

Fluence Corporation Limited
Appendix 4E
31 December 2020

Name of entity: Fluence Corporation Limited
ABN: 52 127 734 196
Year ended: 31 December 2020
Previous period: 31 December 2019

Results for announcement to the market

				US \$'000
Revenue for ordinary activities	Up	62.3%	to	97,139
Loss after tax attributable to members	Down	76.3%	to	(7,440)
Net loss after tax (from ordinary activities) for the period attributable to owners of Fluence Corporation Limited	Down	45.9%	to	(17,016)

The comparative figures have been adjusted to conform with the AASB 5: Assets held for sale and discontinued operations presentation requirements. Refer to note 3: "Discontinued operations" for detailed information on the changes in comparatives presentation.

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 2020	31 December 2019
Net tangible assets (per share)	\$0.04	\$0.05

Explanation of results

Consolidated revenue for the year was US\$97 million (2019: US\$60 million).

Underlying EBITDA positive for the year was US\$2 million (2019: EBITDA loss of US\$24 million). EBITDA is expected to remain positive in 2021.

The consolidated loss from continuing operations for the Company after income tax for the reporting period was US\$7 million (2019: loss of US\$31 million). Loss from discontinued operations for the reporting period was US\$12million (2019: nil). Refer to note 3 "Discontinued operations" for detailed information on the effect of Discontinued operations on the Group's financial results.

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

Cash and cash equivalents at 31 December 2020 amounted to US\$31 million (2019: US\$22 million). In addition, other financial assets at 31 December 2020 included short term deposits of US\$15 million (2019: US\$5 million).

As at 31 December 2020, the Group had borrowings of US\$22 million (2019: US\$3 million).

Following the 2020 results, Fluence plans to continue its current growth strategy. Smart Solutions revenue in 2019 was US\$26 million. In 2020 this grew to US\$32 million and is forecast to reach US\$35 - US\$50 million in 2021.

Fluence Corporation Limited
Appendix 4E
31 December 2020
(continued)

The Appendix 4E financial report follows, with further details to be included in the audited financial statements to be released by 31 March 2021.

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 2020 containing the Audit Report shall be provided in due course.

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Fluence Corporation Limited

ABN 52 127 734 196

Appendix 4E

Preliminary Final Report

for the year ended 31 December 2020

Fluence Corporation Limited ABN 52 127 734 196
Annual Report - 31 December 2020

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**Fluence Corporation Limited
Corporate Directory**

Directors

Mr Richard Irving
Chairman and Chief Executive Officer (CEO)

Mr Paul Donnelly
Non-Executive Director

Mr Ross Haghighat
Non-Executive Director

Dr Ramesh Rengarajan
Non-Executive Director

Company Secretary

Ms Melanie Leydin

Registered Office

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Australia
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8th Floor
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United States of America
Phone: +1 212 572 5700

Share Registry

Boardroom Pty Ltd
Level 12, 225 George Street,
Sydney, New South Wales, 2000, Australia
Phone: 1300 737 760 (local)
Fax: +61 (0)2 9290 9600 (international)

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 2020

	Notes	Consolidated entity	
		31 December 2020 \$'000	31 December 2019 \$'000
Revenues			
Operating revenue	4	97,139	59,848
Other income		227	332
		97,366	60,180
Expenses			
Cost of sales		(69,337)	(50,455)
Research and development expenses		(3,316)	(4,658)
Sales and marketing expenses		(6,093)	(9,977)
General and administration expenses		(19,220)	(25,325)
Other (losses)/gains		(6,133)	1,292
Finance costs - net		(1,645)	(412)
Loss before income tax		(8,378)	(29,355)
Income tax benefit/(expense)		938	(1,992)
Loss from continuing operations		(7,440)	(31,347)
Loss from discontinued operation	3	(12,419)	(238)
Loss for the year		(19,859)	(31,585)
Loss for the year is attributable to:			
Owners of Fluence Corporation Limited		(17,016)	(31,434)
Non-controlling interests		(2,843)	(151)
		(19,859)	(31,585)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations, net of tax		2,932	882
Total comprehensive income for the year		(16,927)	(30,703)
Total comprehensive income for the year is attributable to:			
Continuing operations		(13,941)	(30,637)
Discontinued operations		(143)	85
Owners of Fluence Corporation Limited		(14,084)	(30,552)
Continuing operations		(749)	(143)
Discontinued operations		(2,094)	(8)
Non-controlling interests		(2,843)	(151)
		(16,927)	(30,703)

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 Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020
(continued)

Losses per share from continuing operations attributable to the ordinary equity holders of the Group:

Basic and diluted loss per share	5	(0.01)	(0.06)
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Losses per share from discontinued operations attributable to the ordinary equity holders of the Group:

Basic and diluted loss per share	5	(0.02)	0.00
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Losses per share attributable to the ordinary equity holders of the Group:

Basic and diluted loss per share	5	(0.03)	(0.06)
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(*) The comparative figures have been adjusted to conform with the AASB 5: "Assets held for sale and discontinued operations" presentation requirements. Refer to note 3 "Discontinued operations" for detailed information on the changes in comparatives presentation.

