31 January 2025

Fluence Corporation Quarterly Activities Report

Fluence Corporation Limited (ASX:FLC; "Fluence" or the "Company") presents its Quarterly Activities Report and accompanying ASX Appendix 4C (the "Quarterly Cashflow Report") for the quarter ended 31 December 2024 ("Q4 2024"). All financial numbers contained herein are in US dollars and are unaudited.

Q4 2024 Highlights

- **Strong Q4 2024 financial results**
  - Revenue of $21.2M, more than double any other quarter in FY 2024
  - EBITDA[2] of $1.0M illustrates profitability when quarterly revenue exceeds $20M
- **Met revised guidance with FY 2024 Revenue of $51.5M and EBITDA[2] loss of $4.0M**
  - Excluding the impact of Ivory Coast and SEA & China, Q4 and FY2024 revenue growth was $3.2M (+28.8%) and $6.5M (+18.8%), respectively, when compared to 2023
  - Revenue was 26.5% lower than FY 2023 primarily due to continued delays in commencing work on the Ivory Coast Addendum project and market weakness in China
  - Revenue from Ivory Coast and SEA & China was down $15.2M and $9.8M, respectively, in FY2024
- **FY 2024 Recurring Revenue growth of $2.9M (+30.5%)** compared to FY 2023
- **FY 2024 New Orders of $50.0M (+5.8% YoY, excluding the Ivory Coast Addendum)**, highlighted by an increase of $8.4M (+23.3%) from MWW, IWR and IWB compared to FY 2023
  - H2 2024 orders of $25.2M missed order guidance, primarily due to Bimini project as well as several other order delays into Q1 2025
- **FY 2024 gross margins of 30.1%**, an increase of 2.0% and showing continued improvement over the high watermark set in FY 2023
- **Backlog as of Q4 2024 sits at $88.0M,** of which $58.1M is expected to be recognized in FY 2025 (61-73% of the FY2025 revenue guidance)
- **SG&A and R&D savings in FY 2024 of $2.6M (-11.4%)** when compared to FY 2023[1]
  - Represents a $6.7M (-25.2%) reduction from FY 2022
- **Cash balance of $8.9M plus an additional $3.6M in security deposits as at December 31, 2024**
  - Operating cash flow including deposit receipts was $0.6M due to the receipt of $3.6M in deposits from the Ivory Coast Main Works project
  - Initial milestone of $8.5M from the Ivory Coast Addendum project received in January 2025

[1] SG&A and R&D in FY 2023 excludes the reversal of the Chief Scientist liability.
[2] EBITDA excludes the impact of Other Gains and Losses, which include FX gains and losses, gains and losses related to various legacy balance sheet items, restructuring, and other non-recurring items.

Financial and Operating Update

In FY 2024, Fluence continued to execute its renewed strategy of shifting focus to high-margin SPS and Recurring Revenue through its realigned and product-focused business units while transitioning away from low-margin CES projects. While the Company largely executed on that strategy, delays on the Ivory Coast Addendum project and weakness in China derailed the overall financial and operating performance of the Company in FY 2024. **Fluence was nevertheless able to meet its revised revenue and EBITDA guidance of $50-60M and -$3.5-4.5M, respectively**.

FY 2024 revenue of $51.5M was $18.5M lower than FY 2023. There were some positive stories to share when it comes to revenue growth, however. When adjusting for the impact of Ivory Coast and SEA & China, revenue grew by $6.5M or 18.8% compared to FY 2023. Further, Q4 2024 revenue of $21.2M was more than double any other single quarter in FY 2024 which drove strong EBITDA profitability. Recurring Revenue also continued to grow, increasing by $2.9M or 30.5% compared to FY 2023.

The shift in focus toward our SPS and Recurring Revenue products and services is having the desired effect of improving gross margins, which has seen an increase to 30.1% in FY 2024 (up 2.0% vs. FY 2023).

Lastly, SG&A and R&D costs also continued to be reduced. The Company has realized $2.6M (-11.4%) savings in FY 2024 as compared to FY 2023[1] and $6.7M (25.2%) in cost savings when compared to FY 2022.

Despite the revenue growth in our core SPS and Recurring Revenue business units, higher gross margins and lower SG&A and R&D, the administrative delays in the IVC Addendum project and the weakness in China resulted in an EBITDA[2] loss in FY 2024 of $4.0M.

