



28 January 2022

Fluence Corporation Quarterly Activities Report

Fluence Corporation Limited (ASX: FLC; the “Company”) presents its Quarterly Activities Report and accompanying ASX Appendix 4C (the “Quarterly Cashflow Report”) for the quarter ended 31 December 2021 (“Q4 2021”). All financial numbers herein are in US dollars and are subject to audit finalization.

Q4 and FY 2021 Summary

The Company is pleased to report that for the second consecutive year it has met its published guidance. Strong revenue growth in SPS, MABR adoption, and sales growth outside China were the principal drivers behind another year of positive underlying EBITDA. Strong SPS backlog entering 2022 underpin guidance. Key achievements include:

- **Q4 Revenues from Continuing Operations of \$43.5M** - Up 117% on Q3 2021 and 113% on Q4 2020.¹
- **FY 2021 Revenue from Continuing Operations of \$103.2M** - Grew by 18% over FY2020.¹
- **Guidance Met for Revenue and Positive Underlying EBITDA²** – SPS revenues for FY 2021 from continuing and discontinued operations were \$39.6M versus guidance of \$35-50M. Underlying EBITDA positive \$1.0M in FY2021.
- **SPS backlog entering 2022 is 65% higher than that entering 2021.**
- **MABR Sold Capacity Increased 56%** - 313 plants sold to date (up from 245) with total treatment capacity to treat wastewater for almost 1 million people (up from 600,000).
- **MABR Sold Capacity ex-China Exceeded sales within China** – Sales in Cambodia, the Caribbean, US, and United Arab Emirates enabled sales outside of China in FY2021 to outpace sales within China for the first time.
- **Expanded Nirobox Sales** – 8 units (6 plants) sold in FY2021, including 5 plants at Caribbean resorts and the first multi-unit Nirobox order in Taiwan.
- **Cost Out Improvement** - Continued operating efficiency gains with full year operating expenses down 8% in 2021 versus 2020.
- **Operating Cashflow Positive \$5.2M in Q4 2021** – Overall negative \$4.8M for FY 2021.
- **Net Cash Position of \$41.4M with Adequate Operating Reserves** - Cash and cash equivalent balance at the end of 2021 of \$41.4M in addition to \$23.0M in short and long-term liquid investments provides adequate operating reserves.

Smart Products Solutions (SPS) Grows, Scales and Diversifies

Driven by expanded geographical reach and increasing individual plant capacity, the company saw a substantial increase of MABR sold capacity in FY 2021. Select highlights include:

- Volume orders for Aspiral systems including from China Three Gorges Group, new provincial partner Yangzhou Yijiang and existing three volume partners Hunan Kaitian, Hubei ITEST, and Liaoning Huahong;

¹ Continuing operations exclude Italy business held for sale.

² Underlying EBITDA excludes any significant one-off items

- The recent Cambodia order which is the largest MABR plant in the world treating wastewater from 160,000 people and providing an excellent reference at the larger plant size range globally;
- A joint development project with Beijing Enterprise Water Group (BEWG) anticipated to be well-suited to rural wastewater treatment needs and price points;
- The sale of 7 SPS plants to Caribbean resorts in FY2021 is anticipated to lead to further hospitality business in the region where Fluence will prioritize recurring revenue around the sale of water versus equipment sales; and
- Initial MABR sale in United Arab Emirates will provide an important local demonstration of the Company's ability to safely recycle wastewater for irrigation in the Gulf Cooperation Council region where reuse is gaining strong adoption.

Ivory Coast Progress

In FY 2021, Fluence saw continued successful execution of the Ivory Coast Water Treatment Project, including achieving sign-off on milestones 3, 4 & 5 and the receipt of payments of \$51.8M. In addition, the Company realized the release of \$15.8M in restricted funds from the advance payment received in Q4 2020. The latest video showing plant progress is available on the Fluence YouTube channel and can be viewed at <https://www.youtube.com/watch?v=C5H9QjqCuAo>.