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.

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Fluence Corporation Limited
Consolidated Statement of Financial Position
As at 31 December 2020

	Consolidated entity	
	31 December 2020	31 December 2019
Notes	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	31,038	21,908
Other financial assets	15,474	5,416
Trade and other receivables	38,486	39,777
Inventories	12,810	12,610
Prepayments	7,823	7,021
Concession arrangement assets	353	512
Other assets	605	357
Total current assets	106,589	87,601
Non-current assets		
Investments accounted for using the equity method	415	434
Deferred tax assets	610	858
Property, plant and equipment	12,981	14,162
Intangible assets	1,834	5,998
Concession arrangement assets	8,750	20,961
Long-term deposits	23,368	4,023
Other assets	215	157
Total non-current assets	48,173	46,593
Total assets	154,762	134,194
LIABILITIES		
Current liabilities		
Trade and other payables	6 40,860	43,826
Borrowings	7 1,878	877
Current tax liabilities	175	38
Provisions	6,594	6,264
Deferred revenue	32,045	21,596
Total current liabilities	81,552	72,601
Non-current liabilities		
Other liabilities	6 8,147	9,812
Borrowings	7 19,825	2,030
Deferred tax liabilities	928	2,041
Provisions	711	632
Deferred revenue	13,127	-
Total non-current liabilities	42,738	14,515
Total liabilities	124,290	87,116
Net assets	30,472	47,078
EQUITY		
Contributed equity	212,161	211,840
Foreign currency translation reserve	(11,938)	(14,870)
Accumulated losses	(167,971)	(150,955)
	32,252	46,015
Non-controlling interests	(1,780)	1,063
Total equity	30,472	47,078

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

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Fluence Corporation Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

Consolidated entity	Contributed equity \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
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
Balance at 1 January 2020	211,840	(14,870)	(150,955)	46,015	1,063	47,078
Loss for the period	-	-	(17,016)	(17,016)	(2,843)	(19,859)
Other comprehensive income	-	2,932	-	2,932	-	2,932
Total comprehensive income for the year	-	2,932	(17,016)	(14,084)	(2,843)	(16,927)
Transactions with owners in their capacity as owners:						
Issue of ordinary shares, net of transaction costs	-	-	-	-	-	-
Issue of options	321	-	-	321	-	321
Balance at 31 December 2020	212,161	(11,938)	(167,971)	32,252	(1,780)	30,472

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 2020

	Consolidated entity	
	31 December 2020 \$'000	31 December 2019 \$'000
Cash flows from operating activities		
Receipt from customers	122,440	60,635
Payments to suppliers and employees	(98,975)	(96,384)
Receipt from /(transfer to) restricted cash	106	(114)
Interest received	148	306
Interest and other costs of finance paid	(1,396)	(654)
Income taxes paid	(76)	(512)
Net cash inflow/(outflow) from operating activities	22,247	(36,723)
Cash flows from investing activities		
Payment for purchases of plant and equipment	(1,168)	(1,092)
Funds transferred to term deposit, net	(32,897)	(4,018)
Proceeds from sale of property, plant and equipment	225	2,443
Proceeds from disposal of short-term deposits	5,000	-
Acquisition of non-controlling interest in a subsidiary	-	(300)
Payments for construction of concession assets	(466)	(1,946)
Net cash outflow from investing activities	(29,306)	(4,913)
Cash flows from financing activities		
Proceeds from issues of ordinary shares	-	26,072
Proceeds from exercise of share options	-	20
Transactions costs related to issue of ordinary shares	-	(1,128)
Proceeds from borrowings	18,593	2,557
Finance lease payments	(1,633)	(1,849)
Net cash inflow from financing activities	16,960	25,672
Net increase/(decrease) in cash and cash equivalents	9,901	(15,964)
Cash and cash equivalents at the beginning of the financial year	21,908	38,741
Effects of exchange rate changes on cash and cash equivalents	(771)	(869)
Cash and cash equivalents at end of year	31,038	21,908

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

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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.

