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Fluence Corporation (ASX: FLC)
H1 2020 Results Presentation, 31st August 2020

Audit Review Status



- This presentation has been prepared by Fluence Corporation Limited (ASX: FLC) and is to be read in conjunction with the Fluence Corporation Limited ASX Appendix 4D and Interim Report for the half-year ended 30 June 2020.
- Notwithstanding that the review by the auditor is substantially complete, more time is required to complete the formal review of the Half Year Accounts. This is primarily due to COVID-19 related delays in completing the global Fluence review.
- The Company will therefore utilise the recently announced ASIC relief titled “ASIC Corporations (Extended Reporting and Lodgement Deadlines—Listed Entities) Instrument 2020/451” dated 15 May 2020 and the corresponding ASX Class Waiver issued on 16 June 2020 titled “Extended Reporting and Lodgement Deadlines” to lodge its Half Year Accounts subject to audit review, and defer lodgement of the audit reviewed Half Year Accounts until no later than 30 September 2020.
- The Company will immediately make an announcement to the market if there is a material difference between the Half Year Accounts as attached and the final reviewed accounts and once the final version has been lodged.

World-Class Water and Wastewater Treatment Technology Company



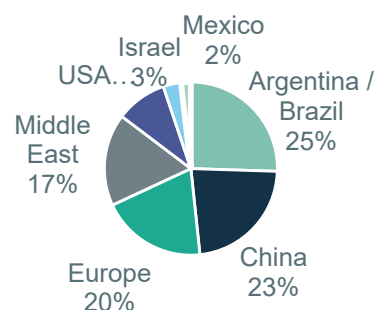
Only global, pure play company delivering standardized, pre-engineered water and wastewater treatment solutions focused on the decentralized market

Fluence Overview

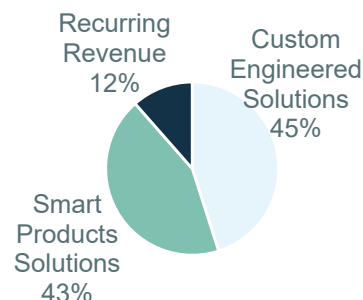
- Provides water and wastewater treatment solutions across three complementary segments
 - Smart Products Solutions (SPS):** Wastewater treatment solutions leveraging patented, proprietary Membrane Aerated Biofilm Reactor (MABR) technology in addition to water treatment solutions
 - Rapid solutions focused on decentralized applications
 - Custom-Engineered Solutions (CES):** Turn-key projects on a larger scale offering fully-customized solutions
 - Recurring Revenue (RR):** Build, Own, Operate and Transfer (BOOT) and complete range of Operations & Maintenance (O&M), aftermarket sales & spare part sales
- Well-positioned to capture substantial and growing global addressable market as shift towards decentralized, pre-engineered solutions as population growth, water scarcity and environmental threats accelerate

