

**Q3 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 US listeners. My name is Henry Charrabé, Managing Director and CEO of Fluence, and I am joined on the call today by Francesco Fragasso, our Chief Financial Officer.

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

This morning we released our Q3 Quarterly Activities Report and ASX Appendix 4C Quarterly Cash flow report to the ASX in Australia, with an accompanying presentation, which I will briefly go through on this call and we will then address any questions you might have.

As I have done previously, I would like to thank Fluence employees around the world once again, as well as our board of directors, for the work they have done during these extraordinary times. Life, and the operations of our business, has been challenging with restrictions placed on our ability to travel and interact with customers, colleagues, and partners – while prioritising everybody’s health and safety. We, along with many of our industry colleagues, have learnt to operate in these changed conditions, but as Fluence, we continue to make significant progress towards achieving our strategic goals.

I plan on adding some further context and commentary to the operational performance in Q3 2020 and importantly, I am happy to confirm that the group remains EBITDA positive for the year-to-date.

The global economic slowdown caused by the outbreak of the Coronavirus has

affected Fluence in all the regions we operate. But despite these challenging circumstances, I can reaffirm our previously announced guidance, based on presently known information and the latest available forecasts, for FY 2020 with Smart Products Solutions revenue of at least \$32.0 million, recurring revenue of \$9.0 million and sustainable full year positive EBITDA.

I want to begin with the recap of our achievements in the first 10 months of 2020.

Firstly, as announced yesterday, all conditions precedent have now been met on the Ivory Coast Project. We have received formal notice-to-proceed and are commencing construction for this €165 million project, which we have to erect within the next 24 months. Further, we have also already received the first advance payment amounting to €23.1 million and are expecting additional milestone payments in this quarter.

During Q3, Fluence reported \$15.6 million in revenue, up 13% on the previous corresponding period, and up 50% on the June quarter.

We continue to see an expanding footprint for our Smart Products Solutions worldwide with growth of 41% for the first three quarters of this year compared to the same period last year, including growth in China of 39%.

Finally, Recurring Revenue, including after-market sales and BOOT projects, has increased strongly with 63% growth for the 9 months to September and compared to the same period last year.

Looking ahead, new order bookings of SPS are up 22% year to date in China and the rest of the world, reflecting a balanced and diversified profile for the group. Our backlog, including the Ivory Coast Project, is \$215 million as at the end of September, providing strong revenue visibility for the business.

A few other things to mention include R&D, costs and cash. We have continued to invest in Research and Development with nearly \$7m invested since the start of 2019. These investments look to broaden our MABR and water treatment portfolio, with new packaged water and wastewater treatment solutions developed for our customers.

On costs, we have maintained a disciplined approach with a further 22% reduction year-to-date in SG&A. This reflects our continued goal to shift the organization towards more Smart Products Solutions and reduced focus on CES.

And finally, Cash in hand at the end of September was \$31.1m, which has since further increased with the advance payment received from the Ivory Coast project mentioned earlier.

Turning to the September quarter specifically and recent events:

The Ivory Coast Government finance facility has already begun to fund the contractual payments to Fluence. This significant water treatment facility, located outside of Abidjan, will supply much needed safe, reliable, and fresh drinking water for this large community and we are proud to be associated with this project and our clients in Ivory Coast.

With this announcement, we have achieved yet another significant milestone and now focus on continuing the momentum we are seeing in the rest of our business. The revenue and cashflow from this project allow us to bridge the transition of our business to become truly focused on decentralized Smart Products Solutions, further leveraging our innovative MABR technology.

From our perspective the current pandemic draws attention to the need for safe water supply, and as we have previously shared with you, we see demand for our products and services continuing to increase over time. Our core strength as a globally diversified organisation, with a diverse supply chain, providing solutions in a wide range of countries, makes us an agile global player in the decentralised water and wastewater treatment industry.

Sales of our innovative MABR solutions continue to increase in China, by more than doubling sales on the previous corresponding period or up 40% when compared to the last nine months for the same period last year. The pandemic has added additional challenges, but we are confident that we are on track to meet our targets in this region.

Other successes in the period include securing a \$3.2 million contract in Egypt, with a semi-government utility company to rehabilitate and upgrade a 12,000

m³/day seawater reverse osmosis desalination plant in Sharm El Sheikh. The system is expected to be completed and operational by late summer 2021. Together with the \$7.6 million NIROBOX™ Smart Products Solution desalination plant ordered in October 2018, and our \$20 million order for the New Mansoura desalination plant in Egypt awarded in March 2019, this latest contract further reinforces two key elements of Fluence's growth strategy: a focus on desalination solutions for geographies urgently addressing water shortages; and providing innovative water treatment solutions to help build sustainable communities.

Turning now to recurring revenue. Total recurring revenue of \$1.7 million was recognised in Q3 2020, up 70% on the previous quarter, with year to date recurring revenue of \$5.7 million, up 63% on the prior corresponding period.

