

**Q2 2020 Business Update  
Conference Call  
Webcast Script**

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**Henry Charrabé, Managing Director & Chief Executive Officer:**

Thank you, operator.

Good morning to those of you in Australia, and good evening to our listeners in the United States. My name is Henry Charrabé, Managing Director and CEO of Fluence, and I am joined on the call today by Francesco Fragasso, Fluence's Chief Financial Officer.

I would like everyone to note that all financial references made in today's call are in US Dollars and that we will make forward-looking statements, which are protected under the safe harbor provisions of Australian securities law. Further details are provided in the ASX release.

As you may have read in our Quarterly Activities Report published this morning in Australia, we continue to work in a challenging global economic environment.

We are very pleased to have been able to achieve positive cash flow in the second quarter, which included a net positive operating cashflow of \$2.7 million. This is a result of our continued commitment to streamlining our operations, while also being helped by timely collections during the period.

During this call we will provide additional background to the ongoing operational performance and challenges in today's market. Based on presently known information, Fluence is pleased to reaffirm our 2020 public guidance for the year, comprised of achieving positive EBITDA for the financial year, \$32 million in SPS revenue and recognizing recurring revenues of \$9 million.

We continue to see a growing interest for our Smart Products Solutions in China, as well as other geographies around the world. Our assembly plants in China in Yiyang and Panjin, in conjunction with our partners, are up and running and we continue to exclusively manufacture our unique MABR technology in our wholly owned factory in Changzhou. The current floods have caused some delays at our customers' sites with respect to their required local civil work. But we continue to see an increasing amount of MABR references commissioned in China.

Given our recent successes in China and Cambodia, we are putting more business development efforts into other countries in South East Asia and hope to start seeing additional sales from the region, once the current pandemic allows for fewer travel restrictions.

We are very pleased to have received orders in Africa, providing Aspiral™ units to ARSI University in Ethiopia and partnering with Sky Links in Ghana, where Fluence will provide 11 pre-engineered, standardised surface water treatment systems to rural villages. We continue to build the Fluence brand through references and finders in Africa and the overall interest on the African continent is increasing as we see great potential for our Smart Products Solutions.

Our approach to the decentralised solution to solving the freshwater and wastewater problems continues to gain traction in areas where large, centralised and expensive water and wastewater solutions are not viable options. With an estimated 800 million people in Africa enduring clean water scarcity, our decentralised, low cost and energy saving solutions offer a high value to potential customers in this and many other regions around the world.

As we continue to grow our strategic relationships in China, we are also diligently working on establishing channel partnerships for our Smart Products Solutions in other geographies. We hope to be in a position to announce at least one partnership outside of China later this year.

As you may have heard, we also secured a contract with a meat processing plant in Argentina, only the second anaerobic digester ever to be built in the country, with the first one also being provided by Fluence. Argentina continues to be one of the largest meat exporters in the world, and by adding this plant, we continue to have a positive impact on this industry, as well as contributing to the conversion of biomass to biogas, resulting in more clean energy.

Other successes during the quarter include receiving a repeat order from Vucico in Vietnam for a Nirobox™ Mega, which will desalinate 1,500 cubic meters of seawater per day and therefore provide 1.5 million litres per day of fresh drinking water to the local population.

While we see continued interest in our products, the COVID-19 pandemic continues to cause disruptions in all of the geographies in which the Company operates, slowing down new order bookings as sales conversion has become more difficult without face to face meetings. On a positive note, while running a business and negotiating over video conferencing presents additional challenges, all of our team members in Fluence are adapting to this new environment - as are our customers.

An important accomplishment over the past 3 months was to negotiate and secure the non-dilutive debt facility announced yesterday to the market for \$20 million from Upwell Water. This facility will replace the project loan facility with Generate Capital and provides approximately \$15 million for general working capital. I would like to thank Generate Capital for their continued support during the recent years.

Upwell Water is assisting water companies and provides project-finance for water projects around the world. The facility helps us transition towards a more capital light business structure, as we are in the position to obtain the equity financing for our BOOT projects from Upwell. This is a more flexible financing facility, as it provides us additional working capital to continue to grow our Smart Products Solutions, particularly MABR. The working capital facility has an initial three-year term, whilst the project sub-facility loans will have maturities aligned with the underlying project revenue contracts. The facility can be upsized to as much as \$50 million at Fluence's request and at Upwell's discretion. The facility provides us with greater optionality in our growth ambitions and allows us to support customers in the financing of their projects.

Moving on to the Ivory Coast Project, I would like to first acknowledge our condolences as we were saddened by the sudden death of Prime Minister Amadou Gon Coulibaly in July; he leaves a legacy of strong leadership behind him and big shoes to fill. He was a widely respected statesman and worked for a long time in public service to help grow the country to what it is today and was instrumental in laying the fundamentals for a very strong positive outlook. The Prime Minister was laid to rest this past Friday in his hometown in the north of Ivory Coast.