FY2019A Sales Mix

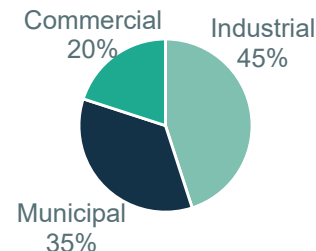
Sales by Region



Sales by Segment



Sales by End-Markets⁽¹⁾



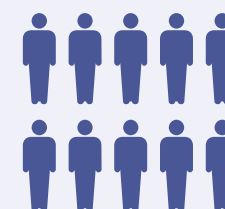
Fluence by the Numbers

7,000+ *Reference sites*

70+ *Countries*

180+ *MABR Installations*

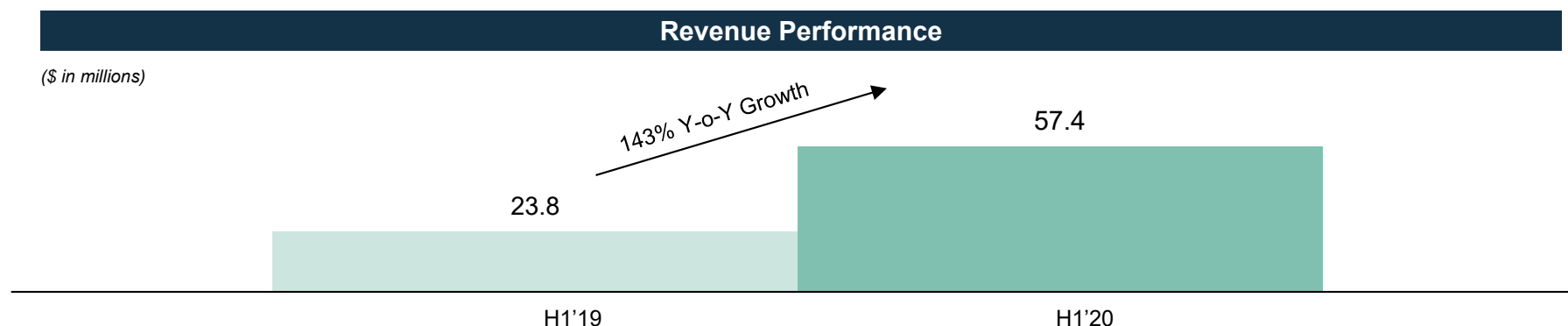
110+ *NIROBOX™ Desalination Systems*



350+
Employees
Including
150+
Engineers

1. Estimated average based on 2018A – 2020E performance.

H1 2020 Key Highlights



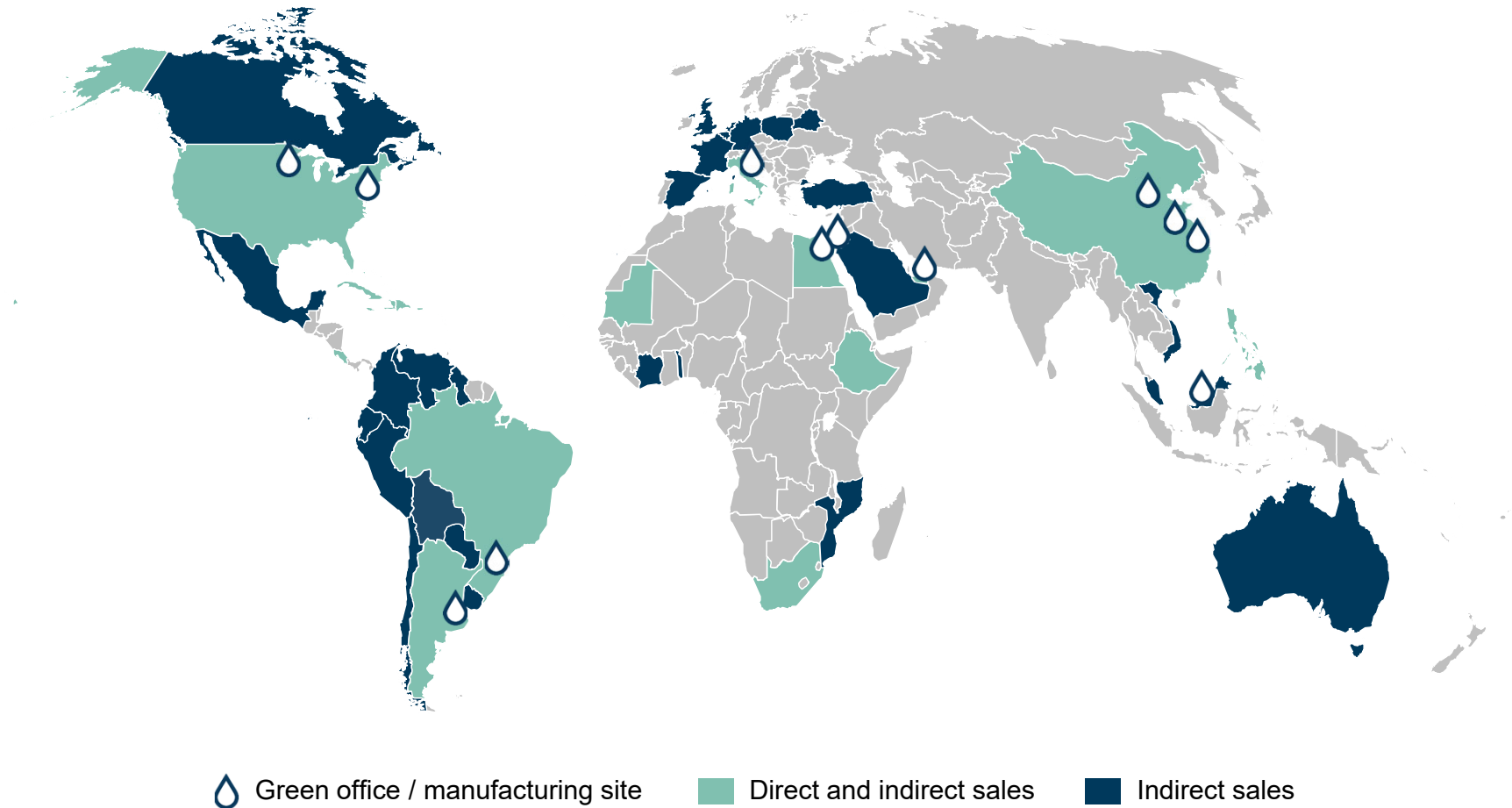
- ✓ **Keeping employees, partners and customers safe** – adjusting to COVID-19 conditions
- ✓ **Operating revenue up 143% to \$57.4m***
- ✓ **SG&A cost** continued to decline, **down 27%** on H1 2019
- ✓ **\$6.2m EBITDA**
- ✓ **Recurring revenue up 18%** to \$3.9m from BOOT and O&M contracts
- ✓ **Smart Products Solution (SPS) revenue up 89%** vs. H1 2019 to \$10.6m
- ✓ **Achieved financial close of the Ivory Coast Project**
- ✓ **Secured debt facility of \$20m** from Upwell Water
- ✓ **Positive NPAT of \$1.7m**
- ✓ **Cash flow positive in Q2 2020, cash balance of \$20.2m** as at June 30, 2020
- ✓ **Backlog of \$234m** as at June 30, 2020