2020	Operating Units \$'000	Product and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
Segment revenue				
Operating revenue and other income	97,132	1,442	(1,208)	97,366
	97,132	1,442	(1,208)	97,366

Fluence Corporation Limited
Notes to the Consolidated Financial Statements
31 December 2020
(continued)

2 Segment information (continued)

2020	Operating Units \$'000	Product and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
Segment expense				
Segment depreciation and amortisation	(1,887)	(1,027)	-	(2,914)
Impairment expense	(12,419)	-	-	(12,419)
Share of profits of associates	55	-	-	55
Write off of inventories	(32)	-	-	(32)
Segment expense	(90,480)	(1,554)	1,208	(90,826)
Unallocated expenses - corporate	-	-	-	(11,089)
	(104,763)	(2,581)	1,208	(117,225)
Segment results	(7,631)	(1,139)	-	(19,859)
Assets				
Investments in associates	415	-	-	415
Segment assets	137,105	6,264	(4,141)	139,228
Unallocated assets - corporate	-	-	-	15,119
	137,520	6,264	(4,141)	154,762
Liabilities				
Segment liabilities	(92,852)	(10,800)	4,141	(99,511)
Unallocated liabilities - corporate	-	-	-	(24,779)
	(92,852)	(10,800)	4,141	(124,290)
Acquisitions of non-current assets	982	186	-	1,168
	982	186	-	1,168
2019	Operating Units \$'000	Product and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
Segment revenue				
Operating revenue and other income	59,651	1,920	(1,391)	60,180
	59,651	1,920	(1,391)	60,180
Segment expense				
Segment depreciation and amortisation	(2,024)	(863)	-	(2,887)
Share of profits of associates	84	-	-	84
Write off of inventories	(1,299)	-	-	(1,299)
Segment expense	(62,478)	(7,730)	(6,783)	(76,991)
Unallocated expenses - corporate	-	-	-	(10,672)
	(65,717)	(8,593)	(6,783)	(91,765)
Segment result	(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

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Fluence Corporation Limited
Notes to the Consolidated Financial Statements
31 December 2020
(continued)

2 Segment information (continued)

2019	Operating Units \$'000	Product and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
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	2,804	80	-	2,884
Unallocated expenses				
			Consolidated entity	
			31 December 2020 \$'000	31 December 2019 \$'000
Other corporate expenses			(11,089)	(10,672)
Unallocated assets				
			Consolidated entity	
			31 December 2020 \$'000	31 December 2019 \$'000
Cash and cash equivalents			9,924	11,575
Other assets			5,195	10,252
			15,119	21,827
Unallocated liabilities				
			Consolidated entity	
			31 December 2020 \$'000	31 December 2019 \$'000
Trade and other payables			(1,089)	(882)
Borrowings			(20,446)	-
Other liabilities			(3,244)	(1,347)
			(24,779)	(2,229)

Intersegment transactions

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

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3 Discontinued operation

(a) Description

In December 2020, following challenges with project execution, the Board decided it no longer wished to move forward with the San Quintin project. In the view of Fluence management, a mutual termination is the most likely potential outcome at this point in time.

According to the criteria listed in AASB 5: "Non-current assets held for sale and discontinued operations", the San Quintin project meets the definition of a discontinued operation.

In preparation for project closure, the impairment of assets associated with the project was recorded in the 2020 financial year and amounted to \$11,903 thousands (2019: nil).

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 31 December 2020 and the year ended 31 December 2019.

	Consolidated entity	
	31 December 2020 \$'000	31 December 2019 \$'000
Revenue	417	1,114
Cost of sales	(373)	(1,018)
Sales and marketing expenses	-	(8)
General and administrative expenses	(248)	(234)
Impairment expense	(11,903)	-
Other gains/(losses) - net	(69)	36
Finance costs	(126)	(133)
Loss before income tax	(12,302)	(243)
Income tax (expense)/benefit	(117)	5
Loss after income tax from discontinued operation	(12,419)	(238)
Net cash inflow/(outflow) from operating activities	18	(330)
Net cash outflow from investing activities	(413)	(1,115)
Net cash inflow from financing activities	305	1,033
Effects of exchange rate changes on cash and cash equivalents	57	(78)
Net decrease in cash and cash equivalents from discontinuing operations	(33)	(490)

Fluence Corporation Limited
Notes to the Consolidated Financial Statements
31 December 2020
(continued)

