

# Fluence Corporation Limited

## Appendix 4D

### Interim Half-year Report

### Half-year 30 June 2021

#### Results for announcement to the market

Current reporting period - half year ended 30 June 2021  
Previous - half year ended 30 June 2020

				USD \$'000
Revenue from ordinary activities from continuing operations	Down	26%	to	39,694
Loss from ordinary activities after tax from continuing operations attributable to members	Down	417%	to	(8,412)
Net loss after tax for the period attributable to owners of Fluence Corporation Limited	Down	697%	to	(12,183)

The comparative figures have been adjusted to conform with the AASB 5: "*Non-current assets held for sale and discontinued operations*" presentation requirements. Refer to note 5 Assets and liabilities classified as held for sale and discontinued operations for detailed information on the changes in comparatives presentation.

#### Dividends (distributions)

	Amount per security	Franked amount per security
Final dividend	-	-
Previous corresponding period	-	-
<b>Net tangible asset per security</b>		
As at 30 June 2021		0.02
As at 30 June 2020		0.06
Record date for determining entitlements to dividend		N/A

#### Explanation of the above information:

Refer to the Directors' Report - Review of operations.

To be read in conjunction with the 31 December 2020 Annual Report

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**Fluence Corporation Limited**

ABN 52 127 734 196

**Interim Report  
for the half-year ended 30 June 2021**

# Fluence Corporation Limited Interim Report 30 June 2021

ABN 52 127 734 196

## Contents

	Page
Directors' Report	1
Auditor's Independence Declaration	5
Interim Financial Statements	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	12
Directors' Declaration	33
Independent Auditor's Review Report	34

This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2020 and any public announcements made by Fluence Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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## **Directors' Report**

The Directors present their report, together with the financial statements for the six months ended 30 June 2021 (H1 2021) of Fluence Corporation Limited ("Fluence", the "Company" or the "Group"). Please note that unless otherwise stated, all figures are in US Dollars.

### **Directors**

The following persons held office as Directors of Fluence Corporation Limited during or since the end of the financial year and for the whole of the period unless otherwise stated:

Mr Richard Irving, Chairman and Chief Executive Officer (CEO)  
Mr Paul Donnelly, Non-Executive Director  
Ms Samantha Tough, Non-Executive Director (appointed 1 June 2021)  
Mr Ross Haghghat, Non-Executive Director  
Dr Rengarajan Ramesh, Non-Executive Director  
Mr Arnon Goldfarb, Non-Executive Director (retired on 7 January 2021)

### **Review of operations**

Fluence's strategy is to focus on the following:

- MABR Smart Products Solutions ("SPS") for wastewater treatment and reuse in China and Southeast Asia;
- NIROBOX™ SPS for desalination in the Middle East and Southeast Asia;
- Recurring revenue opportunities implemented with SPS in the US and Caribbean targeting water as a service to commercial customers; and
- Executing the Ivory Coast Water Treatment Project.

Fluence has continued its strategy of shifting from Custom Engineered Solutions ("CES") to become a global leader in decentralised SPS and recurring revenue offering, each of which offer higher margins. This shift is reflected in the revenue mix in H1 2021 where SPS revenue comprises 57% of total revenue excluding the Ivory Coast project.

As a result of the new strategy, the Company is exiting businesses that no longer fit within this focus, including the anaerobic digestion business in Italy and the Group's operations in Peru (which both have been classified as assets held for sale).

For more information on the effect of this classification on the financial results, please refer to note 5 to the interim Financial Statements. The numbers for H1 2020 were adjusted to reflect the classification of those activities as Held for Sale and Discontinued Operations.

H1 2021 saw Fluence continue its strategy of growing SPS sales and increasing the recurring revenue base. Despite challenging trading business conditions due to the global COVID-19 pandemic and an overall slowing of momentum in its markets, Fluence achieved several key milestones, including:

**Fluence Corporation Limited**  
**Directors' Report**  
**30 June 2021**  
(continued)

**Review of operations (continued)**

- Total operating revenue from continuing operations of \$39.7 million (H1 2020: \$53.7 million), overall H1 2021 revenue were lower than H1 2020 due to the delivery of the engineering package to the client in Ivory Coast in Q1 2020;
- Grew SPS sales 12% in H1 2021 from H1 2020 despite continued COVID-19 headwinds, including selling and commissioning a NIROBOX™ plant in Taiwan, commissioning a large MABR plant in Cambodia, and selling further MABS plants in the US and Israel;
- Service revenue from continuing operations of \$3.5 million (H1 2020: \$2.4 million);
- Overhead costs down 9% to \$9.9 million (H1 2020 \$10.9 million);
- Generated positive operating cashflow of \$13 million in Q2 2021 and operating cash flow positive for the twelve months ended 30 June 2021 by \$19.6 million;
- 34 MABR plants sold in H1 2021, for a total of 281 MABR plants sold to date in 11 countries, with the capacity to treat wastewater to a very high quality for 750,000 people;
- Delivered a total of 30 MABR plants in China, with 25 plants bought by existing volume partners with one each sold to five new partners; and
- Ivory Coast project continues on budget and meeting quality targets.

**Smart Products Solutions (SPS)**

Fluence sold 34 MABR plants bringing the global total sold to 281 MABR plants. Of the MABR sales this year, 25 were bought by existing China volume partners Three Gorges Group for the Great Protection of Yangtze River ("Three Gorges"), Aerospace Kaitian Environmental Protection Technology Co., Ltd. ("Kaitian"), Beijing China Railway Science New Technology Co. Ltd. ("China Rail"), Hubei ITEST and Liaoning Huahong. Both Three Gorges and China Rail are state owned enterprises ("SOE's") with national scope. Fluence continues to progress partnerships with a total of five (5) MABR plants sold in China to five (5) new partners. Existing and prospective China partners, particularly those with national scope, are key to our future growth.

SPS revenue grew 12% to \$10.4 million (H1 2020: \$9.3 million). SPS backlog at the end of H1 2021 was \$18.7 million excluding anticipated additional bookings from volume framework agreements with Kaitian, Hubei ITEST and Liaoning Huahong.

The first MABR plant in Sihanoukville, Cambodia has been commissioned and is expected to start operations in September. The plant is the first biological treatment plant of any kind in the country with capacity to treat wastewater for 60,000 people. This reference will facilitate discussions for new projects in Cambodia.

In the 2nd quarter, three (3) MABR plants were sold in the US, bringing the US total to 10. A SUBRE plant was sold in Israel to be installed at an important Christian pilgrimage site.