* = All numbers in presentation are USD if not otherwise stated.

Global Footprint Diversifies Revenue



Fluence's footprint leverages an optimal mix of sales channels (integrators, operators, representatives, distributors, financial partners) across the key water markets



Financial Overview

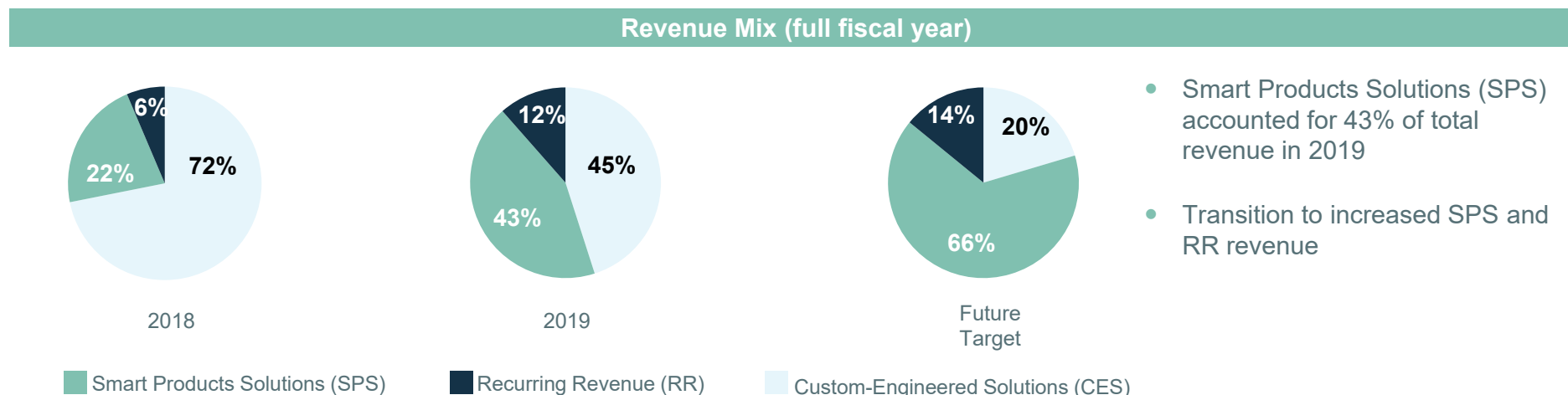
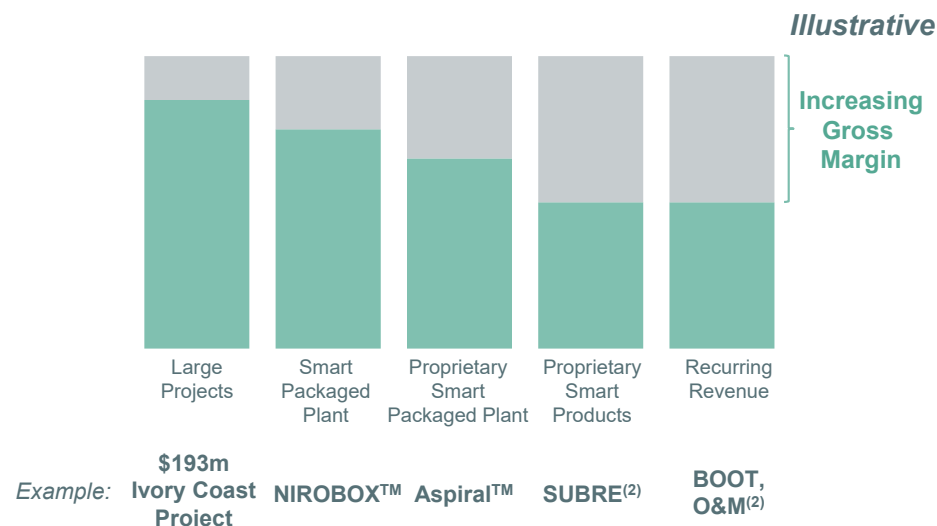