After a challenging FY 2024, management is encouraged by the outlook for FY 2025. With almost $60M of backlog expected to be recognized in FY2025, the recent commencement of the Ivory Coast Addendum works, improved operational discipline leading to higher gross margins and significant SG&A reductions over the past two (2) years, management believes Fluence is positioned for profitable growth in FY 2025. **Fluence is anticipating FY 2025 revenue of $80-95M (representing growth of 55-84%) and EBITDA of $3-5M.**

As a reminder, the Company is now organized around product lines with the following principal areas of focus:

- Municipal Water and Wastewater (“MWW”) treatment includes MABR (Aspiral, SUBRE and Nitro) and Nirobox products;
- Industrial Wastewater & Biogas (“IWB”), provides solutions that support the shift to global decarbonization, taking advantage of government incentives and green energy programs in North America and the new nitrogen removal laws in Mexico;
- Industrial Water & Reuse (“IWR”) solutions, focusing on water reuse applications and high-growth markets such as lithium mining that supports the trend toward electrification as well as high tech industries such as semiconductor and AI data centers;
- Southeast Asia and China ("SEA & China"), with a particular focus on efforts in countries such as Taiwan, Vietnam, Cambodia, the Philippines and South Korea to strengthen and diversify its sales pipeline;
- Recurring Revenue, including Build-Own-Operate (“BOO”) projects and Operations & Maintenance (“O&M”) contracts for equipment sales; and
- The Ivory Coast Main Works and Ivory Coast Addendum projects.

[1] SG&A and R&D in FY 2023 excludes the reversal of the Chief Scientist liability.
[2] EBITDA excludes the impact of Other Gains and Losses, which include FX gains and losses, gains and losses related to various legacy balance sheet items, restructuring, and other non-recurring items.

Table1: Segmented Financial Results

(US$ millions)	FY 2023[3]		FY 2024[3]		*YoY Variance*	
	Revenue	**EBITDA[2]**	**Revenue**	**EBITDA[2]**	***Revenue***	***EBITDA[2]***
Municipal Water & Wastewater	$11.1	$2.3	$11.0	$0.9	*($0.2)*	*($1.4)*
Industrial Wastewater & Biogas	$7.0	$0.1	$8.9	$0.6	*$1.9*	*$0.5*
Industrial Water & Reuse	$14.9	$1.5	$18.0	$3.1	*$3.2*	*$1.6*
SEA & China	$13.6	$0.2	$3.8	($1.1)	*($9.8)*	*($1.3)*
BOO	$2.8	$0.3	$2.9	$0.5	*$0.2*	*$0.2*
IVC	$22.2	$1.7	$7.0	$0.2	*($15.2)*	*($1.5)*
Corporate[4]	($1.5)	($5.8)	($0.1)	($8.2)	*$1.4*	*($2.4)*

(3) Aeromix removed as an asset-held-for-sale.

(4) Revenue includes intercompany eliminations.

FY 2024 revenue and EBITDA[2] increased across IWR, IWB and BOO. Specifically:

- IWR saw strong revenue and EBITDA[2] growth of $3.2M (+21.3%) and $1.6M (+111.5%), respectively;
- IWB saw revenue and EBITDA[2] growth of $1.9M (+27.4%) and $0.5M (+556.8%), respectively; and
- MWW revenue was effectively flat and EBITDA[2] saw a reduction of $1.4M in FY 2024 primarily due to the recognition of a significant amount of remaining revenue (~$2M) in FY 2023 from the completion of the $20M New Mansoura WTP project in Egypt in H1 2023. This project had minimal costs against the final $2M in revenue recognition, therefore margins were higher than normal given the size of the project and revenue.

The most significant revenue and EBITDA[2] reduction across the Company is related to the Ivory Coast. In FY 2023, the Company was still completing the Main Works project. By FY 2024, the majority of the work on the Main Works had already been completed. The Ivory Coast Addendum project, which was initially expected to commence in Q1 2024, was projected to contribute revenue of $25-30M in FY 2024. Due to several bureaucratic and administrative financing delays, revenue contribution from the Ivory Coast was only $7.0M, a reduction of $15.2M compared to FY2023 and approximately $20M less than expectations.

The other significant negative impact resulted from weak performance in China, driven by a slowdown in government spending overall, which has had a detrimental impact on projects that utilize Fluence's water treatment solutions. The majority of the FY 2024 revenue in the SEA & China business unit came from completing the Taobei project in Taiwan and a single repeat customer in China. FY 2024 revenue from SEA & China was $3.8M, a reduction of 72.2% compared to FY2023. As a result of the Company's review of the performance of the SEA & China business unit, senior management made the difficult decision to make a change in local management. These changes are discussed further in the Corporate Update below.

