

**ABN 52 127 734 196**

**Fluence Corporation Limited**

**Annual Report - 31 December 2023**

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Directors

Mr Doug Brown (appointed 20 March 2023)  
*Chairman*

Mr Thomas Pokorsky  
*CEO and Managing Director*

Mr Paul Donnelly  
*Lead Independent Director, Non-Executive Director*

Mr Richard Irving (Chairman until 20 March 2023)  
*Non-Executive Director*

Mr Ross Haghighat  
*Non-Executive Director*

Mr Mel Ashton (appointed 25 July 2023)  
*Non-Executive Director*

Ms Samantha Tough (until 25 July 2023)  
*Non-Executive Director*

Dr Rengarajan Ramesh (until 25 May 2023)  
*Non-Executive Director*

Company secretary

Ms Melanie Leydin

Registered office

Level 4, 96-100 Albert Road  
South Melbourne VIC 3205  
Australia  
Phone: +61 (0)3 9692 7222  
Fax: +61 (0)3 9692 7222

Principal place of business

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Golden Valley MN 55427  
United States of America  
Phone: +1 212 572 5700

Share register

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Sydney, New South Wales, 2000, Australia  
Phone: 1300 737 760 (local)  
Fax: +61 (0)2 9290 9600 (international)

Auditor

BDO Audit Pty Ltd  
Tower 4, Level 18, 727 Collins Street  
Melbourne, Victoria, 3008, Australia

Solicitors

Lander & Rogers Lawyers  
Level 12, Bourke Place, 600 Bourke Street  
Melbourne, Victoria, 3000, Australia

Bankers

HSBC Bank Australia Limited  
Melbourne, Victoria, Australia

Stock exchange listing

Fluence Corporation Limited shares are listed on the Australian Securities Exchange  
(ASX code: FLC)

Website

<https://www.fluencecorp.com>

The Directors present their report, together with the financial statements for the year ended 31 December 2023 of Fluence Corporation Limited ("Fluence", the "Company", and together with its subsidiaries, the "Group").

## Directors

The following persons were Directors of the Company during the financial year and up to the date of this report, unless otherwise stated:

Mr Douglas Brown, Chairman (appointed 20 March 2023)  
Mr Thomas Pokorsky, CEO and Managing Director  
Mr Paul Donnelly, Lead Independent Director, Non-Executive Director  
Mr Richard Irving (transitioned from Chairman to Non-Executive Director on 20 March 2023), Non-Executive Director  
Mr Ross Haghghat, Non-Executive Director  
Mr Mel Ashton, Non-Executive Director (appointed 25 July 2023)  
Dr Rengarajan Ramesh, Non-Executive Director (retired 25 May 2023)  
Ms Samantha Tough, Non-Executive Director (retired 25 July 2023)

## Review of operations

### Introduction

During FY2023, Fluence management was focused on executing its plan to transform the organisation. A formal restructuring and repositioning of the business was announced in Q4 2022. The Company is now fully operating and reporting under the new organisational structure. Among the FY2023 benefits the Company expected to realize through the realignment were: (1) enhanced commercial collaboration across all business units; (2) a significant reduction in fixed costs through headcount reductions and rationalization of select operations; and (3) improved ability to allocate capital effectively. We believe the Company achieved all three of these objectives in FY2023.

The strategic realignment and reorganisation aimed to grow the Company's sales reach, improve efficiency, reduce costs, and ultimately improve EBITDA growth. As previously noted, the Company was realigned to enable the more effective and efficient sale of products in applicable global markets. Rather than organising by geography, the Company reorganised around product lines with the following principal areas of focus:

- **Municipal Water and Wastewater** treatment including MABR (Aspiral, SUBRE and Nitro) and Nirobox products ("**MWW**", formerly Decentralized Municipal Water & Wastewater or DMWW);
- **Industrial Wastewater & Biogas**, providing solutions that support the shift to global decarbonization, taking advantage of government incentives such as the Inflation Reduction Act in the United States and the new nitrogen removal laws in Mexico ("**IWB**", formerly High-Strength Wastewater and Waste-to-Energy or HSWW);
- **Industrial Water & Reuse Solutions**, focusing on water reuse applications and high-growth markets such as lithium mining that supports the trend toward electrification ("**IWR**", formerly Specialized Industrial Water or SIW);
- **Southeast Asia and China**, with a particular focus on efforts in countries such as Taiwan, Vietnam, Cambodia and South Korea to strengthen and diversify its sales pipeline ("**SEA & China**");
- Recurring Revenue, including **Build-Own-Operate** ("**BOO**") projects and Operations & Maintenance ("**O&M**") contracts for equipment sales; and
- The Ivory Coast main works project ("**IVC Project**") continues to progress toward commissioning as the Company transitions away from large turn-key projects to Smart Product Solutions ("**SPS**") and Recurring Revenue in the above noted markets.

### FY2023 in Summary

Fluence finished FY2023 with revenue of \$70.0 million, gross margin of 27.2%, and EBITDA of \$0.2 million, meeting updated guidance of \$0-0.5 million. Revenue was short of guidance by \$9.9 million, which was offset by gains in gross margin of approximately 2% and fixed costs savings. Variances to revenue guidance were primarily driven by two factors: (1) divestiture of the Aeromix product line, resulting in the operations of the business being accounted for as an asset-held-for-sale (discussed in further detail below); and (2) delays in the formal commencement of the Ivory Coast Addendum project resulting from bureaucratic delays in closing the project financing. The financing has significantly advanced since 31 December 2023 and is expected to close in early Q2 2024.