Growth in Smart Products Solutions Drives Higher Margins and Profitability



Smart Products Solutions have a strong margin profile, while BOOT and O&M contracts drive recurring revenue

- Strong backlog of projects to drive revenue growth in the remainder of 2020 and after (~\$234m of revenue from backlog⁽¹⁾)
- Growth in higher margin segments (Smart Products Solutions and Recurring Revenue)
- Continue company transformation towards a standardized, pre-engineered, products-based business with reduction of fixed costs
- Path towards continued EBITDA growth



1. 2020 backlog as of June 30, 2020.
2. Illustrative Gross Margin pending scope of work.

Summary Financials



Profit & Loss <i>in millions</i>	H1 2019 Audited	H1 2020 Un-audited
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Customized Engineering Solutions	14.9	42.9
Smart Products Solutions	5.6	10.6
Recurring Revenues ⁽¹⁾	3.3	3.9
OPERATING REVENUES	23.8	57.4
Cost of Sales	(20.4)	(38.8)
GROSS PROFIT	3.4	18.6
<i>Gross Profit Margin</i>	<i>14.3%</i>	<i>32.3%</i>

→ Backlog of \$234m, underpinned by Ivory Coast (\$152m backlog)
 → Guidance of \$32m for FY 2020 confirmed
 → In line with installed base. Guidance of \$9m for the FY 2020 confirmed

Research and Development Expenses	(2.9)	(1.7)
Sales and Marketing Expenses	(5.3)	(2.7)
General and Administrative Expenses	(11.0)	(9.2)
Financial costs and other gains/(Loss)	-	(2.6)
Pre-Tax Net Operating Income (Loss)	(15.8)	2.3
<i>% of Revenues</i>	<i>-66.4%</i>	<i>4.0%</i>

→ All R&D fully expensed in the period
 → SG&A reduced by 27%. G&A includes Ivory Coast related overhead

Statutory EBITDA	(14.3)	6.2
<i>% of Revenues</i>	<i>-60.1%</i>	<i>10.8%</i>

→ EBITDA expected to be positive for the full FY 2020

Cash flow from operating activities <i>in millions</i>	H1 2019 Audited	H2 2019 Audited	H1 2020 Un-audited
Receipts from customers	26.7	33.9	29.1
Staff costs	-14.0	-11.7	-11.4
All other payments	-35.3	-36.3	-23.3
Net cash flow from operating activities	-22.6	-14.1	-5.6

→ Improved cash flow as a result of reduction in fixed cost and improved margin and Q2 FY2020 generated positive operating cashflow

1. Excludes revenue related to construction according to IFRIC 12

Summary Financials



Balance Sheet	31-Dec-19	30-Jun-20		
<i>in millions</i>	Audited	Un-audited	% of Total	Variance
ASSETS				
Cash and cash equivalents	21.9	20.2	13%	-1.8
Other financial assets	5.4	0.3	0%	-5.1
Trade and other receivables	39.8	69.5	46%	29.7
Inventories	12.6	14.8	10%	2.2
Prepayments & Other assets	7.9	5.7	4%	-2.2
Total current assets	87.6	110.5	72%	22.9
Property, plant and equipment	14.2	12.3	8%	-1.9
Intangible assets	6.0	5.2	3%	-0.8
Concession arrangements asset	21.0	19.0	12%	-1.9
Deferred tax, and Other assets	5.5	5.6	4%	0.1
Total non-current assets	46.6	42.1	28%	-4.5
Total assets	134.2	152.5	100%	18.3
LIABILITIES				
Trade and other payables	43.8	56.2	37%	12.4
Borrowings	0.9	1.7	1%	0.8
Provisions	6.3	7.5	5%	1.2
Deferred revenue	21.6	26.2	17%	4.6
Total current liabilities	72.6	91.6	60%	19.0
Other liability (Incl IFRS 16)	9.8	8.0	5%	-1.8
Borrowings	2.0	2.0	1%	0.0
Deferred tax liabilities	2.0	2.6	2%	0.5
Other Provisions	0.6	0.6	0%	0.0
Total non-current liabilities	14.5	13.2	9%	-1.3
Total liabilities	87.1	104.8	69%	17.7
Total equity	47.1	47.7	31%	0.6
Total liabilities & equity	134.2	152.5	100%	18.3

→ Revenue recognized for the Ivory Coast Project of \$34m is reported as unbilled receivable, and the related cost accrued as trade payable

→ Reduction in concession arrangement assets is due to depreciation

→ Increase in deferred revenue reflects the collection of advance payment for new orders mainly in China and South East Asia

→ Borrowing only includes the amount utilized from the Generate Capital project finance facility.