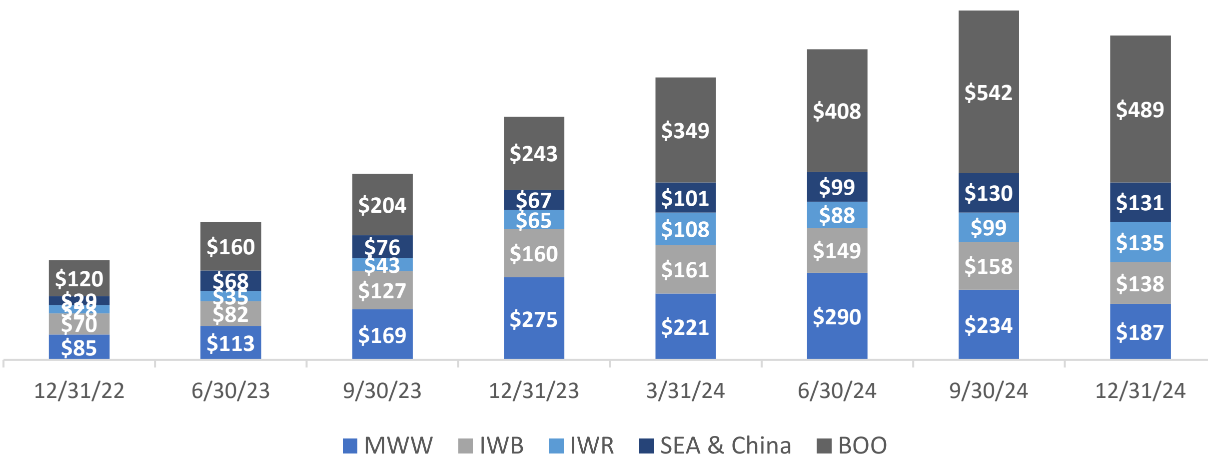
FY 2024 revenue growth excluding Ivory Coast and SEA & China was $6.5M or 18.8% compared to FY 2023.

Lastly, while Corporate costs appear higher in FY 2024 vs. FY 2023, this is due to the impact of the reversal of the Chief Scientist accrual in FY 2023. Adjusting for this reversal, Corporate EBITDA[2] would have been $0.3M lower in FY 2024 vs. FY 2023.

[1] SG&A and R&D in FY 2023 excludes the reversal of the Chief Scientist liability.

[2] EBITDA excludes the impact of Other Gains and Losses, which include FX gains and losses, gains and losses related to various legacy balance sheet items, restructuring, and other non-recurring items.

Chart 1: Fluence Sales Pipeline[4]



(4) Excludes Ivory Coast O&M.

Our overall sales pipeline experienced strong growth throughout FY 2024 and increased by $271M since Q4 2023 to $1,080M (+33%). The BOO and MWW pipeline both saw reductions in the quarter but still increased from by 19% over Q4 2023. MWW's pipeline reduction was primarily a result of removing historical projects originating from the Israel location that is no longer conducting commercial operations. MWW's North American pipeline remains strong at $137M, which represents almost 75% of the total pipeline compared to only 14% of the total MWW pipeline just two (2) years ago. The total sales pipeline represents over 368 opportunities, which results in an average project size of approximately $1.6M (excluding BOO).

Key Recent Wins

The Company secured several notable new orders in Q4 2024 and January 2025, including:

- Wilshire Road Development: 150k GPD Aspiral MABR (Phase 1 of 3) – 1st MABR water reuse project in California, USA ($2.3M)
- Confidential Chicken Slaughterhouse: WWTP + anaerobic digester (WW-to-energy) – Spain ($1.4M);
- Dow Polisur: 2-year O&M contract renewal – Argentina ($1.4M);
- Coca Cola Solar (repeat customer): UF water treatment plant – Brazil ($1.0M);
- Confidential MWW client: 50k GPD Aspiral with filtration, clarification and UV reuse – Hawaii, USA ($0.8M);
- Confidential Chicken Slaughterhouse: WWTP – Italy ($0.4M);
- Confidential MWW client: 10k GPD Aspiral MABR – Missouri, USA ($0.3M); and
- Eight (8) iTest orders (repeat customer): Aspiral MABR WWTP – China ($3.5M total).

[1] SG&A and R&D in FY 2023 excludes the reversal of the Chief Scientist liability.
[2] EBITDA excludes the impact of Other Gains and Losses, which include FX gains and losses, gains and losses related to various legacy balance sheet items, restructuring, and other non-recurring items.