A total of 281 MABR plants have now been sold in 11 countries with collective capacity to treat wastewater for 750,000 people. Fluence believes it is the clear market leader with its MABR technology as the Company estimates that the two other MABR suppliers only have a combined 15 plants in commercial operation.

Fluence sold 3 NIROBOX™ units to drought-stricken Taiwan and commissioned the plant within 8 weeks of the order being placed for a total price of \$2.4 million. The units are now operating at their intended capacity in Taichung, converting sea water into enough fresh water to meet the needs of up to 30,000 people. Fluence's partner, ADE Corporation, facilitated the order from the Water Resources Agency, which is part of the Ministry of Economic Affairs of Taiwan. The Company also sold its first Niroflex product in Nicaragua.

The NIROBOX™ SPS and related desalination products are well established in the international market with 120 units sold to date.

**Recurring revenue and aftermarket**

Recurring revenue from continued operations in H1 2021 amounted to \$3.5 million, of which \$0.6 million was generated by the Bimini plant, with the balance related to the aftermarket activities.

**Fluence Corporation Limited**  
**Directors' Report**  
**30 June 2021**  
(continued)

**Review of operations (continued)**

The Peru BOOT project is no longer in line with the Company's strategy to target the US and Caribbean for sales of water. As such, the Peruvian entity and project is now classified as an Asset Held for Sale.

**Custom Engineered Solutions (CES)**

Fluence continued to progress the Ivory Coast Project, recognising \$21.5 million in revenue in H1 2021, and a total of \$58.0 million in revenue since inception to date. Overall H1 2020 revenues were higher due to the delivery of the engineering package to the client in Ivory Coast in Q1 2020. In H1 2021 Ivory Coast executed on budget providing key revenue, profit and cash to Fluence as we transition to revenues dominated by SPS. Ivory Coast revenue is now being recognised as project costs are incurred (over time). These were modest in H1 2021 as the construction started and are anticipated to be higher in H2 2021 and for the remainder of the project until completion in Q1 2023.

Other CES revenue in H1 2021 included \$2.2 million in South America and \$2.0 million in Middle East related to New Mansoura.

In regard to the San Quintin Mexico project, Fluence and the State Water Commission of Baja California ("CEA") reached an agreement to mutually terminate the contract. Negotiations continue towards finalising the mutual termination.

**Review of financial results**

The Group has used United States Dollars (US\$), as its presentation currency in the attached financial report, which conforms to IFRS accounting standards.

The revenue from ordinary activities from continued operations for the six months ended 30 June 2021 was \$39,694,000 (2020: \$53,654,000) and the loss from ordinary activities from continued operations before tax was \$7,996,000 (2020: profit of \$3,319,000).

Cost of sales from continued operations for the six months ended 30 June 2021 decreased to \$32,104,000 (2020: \$35,288,000).

Research and development expenses for the six months ended 30 June 2021 increased to \$1,921,000 (2020: \$1,603,000). This is in line with budget and product development costs for the China MABR, SUBRE and other wastewater treatment technologies.

The Group's net assets decreased by \$12,092,000 to \$18,380,000 on 30 June 2021 from \$30,472,000 in the corresponding period.

**Significant changes in the state of affairs**

During H1 2021, there was no significant change in the state of affairs of the Company.

**Significant events after balance date**

No matter or circumstance has occurred subsequent to period 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 periods.

**Rounding of amounts**

The amounts contained in the Directors' Report and in the Financial Report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Report) Legislative Instrument 2016/191. The Company is an entity to which the Legislative Instrument applies.

**Fluence Corporation Limited**  
**Directors' Report**  
**30 June 2021**  
(continued)

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.



Richard Irving  
Chairman and CEO  
15 September 2021

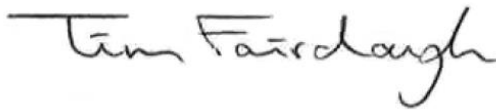
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**DECLARATION OF INDEPENDENCE BY TIM FAIRCLOUGH TO THE DIRECTORS OF FLUENCE CORPORATION LIMITED**

As lead auditor for the review of Fluence Corporation Limited for the half-year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Fluence Corporation Limited and the entities it controlled during the period.



Tim Fairclough  
Director

**BDO Audit Pty Ltd**

Melbourne, 15 September 2021

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**Fluence Corporation Limited**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 30 June 2021**

	Notes	Consolidated entity	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Revenues</b>			
Operating revenue	6	39,694	53,654
Other income		73	185
		<b>39,767</b>	<b>53,839</b>
<b>Expenses</b>			
Cost of sales		(32,104)	(35,288)
Research and development expenses		(1,921)	(1,603)
Sales and marketing expenses		(2,817)	(2,433)
General and administration expenses		(7,060)	(8,494)
Other losses - net	7	(2,540)	(2,356)
Finance costs - net		(1,321)	(346)
<b>(Loss)/profit before income tax from continuing operations</b>		<b>(7,996)</b>	<b>3,319</b>
Income tax expense		(416)	(665)
<b>(Loss)/profit after income tax from continuing operations</b>		<b>(8,412)</b>	<b>2,654</b>
<b>Loss after income tax expense from discontinued operations</b>	<b>5</b>	<b>(3,909)</b>	<b>(918)</b>
<b>(Loss)/profit for the period after income tax</b>		<b>(12,321)</b>	<b>1,736</b>
<b>(Loss)/profit for the year is attributable to:</b>			
Owners of Fluence Corporation Limited		(12,183)	2,041
Non-controlling interests		(138)	(305)
		<b>(12,321)</b>	<b>1,736</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Exchange differences on translation of foreign operations, net of tax		(386)	(1,076)
<b>Total comprehensive (loss)/ profit for the period</b>		<b>(12,707)</b>	<b>660</b>
<b>Total comprehensive (loss)/profit for the period is attributable to:</b>			
Continuing operations		(8,501)	1,989
Discontinued operations		(4,068)	(1,024)
<b>Owners of Fluence Corporation Limited</b>		<b>(12,569)</b>	<b>965</b>
Continuing operations		(34)	(33)
Discontinued operations		(104)	(272)
<b>Non-controlling interests</b>		<b>(138)</b>	<b>(305)</b>
<b>Earnings/(losses) per share from continuing operations attributable to the ordinary equity holders of the Group:</b>			
Basic and diluted (loss)/earnings per share	9	(0.013)	0.004

*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 Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 30 June 2021**  
(continued)