Subsequent event: in July Fluence entered into a loan agreement with Upwell Water to provide an initial \$20m finance facility. The Facility replaces and refinances the current outstanding project loans with Generate Capital and comprises a general working capital facility.

Operations Update



Fluence's Smart Products Solutions



Smart Product Solutions (SPS): MABR / Nirobox™ systems and other smart products which are at least 51% pre-engineered & standardized and achieve a Gross Margin of at least 25%

SPS Product Portfolio				
Product	 <i>Decentralized</i>	 <i>Centralized or Decentralized</i>	 <i>Decentralized</i>	 <i>Decentralized</i>
Description	Packaged MABR Wastewater Treatment	MABR Wastewater Treatment Solutions	Packaged Potable Water Treatment	Skid-Mounted Pre-Engineered Systems (bricks)
Plants Sold	177 plants	12 plants	25 plants	Thousands
Focus Markets	China, Philippines, USA, Cambodia	China, Philippines, Jamaica, Israel, Cambodia	Middle East, LatAm, Africa, SE Asia	Middle East, Europe, USA, South America
Average Revenue / Plant	\$75k-\$4m	\$1mm-\$10m	\$750k-\$8m	\$25k-\$250k
Recurring Revenue Potential	BOOT, O&M, spare parts	BOOT, O&M, spare parts	BOOT, O&M, spare parts	BOOT, O&M, spare parts

Standardized Building Blocks of Smart Products Solutions				
Low Cost Operation	Modular Plants	Installed in Weeks, Not Years	Easy to Upgrade	Simple to Maintain

Focus on growth of higher margin and more stable long-term revenue streams with lower capital intensity, capitalising on Fluence's proprietary MABR technology

Fluence's Smart Products Solutions



Pre-engineered products delivering quick deployment

Smart Products Solutions: Definition

- Proven, proprietary technology delivered in standardized, pre-engineered building blocks for deployment locally to the water or wastewater source



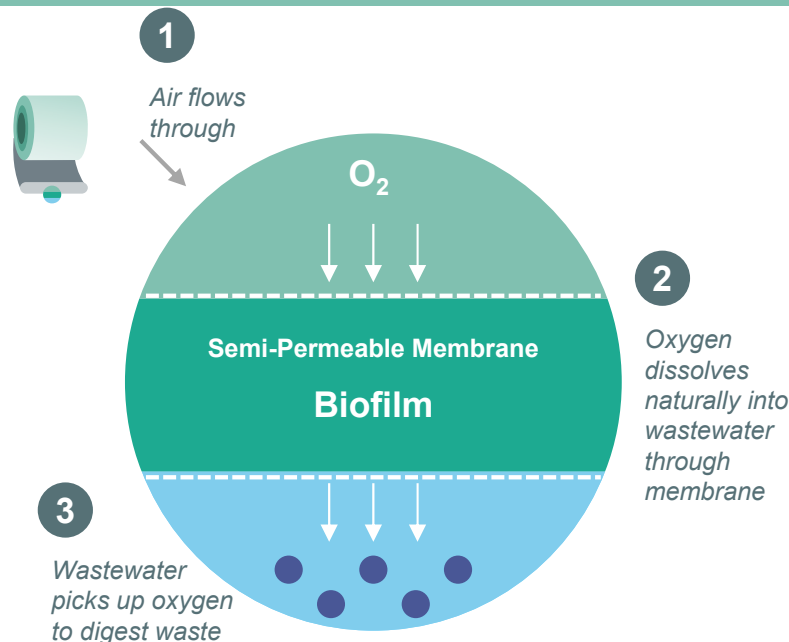
Smart Products Solutions: Benefits

- ✓ **Installed in weeks not years:** pre-engineered, modular plants
- ✓ Substantially **lower energy use** and operating costs
- ✓ Mostly unattended operation
- ✓ Minimizes expensive in-ground infrastructure & civil works
- ✓ **Meets highest regulatory standards & enables reuse**
- ✓ Simple to maintain and upgrade
- ✓ Easy to scale-up or down
- ✓ **Proven and accepted** for operations >5 years

Overview of Fluence's MABR Technology



MABR Process



Why MABR Wins

- ✓ Well-Validated Technology
- ✓ Low-Energy Treatment
- ✓ Highly Efficient Biological Nutrient Removal
- ✓ Meets Highest Regulatory Standards And Enables Reuse
- ✓ Patented Globally
- ✓ Minimal Footprint
- ✓ Significantly More Plants as Compared to Competitors
- ✓ SUBRE Increases Capacity +30% at Existing Plants