Strategic Focus

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

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

Q4 and FY 2021 Commentary

Reflecting on Q4 and FY 2021 as well as the outlook for FY 2022, Fluence Chairman and Chief Executive Officer Richard Irving, said:

"We are very pleased to deliver on SPS and EBITDA guidance for the year despite continued COVID-19 related headwinds, which have included challenging travel quarantine requirements, a slowdown in plant commissioning, delays in new orders and disrupted supply chains. We take great pride in the team's ability to increase MABR plant capacity sold to date by 56% last year in such an environment. After several years where we saw China generate most of the Company's MABR sales, we are excited to see MABR sales by volume of wastewater treated diversifying to additional geographies. We believe this is testimony to the broad-based, growing adoption of our breakthrough MABR solutions, including the world's largest MABR plant sold to date."

"NIROBOX™ has also seen stronger adoption with sales of 8 units versus only 1 in 2020. We have for some time targeted selling MABR and NIROBOX plants to resorts in the Caribbean and are pleased to close 7 such sales in 2021. In 2022, we will focus on securing recurring revenue contracts with up-front capital costs funded by our existing Upwell debt facility. Meanwhile we continue to profitably execute the Ivory Coast Project which remains on target for completion by mid 2023."

"We are very pleased to note that operating cash flow is trending positive since the strategic repositioning in November 2020, enabling the company to fund its increasingly focused and streamlined operating costs."

“We continue to emphasize profitable growth, growing our SPS and recurring revenues as rapidly as possible while remaining EBITDA positive. In FY 2022, we anticipate further SPS sales growth with an emphasis on growing our North America business particularly with recurring revenue (sale of water) contracts. In addition to organic sales growth led by our strengthened North America team, we also intend to take advantage of suitable opportunities to acquire teams with existing operations within geographies of interest and where any such cost can be accommodated within our existing financial resources. We will continue to grow our SPS business throughout Asia, look to complete the spinoff of our Italy business unit and continue to further focus and streamline operating efficiencies around SPS and recurring revenue sales.”

FY 2022 Guidance

The company provides the following guidance for FY 2022:

- SPS revenues of \$45M or 22% growth from FY 2021 from continuing operations of \$36.9M. This is underpinned by backlog entering FY2022 which is 65% higher than that entering 2021 and assumes that COVID-19 headwinds continue throughout FY 2022.
- EBITDA of \$3M up from \$1M in FY2021.

Q4 2021 Cash Flows

The Appendix 4C quarterly cashflow report for Q4 2021 is attached.

Cash and Cash Equivalents were \$41.4M as at 31 December 2021. In addition, the Company held \$23.0M in short and long-term deposits, of which \$21.0M is applied as collateral for bank guarantees for the Ivory Coast Project. Most of these guarantees are expected to be released to the Company over the next 18 months. Net Cash generated by Operating Activities in Q4 2021 was \$5.1M, in addition to \$11.1M redemption of a short-term investment. Collections during Q4 were \$33.1M of which approximately \$14.4M was received from the Ivory Coast Project. Revenue in Q4 2021 was \$43.5M. Operating expenses in Q4 2021 were 5% lower than Q4 2020.

During the quarter Fluence amended its Loan Agreement to, among other things, secure an additional US\$10M from Upwell Water LLC (Upwell) to fund its pipeline of recurring revenue projects and working capital and bringing the existing Upwell facility to \$30M. The Maturity date for any funds that are not utilized for projects has been extended by one year to July 2024.

During Q4 2021 Fluence made payments to suppliers and subcontractors related to the Ivory Coast Project of approximately \$9.0M. The Company expects to make further payments in similar amounts in Q1 2022. The next payment from the Ivory Coast contract to the Company is expected to be received in Q2 2022.

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 Friday 28 January 2022 at 9.30am Melbourne Time (AEST) / Thursday 27 January 2022 at 5:30pm 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/10019055-cfmgr8.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 (SPS), including Aspiral™, NIROBOX™ and SUBRE. In addition to rapid delivery and commissioning of decentralized solutions to meet a broad range of needs, Fluence offers ongoing operation and maintenance support, as well as Build Own Operate Transfer (BOOT) and other recurring revenue solutions. Fluence has a broad international footprint and focuses on high growth markets including China, the Middle East, South East Asia, and North America.

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

Forward looking statements

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

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

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