Unfortunately, our project for the construction of the water treatment plant in Ivory Coast has been delayed. I want to emphasise that Fluence and the Ivory Coast Government are continuing to eagerly support the project and both parties are looking forward to seeing the plant constructed and to delivering fresh water to the residents of Abidjan as soon as the last administrative requirements have been completed.

Together with the Ivory Coast Government, we are currently working to complete the last outstanding matters that have been delaying the completion of conditions precedent for the receipt of the first payments, which are limited to the completion of legal reviews and opinions by our financial partners. We expect that these last Conditions Precedent will be completed during Q3, and cash will then be received in the same quarter. The return of our project management team to Ivory Coast in July, more than three months after departing Ivory Coast, and now that travel restrictions have been lifted, will greatly assist us in pushing these last remaining items over the line.

Moving on to the San Quintin project in Mexico. Recently, there has been some media speculation about this contract being suspended or even cancelled stemming from a local Mexican internet platform; however, we have continued to have an open dialogue and ongoing negotiations with the State Water Commission of Baja California (CEA). There was a change in government in Baja California, following the elections late last year. Subsequently, there was a request from the new government to change some of the project schedule and other contractual amendments. At this time, we have provided the local authority with revised terms consistent with the original contract that was awarded. The Board and Management of Fluence have set targets for return on capital and will only pursue projects that meet such criteria and increase shareholder value.

If we can reach agreement on these revised terms with CEA, then this will be a good project for Fluence and we believe it would greatly benefit the residents of San Quintin in Baja California. As soon as a definitive position has been reached, Fluence will update the market accordingly.

The travel restrictions and lockdowns are continuing to push out our BOOT Project in Peru. The development works have been completed; however, at this point Peru remains in partial lockdown, with restrictions being phased out only slowly. Assuming no further setbacks, we expect this project to be completed in the later part of the second half of this year. Once completed, the project will provide \$3 million per annum over a 10-year period, significantly adding to recurring revenue for Fluence.

I would now like to turn over the call to Francesco Fragasso to discuss our Q2 2020 revenue and cashflows.

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**Francesco Fragasso, Chief Financial Officer:**

Thank you, Henry.

We had unaudited revenue of \$10.1 million in the second quarter, bringing the unaudited first half revenue to \$57.4 million, doubling the revenue of H1 2019. The delay of conditions precedent in Ivory Coast and the delay of the San Quintin project, have had a negative impact on expected revenue in the first half.

During the quarter we received \$15.7 million of payments from customers, with operating outflows of \$13.0 million.

We have not received any payment in relation to the \$34 million revenue recognized in the first half of the year for work performed and delivered to Ivory Coast, which is expected to be collected in Q3, soon after meeting the remaining conditions precedent.

EBITDA in the first half of the year is positive and expected to be positive for the 2020 financial year.

While new SPS sales in China are tracking at a slower pace than we anticipated, the back-log of orders will likely see us achieve our guidance of \$32 million in this segment globally during 2020. We still have clear visibility on orders through much of 2020 and into 2021. Our partners in China are continuing to help us grow our business in the region and other projects, such as the second order from Vietnam, will continue to provide support for meeting our SPS guidance.

As part of the response to COVID-19, we fast-tracked some our cost saving goals for 2020 and achieved 25% lower costs for SG&A in the first half of 2020 compared to 2019. While travel restrictions are having a negative effect on sales conversions, we do receive some offset with travel costs being lower in the quarter. While we have been reducing costs, we are ensuring that we have the capacity to ramp up production if needed and our investment in R&D is ongoing. An example of this is the launching of the Aspiral™ Micro during the quarter, a highly efficient wastewater treatment plant with a treatment capacity as low as 5 cubic meters per day.

Cash and cash equivalents were \$20.1 million at the end of June 2020, up from \$16.9 million as at 31 March 2020. Net cash generated from operations was approximately \$2.7 million. The net cash inflow for the quarter was in line with what we forecasted in the market update released on 10 July. With the anticipated meeting of conditions precedent of the Ivory Coast project in Q3, we expect Fluence to be cash flow positive in Q3 as well.

Fluence had a contract backlog of \$234 million as at the end of 30 June.

I will now hand back the call to Henry.

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**Henry Charrabé, Managing Director & Chief Executive Officer**

Thank you, Francesco.

Despite the current market volatility, and the difficulties it brings, we are glad to report that Fluence's plan for 2020 remains intact and that we are able reaffirm our 2020 guidance.

Our ongoing commitment is to provide sustainable operating solutions to help solve the water and wastewater crises that many millions of people face around the world. We are continuing to strive to meet several of the United Nations Sustainability Goals and our Smart Products Solutions don't only help provide clean water, but also reduce

energy consumption, contribute to resource conservation, and can help generate energy from wastewater.

I will now hand back over to the operator for Q&A instructions.

Operator, could you please repeat the instructions for how to submit questions?

**After final question been answered:**

We would like to thank you for your time this morning and evening. We were hoping all of you are healthy and safe during these unprecedented times. In normal circumstances, we had hoped to be able to see everyone in person in Australia in the second half of this year, but given the current conditions, this is unfortunately highly unlikely. We hope all of you stay safe and we look forward to speaking to you again soon.