Beats Alternatives Even in Tough Markets

	Plant Treatment	A3O-MBBR	MBR	FMBR
aspiral™ Decentralized ⁽¹⁾	Capex	+21%	+120%	+65%
	Opex	+50%	+179%	+71%
	Energy	+46%	+171%	+67%

Offers Path to Savings on Upgrades

	Upgrade Option	MABR	MBBR	MBR
subre Decentralized or Centralized ⁽²⁾	Opex Change	(9%)	+21%	+61%
	Energy Change	(8%)	+36%	+50%
	Chemical Use	(30%)	+13%	-

MABR Validation



BLACK & VEATCH



Stanford Codiga Resource Recovery Center

"One of the Top 10 Water Tech Inventions of the Decade"

Breakthrough technology	Developer	Description
1 Nereda	Royal HaskoningDHV	Aerobic granular sludge technology which saves 50% on energy costs while removing nitrogen and phosphorus. It has become a global success for its licensees.
2 Nanocomposite membranes	NanoH2O/LG Nano	High-performance nano-engineered thin film reverse osmosis membranes. The takeover by LG Nano represented the highest exit valuation of any water technology during the 2010s.
3 Thermal hydrolysis	Cambi, Veolia, Eliquo, Sustar, and others	High-pressure boiling and decompression as a pretreatment for sludge digestion. It is rapidly becoming the standard for maximising energy recovery in sludge treatment.
4 Membrane-aerated biofilm reactor	Fluence, OxyMem/ DuPont, Suez WTS	A modular aerobic wastewater treatment system where the biofilm grows on the membranes which provide the aeration. Fluence has done extremely well with it in China.

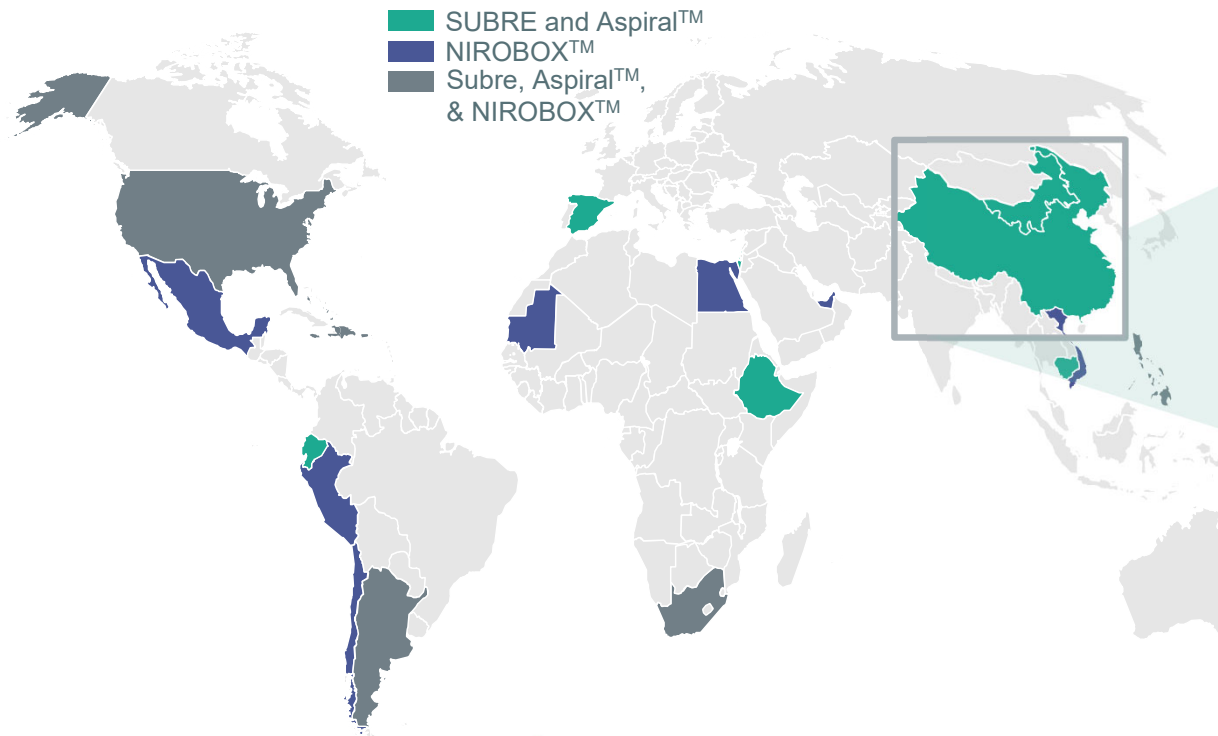
"The three vendors of the technology...have each achieved important milestones in the last 18 months...interest from utilities remains high, with myriad commercial demonstrations being conducted all around the world"

