



28 October 2021

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 30 September 2021 (“Q3 FY2021”). All financial numbers herein are in US dollars.

Q3 FY2021 Summary

- **Strong Revenue Growth** – Revenue of \$20.0M up 46% over Q3 FY2020. SPS revenues of \$7.4M in Q3 FY2021 brings FY2021 year-to-date Smart Product Solutions (“SPS”) revenues to \$18.9M.
- **SPS Booking, Backlog¹ and Outlook Strong** – Including the recent Cambodia order, FY2021 year-to-date SPS bookings were \$27.1M with current SPS backlog of \$16.2M, of which \$11.3M is anticipated to be recognized as revenue in FY2021.
- **Continued Strong Adoption of MABR SPS** – 44 MABR plants sold year to date including recent Cambodia order, bringing the total sold worldwide to 290, capable of treating wastewater for 900,000 people.
- **Backlog¹ Strong** – \$158.5M contracted backlog of which SPS backlog is \$16.2M, showing strong SPS momentum.
- **Cost Out Improvement** – Continued operating efficiency gains - operating expenses down 14% versus Q3 FY2020. Year-to-date FY2021 costs are down 11% on the same period in 2020.
- **Low Operating Cash Outflow** – Operating cash flow outflow in Q3 FY2021 of \$2.0M down from \$5.9M in Q3 FY2020.
- **Net Cash Position** – Cash balance of \$16.3M, as well as \$35.7M in short and long-term liquid investments.

Smart Products Solutions (SPS) and Business Development

When completed, the recently announced \$8.5M contract in Cambodia will be the largest capacity MABR plant worldwide from any vendor.

MABR sales in Q3 FY2021 included the first plants in Dubai and St. Lucia. The Dubai win is important given the strong trend towards wastewater reuse in the Gulf countries. Securing the St. Lucia MABR contract is key in advancing MABR for wastewater reuse as a service in the Caribbean.

The company signed a Joint Development Agreement with Beijing Enterprises Water Group (China) Investment Limited (“BEWG”) to focus on optimizing Aspiral MABR plants with intent to jointly sell these globally. BEWG manages 1,115 wastewater treatment plants.

¹ Note: “Backlog” only includes amounts that have been formally contracted for sale and not yet delivered to the customers and therefore still to be recognized as revenue. In particular for revenue from sale of water contracts, it includes only 12 months of future revenue and does not include the remaining amount previously announced under volume partnerships. There is approx. \$45M that remains from existing Volume Partnership Agreements that are yet to be contracted for sale and hence are not included in this Backlog number.

The Company successfully commissioned the desalination plant built for ArcelorMittal in Brazil which enables the international steel group to avoid using municipal water in steel production. This is the first desalination plant of any kind implemented at Arcelor Mittal, the second largest steel producer in the world with plants in 17 countries.

Ivory Coast Progress

In Q3 FY2021 Fluence continued to execute the Ivory Coast Project including recognizing \$13.2M in revenues. The Ivory Coast Project is cash flow positive overall as a result of payments received in 2020 and is forecast to remain cashflow positive for the duration of the project. The project has experienced modest delays and is now expected to be completed by Q2 FY2023.

Strategic Focus

Key target segments:

- MABR wastewater solutions in China and South East Asia
- NIROBOX™ desalination solutions in the Middle East and South East Asia
- Recurring revenue opportunities in the USA and the Caribbean targeting the sale of water (rather than capital equipment) to commercial customers
- The Ivory Coast water treatment project

FY2021 Outlook

The Company is strongly positioned for growth and reiterates guidance for SPS sales in the range of \$35 – 50M and positive underlying EBITDA² for FY2021.

Q3 FY2021 Commentary

Reflecting on Q3 FY2021 and the outlook for the remainder of FY2021, Fluence Chairman and Chief Executive Officer Richard Irving said:

“COVID-19 related travel quarantines continue to slow down face-to-face meetings, plant commissioning and new orders. Despite these headwinds, we are very pleased with this quarter’s results and our quarter-on-quarter growth. We remain on track to deliver guidance for the year. With 290 MABR plants sold, including what will be the largest MABR plant in the world once completed, we are the clear global leader with this technology which we believe provides the most cost-efficient and energy-efficient way to achieve high quality wastewater treatment. We see continued evidence that countries are setting and enforcing much higher standards of wastewater treatment for which our MABR is an ideal solution. We also see a continued trend towards decentralized treatment, for which our Aspiral™ and Nirobox™ solutions are a perfect fit due to their neighbourhood-friendly, automated, low maintenance operation. Meanwhile we continue to execute the Ivory Coast Project towards completion in 2023.”

Q3 FY2021 Cash Flows

The Appendix 4C quarterly cashflow report for Q3 FY2021 is attached.

Cash and Cash Equivalents were \$16.3M as at 30 September 2021. In addition, the Company held \$35.7M in short and long-term deposits, of which \$34.1M is applied as collateral for bank guarantees for the Ivory Coast Project which will be released over the next 24 months. Net Cash used in Operating Activities in Q3 2021 was \$2.0M.

² Underlying EBITDA excludes any significant one-off items

Revenue in Q3 FY2021 was \$20.0M, of which \$7.4M was derived from SPS sales. Operating expenses continue to be reduced, falling 14% from Q3 FY2020 and 11% year-to-date compared to the same period in 2020.

Positive Outlook Reiterated for FY2021

Fluence reiterates FY2021 guidance including SPS sales of \$35-50M and becoming EBITDA positive on an annual basis.

Quarterly Update – Conference Call

Richard Irving (Chairman & CEO) and Francesco Fragasso (CFO) will host an investor conference call regarding the Company's quarterly update on Thursday 28 October 2021 at 9.30am Melbourne Time (AEDT) / Wednesday 27 October 2021 at 6:30pm 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/10017752-lap97vx.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/>

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This announcement is authorised for lodgement on the ASX by Richard Irving, Chairman & CEO, 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, 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, Southeast 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.

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