<b>Earning/(losses) per share from discontinued operations attributable to the ordinary equity holders of the Group:</b>			
Basic and diluted loss per share	9	(0.006)	(0.001)
<b>Losses per share attributable to the ordinary equity holders of the Group:</b>			
Basic and diluted (loss)/earnings per share	9	(0.019)	0.003

*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 30 June 2021**

	Notes	<b>Consolidated entity</b>	
		30 June 2021 \$'000	31 December 2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	22,159	31,038
Other financial assets		16,771	15,474
Trade and other receivables	11	26,157	38,486
Inventories		14,354	12,810
Prepayments		14,319	7,823
Concession arrangement assets	14	231	353
Other assets		632	605
Assets directly associated with assets classified as held for sale	5	10,031	-
<b>Total current assets</b>		<b>104,654</b>	<b>106,589</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method		440	415
Deferred tax assets		416	610
Property, plant and equipment		12,722	12,981
Intangible assets	13	1,717	1,834
Concession arrangements assets	14	2,993	8,750
Long-term deposits	12	18,242	23,368
Other assets		1,426	215
<b>Total non-current assets</b>		<b>37,956</b>	<b>48,173</b>
<b>Total assets</b>		<b>142,610</b>	<b>154,762</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	38,329	39,451
Borrowings	16	3,705	3,287
Current tax liabilities		106	175
Provisions		5,510	6,594
Deferred revenue		35,332	32,045
Liabilities directly associated with assets classified as held for sale	5	8,258	-
<b>Total current liabilities</b>		<b>91,240</b>	<b>81,552</b>
<b>Non-current liabilities</b>			
Other liability	15	2,281	2,812
Borrowings	16	24,292	25,160
Deferred tax liabilities		1,403	928
Deferred revenue		4,708	13,127
Provisions		306	711
<b>Total non-current liabilities</b>		<b>32,990</b>	<b>42,738</b>
<b>Total liabilities</b>		<b>124,230</b>	<b>124,290</b>
<b>Net assets</b>		<b>18,380</b>	<b>30,472</b>

*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 Financial Position**  
**As at 30 June 2021**  
(continued)

	Notes	<b>Consolidated entity</b>	
		30 June 2021 \$'000	31 December 2020 \$'000
<b>EQUITY</b>			
Contributed equity	17	212,776	212,161
Other reserves		(12,324)	(11,938)
Accumulated losses		(180,154)	(167,971)
		<b>20,298</b>	<b>32,252</b>
Non-controlling interests		(1,918)	(1,780)
<b>Total equity</b>		<b>18,380</b>	<b>30,472</b>

*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 half-year ended 30 June 2021**

	Contributed equity \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
<b>Consolidated entity</b>						
<b>Balance at 1 January 2020</b>	<b>211,840</b>	<b>(14,870)</b>	<b>(150,955)</b>	<b>46,015</b>	<b>1,063</b>	<b>47,078</b>
Profit/(Loss) for the period	-	-	2,041	2,041	(305)	1,736
Other comprehensive income	-	(1,076)	-	(1,076)	-	(1,076)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(1,076)</b>	<b>2,041</b>	<b>965</b>	<b>(305)</b>	<b>660</b>
<b>Transactions with owners in their capacity as owners:</b>						
Issue of options	(73)	-	-	(73)	-	(73)
<b>Balance at 30 June 2020</b>	<b>211,767</b>	<b>(15,946)</b>	<b>(148,914)</b>	<b>46,907</b>	<b>758</b>	<b>47,665</b>
<b>Balance at 1 January 2021</b>	<b>212,161</b>	<b>(11,938)</b>	<b>(167,971)</b>	<b>32,252</b>	<b>(1,780)</b>	<b>30,472</b>
Profit/(Loss) for the period	-	-	(12,183)	(12,183)	(138)	(12,321)
Other comprehensive income	-	(386)	-	(386)	-	(386)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(386)</b>	<b>(12,183)</b>	<b>(12,569)</b>	<b>(138)</b>	<b>(12,707)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Issue of options	615	-	-	615	-	615
<b>Balance at 30 June 2021</b>	<b>212,776</b>	<b>(12,324)</b>	<b>(180,154)</b>	<b>20,298</b>	<b>(1,918)</b>	<b>18,380</b>

*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 half-year 30 June 2021**

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	30 June 2020 \$'000
Notes		
<b>Cash flows from operating activities</b>		
Receipt from customers	50,821	29,937
Payments to suppliers and employees	(57,407)	(34,447)
Receipt from/(transfer to) restricted cash	7	(402)
Interest received	42	98
Interest and other costs of finance paid	(1,326)	(413)
Income taxes paid	(88)	(45)
<b>Net cash outflow from operating activities</b>	<b>(7,951)</b>	<b>(5,272)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(1,120)	(167)
Payments for construction of concession assets	-	(241)
Proceeds from sale of property, plant and equipment	15	29
Proceeds from disposal of short term deposits	2,245	5,000
<b>Net cash inflow from investing activities</b>	<b>1,140</b>	<b>4,621</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	872	1,044
Finance lease payments	(891)	(876)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(19)</b>	<b>168</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,830)</b>	<b>(483)</b>
Cash and cash equivalents at the beginning of the financial year	31,038	21,908
Effects of exchange rate changes on cash and cash equivalents	(545)	(1,271)
<b>Cash and cash equivalents at end of period</b>	<b>10      23,663</b>	<b>20,154</b>

*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 General information and basis of preparation

These Interim Financial Statements (the Interim Financial Statements) of the Group are for the six months ended 30 June 2021 and are presented in United States Dollars, which is the Group's presentation currency. These general purpose Interim Financial Statements have been prepared in accordance with the requirements of AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. They do not include all of the information required in Annual Financial Statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2020 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The Interim Financial Statements have been approved and authorised for issue by the board of directors on 15 September 2021.

## 2 Going concern

The financial statements have been prepared on the going concern basis which assumes the consolidated entity will have sufficient cash to pay its debts, as and when they become payable, for a period of at least 12 months from the date the financial report was authorised for issue.

As at 30 June 2021 the Group had cash and cash equivalents of \$23,663,000. In addition to that the Company had \$35,013,000 in short-term and long-term liquid investments.

The consolidated entity has prepared a cash flow forecast supported by detailed assumptions and scenario planning directed to sustaining business growth. These forecasts indicate that the consolidated entity expects to have sufficient funds to support its ongoing operations for a period of 12 months from the date the financial report was authorised for issue.

