized water, wastewater and reuse treatment markets, with its pre-engineered, standardized Smart Products Solutions (SPS), including Aspiral™, NIROBOX™ and SUBRE. In addition to rapid delivery and commissioning of decentralized solutions to meet a broad range of needs, Fluence offers ongoing operation and maintenance support, as well as Build Own Operate Transfer (BOOT) and other recurring revenue solutions. Fluence has a broad international footprint and focuses on high growth markets including China, the Middle East, South East Asia, and North America.

Further information can be found at <https://www.fluencecorp.com/>

Forward looking statements

“This quarterly business update contains “forward-looking” statements. Forward looking words, such as “expect”, “anticipate”, “should”, “could”, “may”, “predict”, “plan”, “will”, “believe”, “forecast”, “estimate”, “target” and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates provided in this update are based on estimates and assumptions related to future business, contractual, economic, market, political and other conditions that, while Fluence considers them to be reasonable, are inherently subject to significant uncertainties, contingencies and (potentially) delays.

Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. Such factors include, but are not limited to operating, competition and development risks, economic and political risks, economic uncertainty associated with COVID-19, and a number of other risks and also include unanticipated and unusual events, many of which are beyond Fluence's ability to control or predict.

USA

10 Bank Street, Suite 830
White Plains, NY, 10606
Phone: +1-212-572-5700
Facsimile: +1-212-572-5704

Fluence Corporation Limited

ABN: 52 127 734 196
www.fluencecorp.com

AUSTRALIA

Level 4, 96-100 Albert Road,
South Melbourne, Victoria 3205
Phone: + 61 3 9692 7222
Facsimile: + 61 3 9077 9233