-GWI April 2019 Article

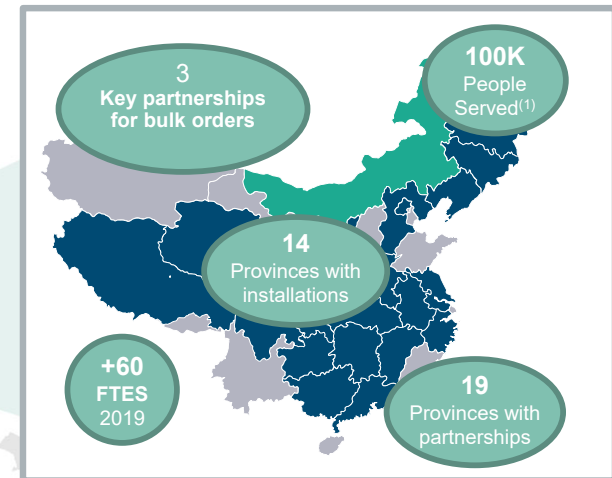
1. Compared to 1,000 m3/day plant based on company's analysis from existing plants in China.

2. Compared to 1 MGD plant based on company's analysis for existing plant in Israel.

Global Footprint Diversifies Revenue



Key Partnerships Propel MABR Wastewater Deployments in China



Key Partnerships in China



凯天环保
Kaitian Environmental Tech.



2017
2 Plants

2020
189 Plants

1. Based on 150 l/person/day.



2016
3 Plants

2020
115 Units =
25 Plants

Continued SPS Progress Outside China



Fluence Smart Products Solutions' (SPS) portfolio continues its global expansion

Examples of recent SPS wins:

- SUBRE for greenfield wastewater treatment plant – Jamaica, Cambodia
- MABR Aspiral™ installations - South Africa (reuse to potable level), USA and Ethiopia
- Water treatment systems: Vietnam (repeat customer, NIROBOX™ Mega), Ghana (first of multiple SPS orders), Argentina



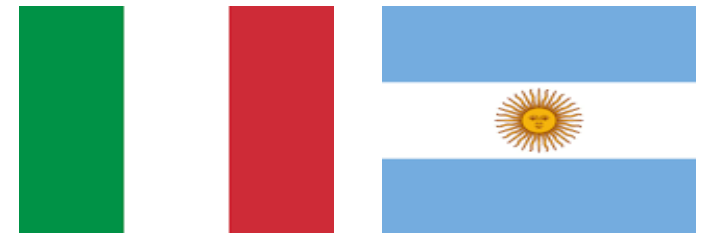
SPS growth strategy leverages mix of direct and indirect sales channels

- Increased focus on developing strategic partnerships to accelerate sales channel growth and bulk orders, both in existing as well as new territories

Fluence awarded largest AD plant in Argentina



- In Q2, Fluence won a contract to provide the effluent treatment plant for a meat processing plant in Gorina, Argentina
- The plant will process 5,000 m³/day of wastewater and generate 14,000 m³/day of biogas, which will feed a 1.5MW cogeneration unit
- The plant will lower the environmental impact of the meat processing plant and help protect water sources in the area
- This plant will be the second, and largest to date, anaerobic digester built in Argentina, both of which will have been built by Fluence
- The project will start in 2021
- The project win is the result of strong teamwork between Fluence's Italian and Argentinian centers of excellence



**Fluence continues to expand its Waste-to-Energy Solutions
in South America**

Fluence's Environmental and Sustainability Impact



Committed to UN SDGs

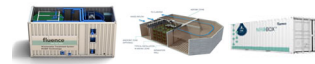
- Fluence's innovative solutions contribute to the conservation of resources, energy savings, generation of energy and reuse of water
 - Fluence technologies are highly energy efficient (MABR, desalination) and waste to energy solutions (W2E)
 - A decentralized approach using Fluence MABR to solve the world's wastewater needs would result in increased access to clean water and wastewater → **Potential annual energy savings of >1M GWh, equivalent to >700 M Tons CO₂**
- Fluence operations and solutions delivering on 10/17 of UN SDGs
- Fluence is committed to the overall ESG guidelines