As at 30 June 2021, the Group had a substantial contracted sales backlog of US\$175 million predominantly due to the Ivory Coast project. Accordingly, the Group expects to earn significant revenue over the next 12 months and beyond. The resulting net cash flows associated with this revenue will provide further working capital to the consolidated entity.

The spread of the COVID-19 pandemic ("COVID-19") presented Fluence, and most businesses around the world, with extraordinary challenges. COVID-19 continues to cause disruption in some of the geographies in which Fluence operates, slowing down new orders as sales conversion has become more difficult with limited face-to-face meetings.

Fluence activities in other geographies continue to secure profitable orders while exploring partnerships to grow sales.

## 3 Significant accounting policies

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the Group's last Annual Financial Statements for the year ended 31 December 2020.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these Interim Financial Statements. The principal accounting policies adopted are consistent with those of the previous accounting period and corresponding interim reporting period, unless stated otherwise.

### 3 Significant accounting policies (continued)

#### Revision to Appendix 4D preliminary interim half-year report for the period ended 30 June 2021

An adjustment has been recorded to reclassify intercompany balances between those from continuing operations attributable to Fluence Corporation Limited and those from discontinued operations. As a result of this revision, intercompany balances from the continuing operations have been eliminated against off-setting balances within the discontinued operations in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations (Note 5).

There is no change to the net assets or total comprehensive income for the period ending 30 June 2021.

#### Revision to Consolidated Statement of Financial Position as at 31 December 2020

Current and Non-current lease liabilities previously included in "Trade and other payables and other liabilities" were reclassified to "Borrowings". As a result of this reclassification, for the period ended 31 December 2020, Current borrowings increased by \$1,409,000 to \$3,287,000 and Non-current borrowings increased by \$5,335,000 to \$25,160,000.

#### Rounding of amounts

The amounts contained in the Directors' Report and in the Financial Report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Report) Legislative Instrument 2016/191. The Company is an entity to which the Legislative Instrument applies.

### 4 Segment information

The Group identified two primary reporting segments based on the internal reports that are reviewed by the Managing Director and Chief Executive Officer (who is identified as the Chief Operating Decision Maker (CODM)). The internal reports reviewed by the CODM assess performance and determine the allocation of resources.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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 where 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.



Fluence Corporation Limited  
Notes to the Consolidated Financial Statements  
30 June 2021  
(continued)

4 Segment information (continued)

	Operating Units \$'000	Product and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
<b>2021</b>				
<b>Segment revenue</b>				
Operating revenue and other income	39,856	136	(225)	39,767
	<b>39,856</b>	<b>136</b>	<b>(225)</b>	<b>39,767</b>
<b>Segment expense</b>				
Segment depreciation and amortisation	(748)	(350)	-	(1,098)
Write off of inventories	(181)	-	-	(181)
Loss from discontinued operations	(3,909)	-	-	(3,909)
Segment expense	(41,600)	(1,641)	225	(43,016)
Unallocated expenses - corporate	-	-	-	(3,884)
	<b>(46,438)</b>	<b>(1,991)</b>	<b>225</b>	<b>(52,088)</b>
<b>Net result</b>	<b>(6,582)</b>	<b>(1,855)</b>	<b>-</b>	<b>(12,321)</b>
<b>Assets</b>				
Investments in associates	440	-	-	440
Segment assets	126,417	4,284	(778)	129,923
Assets directly associated with assets classified as held for sale	10,031	-	-	-
Unallocated assets - corporate	-	-	-	12,247
	<b>136,888</b>	<b>4,284</b>	<b>(778)</b>	<b>142,610</b>
<b>Liabilities</b>				
Segment liabilities	(96,088)	(6,062)	778	(101,372)
Liabilities directly associated with assets classified as held for sale	(8,258)	-	-	-
Unallocated liabilities - corporate	-	-	-	(22,858)
	<b>(104,346)</b>	<b>(6,062)</b>	<b>778</b>	<b>(124,230)</b>
Acquisitions of non-current assets	<b>1,115</b>	<b>5</b>	<b>-</b>	<b>1,120</b>

Profit or Loss items are for the 6 months ended 30 June 2021 and Balance Sheet items are as of 30 June 2021.

	Operating Units \$'000	Product and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
<b>2020</b>				
<b>Segment revenue</b>				
Operating revenue and other income	53,846	454	(461)	53,839
	<b>53,846</b>	<b>454</b>	<b>(461)</b>	<b>53,839</b>

#### 4 Segment information (continued)

	Operating Units \$'000	Product and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
<b>2020</b>				
<b>Segment expenses</b>				
Segment depreciation and amortisation	(743)	(386)	(115)	(1,244)
Share of profits of associates	39	-	-	39
Segment expense	(46,885)	(1,044)	1,461	(46,468)
Unallocated expenses - corporate	-	-	-	(4,430)
	<b>(47,589)</b>	<b>(1,430)</b>	<b>1,346</b>	<b>(52,103)</b>
<b>Net result</b>	<b>6,257</b>	<b>(976)</b>	<b>885</b>	<b>1,736</b>
<b>Assets</b>				
Investments in associates	415	-	-	415
Segment assets	137,105	6,264	(4,141)	139,228
Unallocated assets - corporate	-	-	-	15,119
	<b>137,520</b>	<b>6,264</b>	<b>(4,141)</b>	<b>154,762</b>
<b>Liabilities</b>				
Segment liabilities	(92,852)	(10,800)	4,141	(99,511)
Unallocated liabilities - corporate	-	-	-	(24,779)
	<b>(92,852)</b>	<b>(10,800)</b>	<b>4,141</b>	<b>(124,290)</b>
<b>Other information</b>				
Acquisitions of non-current assets	<b>1,595</b>	<b>191</b>	-	<b>1,786</b>

Profit or Loss items are for the 6 months ended 30 June 2020 and Balance Sheet items are as of 31 December 2020.

(a) *Unallocated expenses*

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	30 June 2020 \$'000
Other corporate expenses	<b>(3,884)</b>	<b>(4,430)</b>

(b) *Unallocated assets*

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	31 December 2020 \$'000
Cash and cash equivalents	7,319	9,924
Other assets	4,928	5,195
	<b>12,247</b>	<b>15,119</b>

#### 4 Segment information (continued)

(c) *Unallocated liabilities*

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	31 December 2020 \$'000
Trade and other payables	(496)	(1,089)
Borrowings	(20,129)	(20,446)
Other liabilities	(2,233)	(3,244)
	<b>(22,858)</b>	<b>(24,779)</b>

*Intersegment transactions*

Intersegment transactions are made at market rates. Intersegment transactions are eliminated on consolidation.