Regarding the San Quintin project in Mexico, Fluence and the State Water Commission of Baja California, called CEA, continue to hold regular meetings. Whilst constructive negotiations take place, it is the view of the Board and Management that this project may not proceed as previously proposed, with all parties considering a range of outcomes, including mutual termination. As previously shared, the Board and Management of Fluence have set targets for expected returns on invested capital and only pursue projects that meet this strict criterion and add to shareholder value. We will update the market as soon as a final resolution with CEA has been reached.

Turning to Smart Products Solutions, Fluence recently installed 22 units of NIROFLEX Systems in Ghana to provide drinking water to rural villages, with each system delivering clean, safe drinking water, with capacities ranging from 20-90 m³/h.

Fluence has secured a contract for the first Aspiral™ system in South Africa, which includes our proprietary MABR wastewater treatment technology. This Smart Products Solution will be a pilot project installed in cooperation with our local partner MEB and at one of eThekweni Wastewater Treatment Plants to process wastewater from effluent to various levels of usage – ultimately allowing for reuse to potable water levels.

Finally, on product development, we have had some exciting new product launches, further adding to our SPS product portfolio. The Aspiral™ Micro is the

newest member of the Fluence Aspiral™ family. It is a small-scale packaged MABR wastewater treatment solution with a capacity of 5 m³/day, sufficient capacity to serve approximately 10 – 20 homes. Its footprint is only 3.8 m² and it is designed to be installed semi-underground allowing it to be easily concealed in a neighborhood. Aspiral™ Micro was presented at the IE EXPO event in August in Shanghai. The product will serve decentralised wastewater treatment applications and can be combined into multi-unit solutions. We are proud to announce that the first pilot unit order was already received in October from China.

Secondly, our standardised Dissolved Air Flotation system was developed by Fluence Italy and is a new and improved version of a well proven technology and is now a fully pre-engineered product. The global launch took place in September with positive customer feedback.

I would now like to turn over the call to Francesco Fragasso to discuss our Q3 2020 revenue and cashflows.

Francesco Fragasso, Chief Financial Officer:

Thank you, Henry.

Third quarter unaudited revenue of \$15.6 million was up 13% on the prior corresponding period and for the year-to-date is up 95% on the same period in 2019.

SPS will continue to grow, and we anticipate sales of \$32.0 million in the segment during 2020, largely driven by the continued strong growth in China leveraging the existing 3 partnerships. SPS sales in Q3 2020 are \$7.6 million, and we had \$23.1 million in SPS backlog at the end of the quarter.

Alongside our SPS revenue, we anticipate recurring revenue to grow 29% in 2020 to a total of \$9.0 million.

As Henry stated earlier, we have been disciplined with respect to operating costs, with significant reductions in the period with SG&A costs down by more than 16% on the prior corresponding period and down 22% year to date on the same 9 months from 2019.

Fluence continues to invest in R&D, with Q3 spending in line with prior quarters. We are committed to providing the best technology and economic value add in the market, so while cutting costs is a key focus, we are ensuring that investment in R&D is done sensibly.

EBITDA is positive for the nine months of 2020, and based on current contracts and the commencement of construction in Ivory Coast, our expectation is to be EBITDA positive on a full year basis.

Cash and Cash Equivalents were US\$31.2 million at the end of Q3. Total Cash flow in the quarter was positive US\$11.1 million, after a net operating cash outflow of US\$6.4 million and the drawdown of US\$20 million from the debt finance facility with Upwell Water LLC.

Based on current contract and obligations, with the large cash receipts related to the Ivory Coast project expected in the quarter, our expectation is to be operating cash flow positive in Q4 and on a full year basis for 2020.

Finally, our contract backlog of \$215 million at the end of Q3 bolsters our confidence in future revenue growth and achieving our strategic targets.

I will now hand back the call to Henry.

Henry Charrabé, Managing Director & Chief Executive Officer

Thank you, Francesco.

Looking ahead for the remainder of the year, and as has been the case historically, we expect the fourth quarter to be our seasonally strongest for the year. We are confident about the future, as we have observed our customers and partners adapting to the new global working environment amidst the pandemic. We also believe that in this final quarter of 2020, we will continue to book new orders in China, the USA, the Middle East, Latin America and other areas around the world.

We are excited about Fluence's position. We are commencing construction in Ivory Coast and focusing increasingly on Smart Products Solutions globally and, despite all the challenges, can reaffirm our 2020 guidance based on presently known information.

In closing, I want to reiterate what makes us unique and what problems we are solving for our customers. As water scarcity, further impacted by the recent pandemic, continues to worsen, our approach to offer fast-to-deploy, energy efficient and smart packaged water and wastewater treatment options, is the quickest and most effective way to provide real-time solutions. Our decentralised, pre-engineered Smart Products for water and wastewater treatment are in strong and growing demand, as those address this global challenge – wherever it may occur.

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

We would like to thank you for your time this morning and evening and your continued support. We are 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 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.