Fluence signed $9.5M in new order bookings during Q4 2024 and $50.0M in 2024 overall (+$2.8M or 5.8% compared to 2023, excluding the impact of the IVC Addendum contract). Most notably, MWW, IWR and IWB 2024 orders increased by $8.4M (+23.3%) over 2023. New order bookings missed guidance of $50-60M in H2 2024 primarily due to the Bimini project not being booked as well as several order delays that moved into Q1 2025, some of which have already been booked (i.e. Wilshire Road, Dow Polisur). Backlog as of Q4 2024 sits at $88.0M, of which $58.1M is forecasted to be recognized in FY2025, representing 61-73% of the FY2025 revenue guidance. Additionally, in January, we have received or have been awarded almost $5M in new orders, most of which will be recognized in FY 2025.

Corporate Update

In Q4 2024, the Company moved forward with a restructuring of its global MWW business as well as the R&D group to further align resources, increase efficiency and reduce fixed costs. This restructuring will result in headcount and facility reductions in Israel, Dubai, Egypt and the US. The restructuring commenced in Q4 2024 and is expected to provide $1-2M in annual SG&A and R&D savings globally, although some of those savings are expected to be reinvested in key areas such as sales, marketing and operations.

Further, in Q4 2024 Fluence made a change in management at its SEA & China business unit as a result of weak financial and operational performance. Due to the challenging market conditions in China, the Company has been focusing its strategy on growth outside of mainland China in countries such as Taiwan, Vietnam, the Philippines and South Korea, among others. The leadership change is part of the evaluation our current strategy in China and to determine the path forward in a region where Fluence has experienced tremendous success, particularly with its MABR technology. As part of these changes, Michael (Miki) Schnitzer has been named Interim General Manager. Miki has been instrumental in developing Fluence's commercial success with its MABR product line as well as helping to lead Fluence's initial commercial and operational setup in China. As a result, he is very familiar with the market and the local team and uniquely positioned for the role. Fluence has also bolstered it local operations and finance management teams in recent months with seasoned and experienced professionals. These changes are expected to improve operating and financial discipline, competitiveness and support a renewed growth strategy in China.

Additionally, as previously disclosed the Company fully repaid the Upwell Facility in July 2024. Since the Upwell Facility was first put in place in July 2020, Fluence had drawn down $30.3M, a substantial portion of which was repaid in 2023 and in the first half of 2024. In July 2024, the Company replaced the Upwell Facility with the current Revolving Facility for up to $15.0 million (the "Revolving Facility") on more favorable terms for the Company than the Upwell Facility. The Revolving Facility was initially used, in part, to pay off the Upwell Facility. The interest rate on the Revolving Facility is variable and equal to the US Prime Rate, which is currently 7.5%. The initial term is 21 months with a Company option to extend for up to three (3) months at Prime Rate plus 5%. The Revolving Facility has been provided by Nikolaus Oldendorff and Doug Brown (the "Lenders"), each of whom currently sit on the Company's Board of Directors and have been long-term supporters of the business. On 31 October 2024, the Revolving Facility was expanded by $5M to $20M in total to provide additional working capital and for new projects. Security in respect of the Revolving Facility is initially limited to no more than five percent (5%) of the equity interests of the Company. As contemplated at the time the Revolving Facility was put in place, the Company will be calling a shareholder meeting to obtain approval to grant additional security for the Lenders under ASX Listing Rule 10.1. The repayment of the Upwell Facility and securing the Revolving Facility provides the Company considerable interest savings, operating flexibility and will support our continued growth.

[1] SG&A and R&D in FY 2023 excludes the reversal of the Chief Scientist liability.

[2] EBITDA excludes the impact of Other Gains and Losses, which include FX gains and losses, gains and losses related to various legacy balance sheet items, restructuring, and other non-recurring items.

Lastly, on 11 October 2024, Fluence announced that Richard Irving and Ross Haghighat retired as Non-Executive Directors of the Company, effective 10 October 2024. Mr. Irving and Mr. Haghighat have been two of the longest serving Directors of the Company and its predecessors and the Company greatly appreciates the collective 23 years of service they have provided to Fluence and wish them well in their retirement from the Board of Directors.

Q4 2024 Cash Flows

The Appendix 4C quarterly cash flow report for Q4 2024 is attached. As at 31 December 2024, Cash and Cash Equivalents were $8.9M. In addition, the Company held $3.6M in short and long-term deposits, of which $3.3M is held as collateral for bank guarantees for the Ivory Coast Project. Operating cash flow used in Q4 2024 was $3.0M. Combined with $3.6M in deposits received in Q4 2024 from the Ivory Coast, the Company generated positive cash flow of $0.6M. Due to continued delays in receiving the initial milestone payment on the Ivory Coast Addendum project, Q4 2024 operating cash flow did not meet our expectations for the quarter, however, this payment has already been received in January 2025.