#### 5 Assets and liabilities classified as held for sale and discontinued operations

(a) **Discontinued operations and assets classified as held for sale**

(i) *Description*

During the six months ended 30 June 2021, the Company classified its operations in Italy and Peru as Held for Sale and operations in Mexico as discontinued operations. Those operations have met the conditions of AASB 5, management is committed to a plan to sell, the asset is available for immediate sale, an active program to locate a buyer is initiated, the sale is highly probable within 12 months, the asset is being actively marketed for sale, and actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.

(ii) *Financial performance and cash flow information*

The financial performance and cash flow information presented are for the six months ended 30 June 2021.

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Fluence Italy</b>		
Revenue	5,633	3,449
Cost of sales	(4,894)	(3,292)
Research and development expenses	(73)	(56)
Sales and marketing expenses	(232)	(298)
General and administrative expenses	(890)	(574)
Other gains - net	44	13
Finance costs	(10)	6
<b>Loss before income tax</b>	<b>(422)</b>	<b>(752)</b>
Income tax benefit	212	120
<b>Loss after income tax from discontinued operations</b>	<b>(210)</b>	<b>(632)</b>

## 5 Assets and liabilities classified as held for sale and discontinued operations (continued)

### (a) Discontinued operations and assets classified as held for sale (continued)

#### (ii) Financial performance and cash flow information (continued)

Net cash inflow from operating activities	1,054	93
Net cash outflow from investing activities	(16)	(7)
Net cash inflow from financing activities	24	274
Effects of exchange rate changes on cash and cash equivalents	(45)	16
<b>Net increase in cash and cash equivalents from discontinuing operations</b>	<b>1,017</b>	<b>376</b>

<b>Consolidated entity</b>	
30 June	30 June
2021	2020
\$'000	\$'000

#### **GCM Peru**

Revenue	40	39
Cost of sales	(41)	(39)
General and administrative expenses	(64)	(13)
Impairment expense	(3,425)	-
Other gains - net	36	32
<b>Loss before income tax</b>	<b>(3,454)</b>	<b>19</b>
<b>Loss after income tax from discontinued operations</b>	<b>(3,454)</b>	<b>19</b>

Net cash outflow from operating activities	(23)	(61)
Net cash outflow from investing activities	(39)	(6)
Net cash inflow from financing activities	45	27
Effects of exchange rate changes on cash and cash equivalents	(4)	(7)
<b>Net decrease in cash and cash equivalents from discontinuing operations</b>	<b>(21)</b>	<b>(47)</b>

<b>Consolidated entity</b>	
30 June	30 June
2021	2020
\$'000	\$'000

#### **Impairment expense**

Concession arrangements assets	(1,739)	-
Unbilled accounts receivable	(1,686)	-
<b></b>	<b>(3,425)</b>	<b>-</b>

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## 5 Assets and liabilities classified as held for sale and discontinued operations (continued)

### (a) Discontinued operations and assets classified as held for sale (continued)

(ii) Financial performance and cash flow information (continued)

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Fluence Mexico</b>		
Revenue	-	231
Cost of sales	(416)	(210)
General and administrative expenses	(80)	(69)
Other gains/(losses) - net	320	(204)
Finance costs	(36)	(26)
<b>Loss before income tax</b>	<b>(212)</b>	<b>(278)</b>
Income tax expense	(33)	(27)
<b>Loss after income tax from discontinued operations</b>	<b>(245)</b>	<b>(305)</b>
	30 June 2021 \$'000	30 June 2020 \$'000
Net cash inflow/(outflow) from operating activities	(43)	263
Net cash outflow from investing activities	-	(267)
Net cash inflow from financing activities	-	25
Effects of exchange rate changes on cash and cash equivalents	27	(31)
<b>Net decrease in cash and cash equivalents from discontinuing operations</b>	<b>(16)</b>	<b>(10)</b>
	<b>Consolidated entity</b>	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Loss after income tax expense from discontinued operations</b>		
Fluence Italy	(210)	(632)
GCM Peru	(3,454)	19
Fluence Mexico	(245)	(305)
	<b>(3,909)</b>	<b>(918)</b>

## 5 Assets and liabilities classified as held for sale and discontinued operations (continued)

### (b) Carrying amounts of assets and liabilities disposed

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	31 December 2020 \$'000
<b>Fluence Mexico</b>		
<b>Carrying amounts of assets and liabilities disposed</b>		
Cash and cash equivalents	210	226
Trade receivables	41	4
Prepayments	45	59
Other current assets	6	8
Property, plant and equipment	4	6
<b>Total assets disposed</b>	<b>306</b>	<b>303</b>
Trade and other payables	(420)	(193)
Current tax liabilities	(116)	(92)
Deferred revenue	(1)	-
Other non-current liabilities	(261)	(262)
<b>Total liabilities disposed</b>	<b>(798)</b>	<b>(547)</b>
<b>Net assets (liabilities)</b>	<b>(492)</b>	<b>(244)</b>

### (c) Assets and liabilities directly associated with assets classified as held for sale

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	31 December 2020 \$'000
<b>Fluence Italy</b>		
<b>Disposal group held for sale</b>		
Cash and cash equivalents	1,504	486
Trade receivables	6,056	8,817
Inventories	496	491
Prepayments	336	349
Deferred tax assets	343	178
Property, plant and equipment	661	769
Long-term deposits	5	14
Other long-term assets	84	1,011
<b>Total assets directly associated with assets classified as held for sale</b>	<b>9,485</b>	<b>12,115</b>

## 5 Assets and liabilities classified as held for sale and discontinued operations (continued)

(c) Assets and liabilities directly associated with assets classified as held for sale (continued)

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	31 December 2020 \$'000
Trade and other payables	(3,180)	(4,325)
Borrowings	(576)	(483)
Current tax liabilities	(77)	(67)
Provisions	(418)	(272)
Deferred revenue	(3,125)	(3,921)
Other non-current liabilities	(370)	(1,043)
Deferred tax liabilities	-	(49)
Employee benefits	(498)	(479)
<b>Total liabilities directly associated with assets classified as held for sale</b>	<b>(8,244)</b>	<b>(10,639)</b>
<b>Net assets</b>	<b>1,241</b>	<b>1,476</b>