 Sustainability Goal Delivered

Sustainability Impact from Fluence's Installations

MABR & NIROBOX



23.5 GWh / year
in energy savings compared to
conventional technologies
Equivalent to
17,000 Tons CO₂ / year

Waste-to-Energy



147 GWh / year
clean energy generated from
converting biomass to biogas
Equivalent to saving
103,500 Tons CO₂ / year

Reuse



15.2Bn Liters Water
Recycled / year

Water



122Bn Liters Drinking
Water Produced / year

Wastewater



206Bn Liters Wastewater
Treated / year

Fluence's MABR installations remove **>930 Tons of excess nutrient pollution / year**

H2 2020 Priorities & Financial Guidance



- ✓ Keeping employees, partners and customers safe, particularly in the current COVID-19 environment
- ✓ Grow sales for SPS in all regions
- ✓ Achieve Conditions Precedent, collect first payments, and start construction of the Ivory Coast Project
- ✓ Utilise working capital capacity to fund further growth in SPS and Recurring Revenue
- ✓ Continue streamlining business
- ✓ Continued investment in Research & Development of decentralised products and solutions
- ✓ Achieve Guidance for FY2020* - \$32m in revenue from SPS, EBITDA positive and \$9m Recurring Revenue

**The COVID-19 pandemic continues to cause disruption in all of the geographies in which the Company operates, slowing down new orders as sales conversion has become more difficult without face to face meetings. However, based on presently known information and despite challenging business conditions, we are pleased to again reaffirm our 2020 financial guidance.*

Traditional Centralised System



Decentralised Systems



Appendix

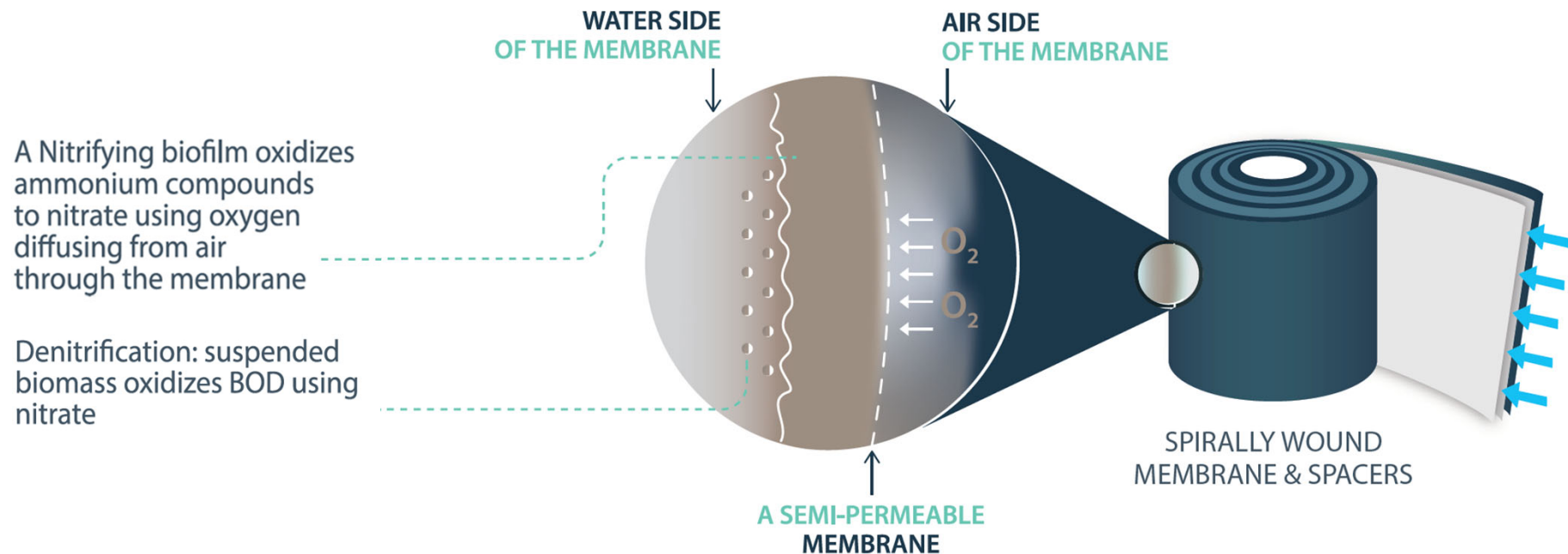


MABR – Innovative and Proprietary



MABR = Membrane Aerated Biofilm Reactor

Patented technology that provides lower-cost, reliable, quality wastewater treatment



- Clear advantages over other wastewater solutions that use large amounts of energy to power treatment
- Allows up to 90% reduction in energy consumption and up to 50% reduction in OPEX
- Protected by family of patents
- Scalable to provide wastewater solutions for populations of hundreds to hundreds of thousands

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