While it was expected that that the Company would generate negative cash flow in early 2024, operating cash flow underperformed in FY2024 primarily due to:

- Delays in the IVC Addendum project and securing the preliminary milestone payment;
- New Mansoura and other collection delays in the MWW Middle East;
- Slowdown in China resulting in lower project revenue and weak collections; and
- Repaying the Upwell Facility in full.

The Company repaid $17.7M of debt in FY 2024 and has repaid the entirety of the Upwell Facility, which was $30.3M as at 30 September 2023. As at 31 December 2024, Fluence's total and net debt position was $20.1M and $11.2M, respectively.

Fluence generated $3.2M in investing cash flows in Q4 2024 and $4.1M in FY 2024, primarily due to the return of collateral related to project bonds and guarantees (mostly related to the Ivory Coast project) as well as the sale of the Aeration Assets (less closing costs). The Company also invested $0.3M and $1.7M in capital expenditures in Q4 and FY 2024, respectively.

[1] SG&A and R&D in FY 2023 excludes the reversal of the Chief Scientist liability.
[2] EBITDA excludes the impact of Other Gains and Losses, which include FX gains and losses, gains and losses related to various legacy balance sheet items, restructuring, and other non-recurring items.

Ivory Coast Progress

In Q4 2024, Fluence continued commissioning the Main Works, which is now in the final stages. Due to large rainfalls in Q2 2024, commissioning was delayed and is now expected to be completed in H1 2025.

In Q4 2024, Fluence was able to advance and finalize financing of the Ivory Coast Addendum contract. As a result, the Company received the Notice to Proceed (the "NTP") from ONEP (the Ivory Coast National Drinking Water Organization) and was able to commence execution of the works immediately, including detailed engineering design and the procurement of long lead-time materials. As noted in prior updates, these IVC Addendum works are a critical step to connect the Main Works water treatment plant to the distribution system allowing delivery of the water produced by the plant to the people of Abidjan. The IVC Addendum works are expected to take approximately 18 months to complete and a significant amount of the revenue was originally forecasted to be recognized in FY 2024 with the balance in FY 2025. These delays had a significant negative impact on the reported financial performance for Fluence in FY 2024, however, with the NTP now secured and the Addendum works commenced, the Company is positioned to deliver significant revenue growth in 2025, in part due to the Ivory Coast Addendum contract. The Company recognized $7.0M in revenue in FY2024 compared to $22.2M in FY2023, a reduction of $15.2M.

In Q4 2024, $3.6M in deposits related to Ivory Coast Main Works project were returned to Fluence. Additionally, while the Company expected to receive the initial milestone payment of $8.5M related to the Addendum project in Q4 2024, continued administrative delays pushed receipt into January 2025 but has now been received.

Fluence is also continuing its efforts to seek to secure an O&M contract for the plant from the customer. The start of the long-term O&M contract requires the work being undertaken pursuant to the IVC Addendum to be completed. There may, however, be an interim O&M contract awarded which Fluence is well-positioned to receive. Operating the plant on an interim basis would also position the Company well for the long-term O&M contract.

This announcement is authorised for lodgement on the ASX by Thomas Pokorsky, CEO and Managing Director, Fluence Corporation Limited.

-ENDS-

[1] SG&A and R&D in FY 2023 excludes the reversal of the Chief Scientist liability.
[2] EBITDA excludes the impact of Other Gains and Losses, which include FX gains and losses, gains and losses related to various legacy balance sheet items, restructuring, and other non-recurring items.

For further information, please contact:

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

United States of America
Thomas Pokorsky
CEO and Managing Director
E: tpokorsky@fluencecorp.com

About Fluence Corporation Limited (ASX: FLC)

Fluence is a leader in Wastewater Treatment and Reuse, High-Strength Wastewater Treatment, Wastewater-to-Energy, Industrial and Drinking Water markets, with its pre-engineered, standardized Smart Products Solutions (SPS), including Aspiral™, NIROBOX™, SUBRE and Nitro. In addition to rapid delivery and commissioning of solutions to meet a broad range of needs from smaller communities to city-scale systems, Fluence offers ongoing operation and maintenance support, Build Own Operate (BOO) and other recurring revenue solutions. Fluence has a broad international footprint and focuses on high growth markets including North America and Southeast Asia.

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 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.

[1] SG&A and R&D in FY 2023 excludes the reversal of the Chief Scientist liability.
[2] EBITDA excludes the impact of Other Gains and Losses, which include FX gains and losses, gains and losses related to various legacy balance sheet items, restructuring, and other non-recurring items.