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	31 December 2020 \$'000
<b>GCM Peru</b>		
<b>Disposal group held for sale</b>		
Cash and cash equivalents	-	21
Trade receivables	67	65
Concession arrangement assets - Short-term	-	145
Deferred tax assets	33	33
Property, plant and equipment	99	99
Concession arrangement assets - Long-term	347	3,898
<b>Total assets directly associated with assets classified as held for sale</b>	<b>546</b>	<b>4,261</b>
Trade and other payables	(14)	(1,969)
Current tax liabilities	-	(1)
<b>Total liabilities directly associated with assets classified as held for sale</b>	<b>(14)</b>	<b>(1,970)</b>
<b>Net assets</b>	<b>532</b>	<b>2,291</b>

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## 5 Assets and liabilities classified as held for sale and discontinued operations (continued)

(c) Assets and liabilities directly associated with assets classified as held for sale (continued)

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	31 December 2020 \$'000
<b>Assets directly associated with assets classified as held for sale</b>		
Fluence Italy	9,485	12,115
GCM Peru	546	4,261
	<b>10,031</b>	<b>16,376</b>
<b>Liabilities directly associated with assets classified as held for sale</b>		
Fluence Italy	(8,244)	(10,639)
GCM Peru	(14)	(1,970)
	<b>(8,258)</b>	<b>(12,609)</b>
<b>Net assets directly associated with assets classified as held for sale</b>	<b>1,773</b>	<b>3,767</b>

Prior year comparatives within the note have not been restated in the statement of financial position as at 31 December 2020.

## 6 Operating revenue

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Operating revenue</b>		
<b>Contract revenue</b>		
Smart product solutions	10,442	9,340
Custom engineering solutions	25,730	40,685
Service concession arrangements revenue	-	1,259
	<b>36,172</b>	<b>51,284</b>
<b>Service revenue</b>		
Revenues on services	2,538	1,245
Other	984	1,125
	<b>3,522</b>	<b>2,370</b>
	<b>39,694</b>	<b>53,654</b>

Smart product solutions revenue from discontinued operations for the period ending 30 June 2021 was \$1,056 thousand. The total smart product solutions revenue between continuing and discontinued operations for the period ending 30 June 2021 was \$11,498 thousand.



Fluence Corporation Limited  
Notes to the Consolidated Financial Statements  
30 June 2021  
(continued)

**7 Other gains/(losses) - net**

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Other gains / (losses) - net</b>		
Foreign exchange loss	(1,839)	(2,272)
Withholding taxes	(45)	(150)
Income from investments accounted for using the equity method	-	39
Gain on disposal of PPE	15	13
Inventory write-off	(667)	-
Other	(4)	14
	<b>(2,540)</b>	<b>(2,356)</b>

**8 People cost**

**Employee Option Plan**

Set out below are summaries of options granted to Directors, Consultants and Employees under the Company's employee share option plan:

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Fluence Corporation Limited  
Notes to the Consolidated Financial Statements  
30 June 2021  
(continued)

8 People cost (continued)

2021					Cancelled / Lapsed / Forfeited	Balance at the end of the year
Grant / change date	Expiry Date	Exercise Price (AU\$)	Granted	Exercised		
<b>Opening balance</b>			<b>79,026,872</b>	<b>(13,773,161)</b>	<b>(30,646,387)</b>	<b>34,607,324</b>
Option vested during the year						
1 January 2021	25 May 2025	0.93	-	-	(1,398,917)	(1,398,917)
12 January 2021	10 January 2021	0.84	-	-	(25,000)	(25,000)
10 February 2021	9 February 2021	1.00	-	-	(350,000)	(350,000)
5 March 2021	3 June 2022	0.46	-	-	(8,000)	(8,000)
5 March 2021	3 December 2021	0.46	-	-	(375)	(375)
5 March 2021	3 June 2022	0.44	-	-	(16,000)	(16,000)
5 March 2021	3 December 2021	0.44	-	-	(375)	(375)
5 March 2021	29 November 2023	0.44	-	-	(8,250)	(8,250)
5 March 2021	1 March 2024	0.44	-	-	(4,000)	(4,000)
5 March 2021	10 September 2021	0.81	-	-	(127,000)	(127,000)
5 March 2021	30 September 2021	0.39	-	-	(55,000)	(55,000)
5 March 2021	30 May 2024	0.23	-	-	(37,500)	(37,500)
5 March 2021	31 May 2024	0.23	-	-	(2,500)	(2,500)
5 March 2021	4 March 2021	0.82	-	-	(1,000,000)	(1,000,000)
5 March 2021	25 May 2022	0.48	-	-	(81,250)	(81,250)
5 March 2021	27 August 2022	0.46	-	-	(31,250)	(31,250)
6 April 2021	31 May 2025	0.23	2,780,000	-	-	2,780,000
6 April 2021	30 August 2024	0.23	250,000	-	-	250,000
5 May 2021	3 May 2021	0.86	-	-	(150,000)	(150,000)
5 May 2021	3 December 2021	0.44	-	-	(1,625)	(1,625)
5 May 2021	29 November 2023	0.44	-	-	(3,750)	(3,750)
5 May 2021	3 December 2022	0.44	-	-	(750)	(750)
5 May 2021	3 December 2022	0.46	-	-	(1,625)	(1,625)
5 May 2021	3 December 2022	0.46	-	-	(750)	(750)
5 May 2021	10 September 2021	0.81	-	-	(54,500)	(54,500)
5 May 2021	29 August 2024	0.23	-	-	(10,500)	(10,500)
20 May 2021	10 September 2021	0.81	-	-	(57,500)	(57,500)
20 May 2021	1 March 2024	0.44	-	-	(8,250)	(8,250)
20 May 2021	29 November 2023	0.44	-	-	(7,500)	(7,500)
20 May 2021	29 August 2024	0.23	-	-	(750)	(750)
20 May 2021	18 May 2021	0.40	-	-	(1,000,000)	(1,000,000)
3 June 2021	3 June 2021	0.46	-	-	(20,000)	(20,000)
3 June 2021	3 June 2021	0.44	-	-	(20,000)	(20,000)
25 June 2021	25 August 2025	0.23	4,000,000	-	-	4,000,000
25 June 2021	30 June 2022	0.29	1,500,000	-	-	1,500,000
25 June 2021	25 June 2025	0.23	1,000,000	-	-	1,000,000
<b>Closing balance</b>			<b>88,556,872</b>	<b>(13,773,161)</b>	<b>(35,129,304)</b>	<b>39,654,407</b>

As of 30 June 2021, 8,814,450 of the options under the Company's employee share option plan have vested.