3 Discontinued operation (continued)

(c) Carrying amounts of assets and liabilities disposed

	Consolidated entity	
	31 December 2020 \$'000	31 December 2019 \$'000
Cash and cash equivalents	226	259
Trade receivables	4	485
Prepayments	59	82
Other current assets	8	5
Deferred tax assets	-	60
Property, plant and equipment	6	15
Intangible assets	-	4,122
Concession assets	-	12,368
Total assets	303	17,396

	Consolidated entity	
	31 December 2020 \$'000	31 December 2019 \$'000
Trade and other payables	193	10,587
Current tax liabilities	92	34
Other liabilities	262	4,621
Total liabilities	547	15,242

4 Operating revenue

	Consolidated entity	
	31 December 2020 \$'000	31 December 2019 \$'000
Operating revenue		
Contract revenue		
Smart product solutions	32,251	26,394
Customer engineering solutions	56,596	25,247
Service concession arrangements revenue	91	1,351
	88,938	52,992
Service revenue		
Revenues on services	3,598	4,946
Recurring revenue from concession assets	1,568	-
Other	3,035	1,910
	8,201	6,856
	97,139	59,848

5 Loss per share

(a) Loss per share from continuing operations

	Consolidated entity	
	31 December 2020 \$'000	31 December 2019 \$'000
Loss per share from continuing operations		
Loss after income tax	(7,440)	(31,347)
Non-controlling interest	158	82
Loss after income tax from continuing operations attributable to the ordinary equity holders of the Group	(7,282)	(31,265)
	Consolidated entity	
	31 December 2020 \$	31 December 2019 \$
Basic loss per share	(0.01)	(0.06)
Diluted loss per share	(0.01)	(0.06)

(b) Loss per share from discontinued operations

	Consolidated entity	
	31 December 2020 \$'000	31 December 2019 \$'000
Loss per share from discontinued operations		
Loss after income tax	(12,419)	(238)
Non-controlling interest	2,685	69
Loss after income tax from discontinued operations attributable to the ordinary equity holders of the Group	(9,734)	(169)
	Consolidated entity	
	31 December 2020 \$	31 December 2019 \$
Basic loss per share	(0.02)	0.00
Diluted loss per share	(0.02)	0.00

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Fluence Corporation Limited
 Notes to the Consolidated Financial Statements
 31 December 2020
 (continued)

5 Loss per share (continued)

(c) Loss per share

	Consolidated entity	
	31 December 2020 \$'000	31 December 2019 \$'000
Loss per share		
Loss after income tax	(19,859)	(31,585)
Non-controlling interest	2,843	151
Loss after income tax attributable to the ordinary equity holders of the Group	(17,016)	(31,434)

	Consolidated entity	
	31 December 2020 \$	31 December 2019 \$
Basic loss per share	(0.03)	(0.06)
Diluted loss per share	(0.03)	(0.06)

(d) Weighted average number of shares

	Consolidated entity	
	2020 Number	2019 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings/(loss) per share	624,854,034	553,262,961

6 Trade and other payables and other liabilities

	Consolidated entity	
	31 December 2020 \$'000	31 December 2019 \$'000
Current		
Trade payables	12,750	12,357
Accrued payroll liabilities	3,072	2,594
Accrued project expenses	17,779	22,116
Government grants	1,168	1,384
Lease liability	1,409	1,201
Other accruals	4,682	4,174
	40,860	43,826

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6 Trade and other payables and other liabilities (continued)

	Consolidated entity	
	31 December 2020 \$'000	31 December 2019 \$'000
Non-current		
Government grants	2,518	3,178
Lease liability	5,335	6,329
Other liabilities	294	305
	8,147	9,812

7 Borrowings

	Consolidated entity	
	31 December 2020 \$'000	31 December 2019 \$'000
Borrowings		
Current borrowings	1,634	877
Non-current borrowings	19,825	2,030
Interest payable	244	-
	21,703	2,907

On 29 July 2020, the Company entered into a loan agreement with an affiliate of Upwell LLC to provide an initial US\$20 million finance facility. The facility can be increased up to US\$50 million at the Company's request and at Upwell's discretion. The facility is available to fund the Build, Own, Operate and Transfer ("BOOT") projects and the Company's working capital.

8 Commitments and Contingent Liabilities

The Group was party to several claims during the year. With respect to claims brought against the Company, Fluence will vigorously defend itself and is confident they will be successfully defended. There is significant uncertainty as to whether a future liability will arise in respect of these claims. The amount of liability, if any, that may arise cannot be measured reliably at this time. The Directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any anticipated losses.

9 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

10 Audit

This Preliminary Financial Report is currently in the process of being audited. An Annual Report for the year ended 31 December 2020 containing the Audit Report shall be provided in due course.