(i) Fair value of options granted

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date are outlined below:

## 8 People cost (continued)

2021

Grant date	Expiry Date	Share price at grant date (AU\$)	Exercise Price (AU\$)	Dividend yield	Risk-free interest rate	Fair value at grant date (US\$)
6 April 2021	30 August 2024	0.245	0.23	Nil	0.22%	0.0814
6 April 2021	31 May 2025	0.245	0.23	Nil	0.44%	0.0875
25 June 2021	25 June 2025	0.190	0.23	Nil	0.67%	0.0540
25 June 2021	25 August 2025	0.190	0.23	Nil	0.71%	0.0608
25 June 2021	30 June 2022	0.190	0.29	Nil	0.00%	0.0173

The weighted average remaining contractual life of options outstanding at year-end was 2.21 years.

The fair value of the options granted to employees is considered to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was \$0.0867. These values were calculated using the binomial lattice, based on the Cox, Ross Rubinstein (1979) method applying the following inputs:

Weighted average exercise price: \$0.59  
Expected share price volatility: 65%

### Expenses arising from share-based payment transactions

	Consolidated entity	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Share based payment expense</b>		
Consultant share based payments	26	23
Employee share based payments	111	(479)
Director share based payments	478	383
	<b>615</b>	<b>(73)</b>

## 9 Earnings/(loss) per share

### (a) (Loss) / profit per share from continuing operations

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>(Loss) / profit per share from continuing operations</b>		
(Loss) / profit after income tax	(8,412)	2,654
Non-controlling interest	34	33
<b>(Loss) / profit after income tax from continuing operations attributable to the ordinary equity holders of the Group</b>	<b>(8,378)</b>	<b>2,687</b>
Basic loss per share	(0.013)	0.004
Diluted loss per share	(0.013)	0.004

### (b) Loss per share from discontinued operations

	<b>Consolidated entity</b>	
	30 June 2021 \$	30 June 2020 \$
<b>Loss per share from discontinued operations</b>		
Loss after income tax	(3,909)	(918)
Non-controlling interest	104	272
<b>Total diluted earnings per share attributable to the ordinary equity holders of the Group</b>	<b>(3,805)</b>	<b>(646)</b>
Basic loss per share	(0.006)	(0.001)
Diluted loss per share	(0.006)	(0.001)

### (c) Loss per share

	<b>Consolidated entity</b>	
	30 June 2021 \$	30 June 2020 \$
<b>Loss per share</b>		
Loss after income tax	(12,321)	1,736
Non-controlling interest	138	305
<b>Total diluted earnings per share attributable to the ordinary equity holders of the Group</b>	<b>(12,183)</b>	<b>2,041</b>

## 9 Earnings/(Loss) per share (continued)

### (c) Diluted earnings/(loss) per share (continued)

Basic loss per share	(0.019)	0.003
Diluted loss per share	(0.019)	0.003

### (d) Weighted average number of shares used as denominator

	Consolidated entity	
	30 June 2021 Number	30 June 2020 Number
<b>Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings/(loss) per share</b>	<b>624,854,034</b>	<b>624,854,034</b>
Adjustments for calculation of diluted earnings per share:		
Options	39,654,407	38,603,692
<b>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</b>	<b>664,508,441</b>	<b>663,457,726</b>

Options granted to employees under the Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

## 10 Cash and cash equivalents

	Consolidated entity	
	30 June 2021 \$'000	31 December 2020 \$'000
<b>Current assets</b>		
Cash at bank	22,159	31,038
Cash and cash equivalents classified as held for sale	1,504	-
	<b>23,663</b>	<b>31,038</b>

## 11 Trade and other receivables

	Consolidated entity	
	30 June 2021 \$'000	31 December 2020 \$'000
<b>Current receivables - Trade receivables</b>		
Contract receivables	19,559	23,013
Contract unbilled receivables	6,986	15,478
Provision for impairment - contract receivables	(2,239)	(2,079)
	<b>24,306</b>	<b>36,412</b>

Fluence Corporation Limited  
Notes to the Consolidated Financial Statements  
30 June 2021  
(continued)

**11 Trade and other receivables (continued)**

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	31 December 2020 \$'000
<b>Current receivables - Other receivables</b>		
GST and other taxes receivable	898	1,207
Income tax receivable	909	816
Other receivables	44	51
	<u>1,851</u>	<u>2,074</u>
<b>Total current trade and other receivables</b>	<u>26,157</u>	<u>38,486</u>
<b>Non-current receivables</b>		
Long-term receivables	1,258	1,300
Provision for impairment - long-term receivables	(1,258)	(1,300)
<b>Total non-current receivables</b>	<u>-</u>	<u>-</u>

**12 Long-term deposits**

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	31 December 2020 \$'000
<b>Long-term deposits</b>		
Collections from customers deposited for a period of more than twelve months	18,242	23,368
	<u>18,242</u>	<u>23,368</u>

Long term deposits are collections from the Ivory Coast project deposited for a period of more than twelve months.

**13 Intangible assets**

	<b>Capitalised development costs \$'000</b>	<b>Capitalised concession asset \$'000</b>	<b>Total \$'000</b>
<b>Consolidated entity</b>			
<b>Half Year ended 30 June 2021</b>			
Opening net book amount	1,834	-	1,834
Amortisation charge	(90)	-	(90)
Currency translation differences	(27)	-	(27)
<b>Closing net book amount</b>	<u>1,717</u>	<u>-</u>	<u>1,717</u>

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### 13 Intangible assets (continued)

Consolidated entity	Capitalised development costs \$'000	Capitalised concession asset \$'000	Total \$'000
<b>Year ended 31 December 2020</b>			
Opening net book amount	1,876	4,122	5,998
Additions	-	104	104
Impairment loss	-	(4,012)	(4,012)
Amortisation charge	(171)	-	(171)
Currency translation differences	129	(214)	(85)
<b>Closing net book amount</b>	<b>1,834</b>	<b>-</b>	<b>1,834</b>

### 14 Concession arrangements asset

The Group has three service arrangements on hand as of 30 June 2021:

(i) Service concession arrangement in Mexico to build and operate the San Quintin desalination plant:

In January 2016 the Group entered into a service concession arrangement in Mexico to build and operate a desalination plant. In December 2020, following challenges with project execution, the Board decided it no longer wished to move forward with this project. A mutual termination is the most likely potential outcome. An impairment of assets associated with this project was recorded in 2020 and amounted to \$11.9 million.

(ii) Service concession arrangement in the Bahamas to build the Bimini seawater desalination portable treatment plant:

Construction was completed in January 2020. For the 6 months ended 30 June 2021, the Group recognised revenue of \$626 thousand from the sale of water to the grantor. Under AASB Interpretation 12 *Service Concession Arrangements*, once the plant is operating, the recognised asset needs to be depreciated over the life of the concession. For the 6 months ended 30 June 2021, the Group recognised depreciation expenses of \$97 thousand. On 30 June 2021, the financial asset associated with this project was \$3,224 thousand.

(iii) Service concession arrangement in Peru to build the Paracas desalination plant:

During the period, the Group decided to pursue a potential buyer for the project. As a result the project was classified as held for Sale. See note 5 for more details.

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	31 December 2020 \$'000
Current concession asset	231	353
Non-current concession asset	2,993	8,750
	<b>3,224</b>	<b>9,103</b>

Fluence Corporation Limited  
Notes to the Consolidated Financial Statements  
30 June 2021  
(continued)

## 15 Trade and other payables

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	31 December 2020 \$'000
<b>Trade and other current payables</b>		
Trade payables	9,328	12,750
Accrued payroll liabilities	1,476	3,072
Accrued project expenses	22,668	17,779
Government grants	1,531	1,168
Other accruals	3,326	4,682
	<b>38,329</b>	<b>39,451</b>
<b>Other non-current liabilities</b>		
Government grants	2,281	2,518
Other liabilities	-	294
<b>Total non-current payables</b>	<b>2,281</b>	<b>2,812</b>

## 16 Borrowings

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.

	<b>Consolidated entity</b>	
	30 June 2021 \$'000	31 December 2020 \$'000
<b>Borrowings</b>		
Current borrowings and interest payable	2,271	1,878
Current lease liability	1,434	1,409
	<b>3,705</b>	<b>3,287</b>
Non-current borrowings	19,704	19,825
Non-current lease liability	4,588	5,335
	<b>24,292</b>	<b>25,160</b>

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Fluence Corporation Limited  
Notes to the Consolidated Financial Statements  
30 June 2021  
(continued)

## 17 Contributed equity

### (a) Share capital

		30 June 2021	31 December 2020	30 June 2021 \$'000	31 December 2020 \$'000
	Notes	No. of Shares	No. of Shares		
Ordinary shares	17(b)	624,854,034	624,854,034	204,056	204,056
Options	17(c)	39,654,407	34,607,324	8,720	8,105
		<b>664,508,441</b>	<b>659,461,358</b>	<b>212,776</b>	<b>212,161</b>

### (b) Ordinary shares - fully paid

	Number of shares	\$'000
<b>Opening balance 1 January 2020</b>	<b>624,854,034</b>	<b>204,056</b>
<b>Balance 31 December 2020</b>	<b>624,854,034</b>	<b>204,056</b>
	<b>Number of shares</b>	<b>\$'000</b>
<b>Opening balance 1 January 2021</b>	<b>624,854,034</b>	<b>204,056</b>
<b>Balance 30 June 2021</b>	<b>624,854,034</b>	<b>204,056</b>

### (c) Options

	Number of options
<b>Opening balance 1 January 2020</b>	<b>39,597,824</b>
Unlisted options issued to employees	2,594,000
Cancelled, lapsed and forfeited	(7,584,500)
<b>Balance 31 December 2020</b>	<b>34,607,324</b>
	<b>Number of options</b>
<b>Opening balance 1 January 2021</b>	<b>34,607,324</b>
Unlisted options issued to employees	9,530,000
Cancelled, lapsed and forfeited	(4,482,917)
<b>Balance 30 June 2021</b>	<b>39,654,407</b>

## 18 Recognised fair value measurements

### *Fair value hierarchy*

All assets and liabilities for which fair value is measured or disclosed are categorised according to the fair value hierarchy as follows:

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## 18 Recognised fair value measurements (continued)

### Fair value hierarchy (continued)

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Financial liabilities</i>				
Government grant liability	-	-	3,812	3,812
	-	-	<b>3,812</b>	<b>3,812</b>
31 December 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Financial liabilities</i>				
Government grant liability	-	-	3,686	3,686
	-	-	<b>3,686</b>	<b>3,686</b>

### Valuation techniques and assumptions used to derive Level 3 fair values recognised in the financial statements

The fair value of the government grant liability is determined as the present value over the expected time that the grant liability is to be repaid from the royalty stream from future revenue discounted at an annual rate of 13.9% (2020: 18.2%).

### Reconciliation of Level 3 fair value movements

The following table sets out the movements in Level 3 fair values for recurring measurements.

	Government grant \$'000
<b>Opening balance at 1 January 2020</b>	<b>4,562</b>
Payment	
Adjustment to fair value of liability, included in "Other gains/(losses) - net" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(1,164)
Currency translation differences, included in "Exchange differences on translation of foreign operations, net of tax" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	288
<b>Closing balance at 31 December 2020</b>	<b>3,686</b>
Payment	-
Adjustment to fair value of liability, included in "Other gains/(losses) - net" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	180
Currency translation differences, included in "Exchange differences on translation of foreign operations, net of tax" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(54)
<b>Closing balance at 30 June 2021</b>	<b>3,812</b>

## **19 Commitments and contingencies**

As at 30 June 2021 and 31 December 2020, the Group provided bank guarantees for fulfilment of a lease commitment, for bid bonds and for performance guarantees for its projects in the amount of \$997 thousand and \$1,029 thousand respectively.

The Group was party to several claims during the half 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.

## **20 Events occurring after the reporting period**

No matter or circumstance has occurred subsequent to period 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 periods.

**Fluence Corporation Limited  
Directors' Declaration  
30 June 2021**

In accordance with a resolution of the Directors of Fluence Corporation Limited, the Directors of the Group declare that:

- (a) the Interim Financial Statements and notes, as set out on pages 6 to 32 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standard AASB 134: *Interim Financial Reporting*, and
  - (ii) giving a true and fair view of the Consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date.
- (b) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Richard Irving  
Chairman and CEO

15 September 2021

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Fluence Corporation Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Fluence Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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### **Auditor's responsibility for the review of the financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**BDO Audit Pty Ltd**

A handwritten signature in black ink that reads 'BDO' on the top line and 'Tim Fairclough' on the bottom line.

**Tim Fairclough**  
**Director**

Melbourne, 15 September 2021

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