Revenue in FY2023 was lower than FY2022 primarily due to the wind-down of the IVC Main Works, which was \$47.3 million higher in FY2022. Revenue growth in IWR and SEA & China was offset by lower revenue in IWB and MWW, which was a result of order delays that were expected to be received in H1 2023. Gross margin improved across almost all segments as well as reductions in R&D and SG&A.

Fluence finished FY2023 with \$98.9 million in new order bookings, representing growth of 129% over FY2022. SPS plus Recurring Revenue order bookings of \$46.9 million represented 13% growth over FY2022. H2 2023 order bookings totaled \$80.5 million, exceeding Company guidance of \$70-80 million provided in the Q2 2023 business update. This resulted in Fluence finishing FY2023 with backlog (orders-in-hand) of \$91.8 million, an increase of 92% over where the Company finished FY2022. Of the \$91.8M of backlog, \$51.1 million is forecasted to be recognized in FY2024. This represents almost 73% of FY2023 revenue already booked, positioning Fluence for strong growth in FY2024.

31 December  
 2023  
 USD \$'000

**Loss after income tax benefit/(expense) for the year**

Add:	(15,984)
Depreciation and amortisation	2,038
Share-based payments	1,881
Other losses from continuing operations	6,459
Finance costs - net from continuing operations	5,678
Income tax benefit from continuing operations	(1,027)
Loss from discontinued operations	667
Concession arrangement revenue	465
<b>EBITDA</b>	<b>177</b>

**Corporate Update**

On 1 November 2023, Fluence announced an equity offering to raise \$26.6 million (AU\$40.7 million), which was successfully completed on 5 December 2023 (the "**Capital Raise**"). In parallel to the Capital Raise, Fluence negotiated an amendment to its credit facility with Upwell Water LLC ("**Upwell**") to, among other things, repay approximately \$13 million of debt using the Capital Raise proceeds and recapitalizing Fluence's balance sheet in the process. The amendment and repayment of Upwell debt had a number of other benefits including: (1) significantly lowering the interest burden – we expect interest costs to drop by as much as \$4 million in FY2024; (2) enhancing flexibility with an improved covenant package; and (3) providing enough liquidity to repay the Upwell term loan in full at maturity in July 2024. In addition to the benefits related to a significantly improved balance sheet, the shareholder register has been enhanced. First, Chairman Doug Brown has become Fluence's largest shareholder, reflecting his steadfast support for, and belief in, the new strategy and direction of the Company. Fluence was also able to add several high-quality institutional investors. Lastly, the Company's executive management team invested significantly and directly in the Capital Raise.

In December 2023, the Company approved the issuance of 31,500,000 options to certain members of senior management and the Board. Each option has an exercise price of AU\$0.10 per option, representing a 25% premium to the December placement price and a 10% premium to both the 20 and 30-day VWAP from the date of the Board approval. All options will vest over four (4) years. Of the options issued to senior management (excluding the CEO and MD), 16,500,000 were issued on 31 January, 2024. The balance of the options are to be issued to the CEO and Managing Director and non-executive Board members following, subject to shareholder's approval at the Annual General Meeting ("**AGM**").

Consistent with the Company's focus on streamlining operations to enhance profitability, Fluence announced two changes to its business that occurred in Q4 2023:

- (1) **Divesting Aeromix Product Line:** Fluence entered into a Letter of Intent with a strategic purchaser to acquire the assets of the Aeromix product line for \$2.0 million in cash proceeds. The Aeromix product line and operations were deemed to be non-core and the transaction is expected to both improve liquidity and enhance profitability in Fluence's Municipal Water & Wastewater business in North America. The transaction closed in Q1 2024.
- (2) **Eliminating MWW commercial operations in Israel:** Fluence management made the difficult, but ultimately necessary, decision to eliminate commercial operations (including production) in Israel, which currently support the MWW business unit. A lack of historical profitability combined with the focus on MWW operations in North America were the primary drivers behind this decision which will result in headcount reductions and the elimination or reduction of two facilities in Israel. This is expected to lead to significant cost savings. Israel will remain an important hub for R&D and engineering at Fluence.

Fluence management will continue to evaluate all global operations in order to maximize efficiency and ensure sustainable, mid and long-term profitability.

## Detailed review of key market segments

### ***Municipal Water & Wastewater***

Revenues from the MWW business unit were \$11.1 million in FY2023 (FY2022: \$14.8 million). Gross Profit in FY2023 was \$5.1 million (FY2022: \$6.7 million) and EBITDA was \$2.3 million (FY2022: \$1.7 million).

The MWW business unit comprises operations in North America, the Middle East (Dubai and Egypt) and Israel. While the Middle East business will continue to build upon their established positions in Dubai and Egypt, we have focused our growth investment in building out the North American team and introducing Fluence to the North American market in a robust and comprehensive manner. The new team has been introducing Fluence products and services through online and in-person training sessions, conferences, and rapid expansion of our sales representative network which has more than doubled the number of states where Fluence is represented. This expansion will continue through FY2024. As discussed above, we also made the difficult strategic decision to eliminate MWW operations in Israel in FY2024.

The total MWW pipeline was \$85 million at the beginning of FY2023 and the new team has grown it to \$275 million at the end of FY2023. The majority of this growth has come from North America where we have focused our efforts and made several important hires. We are still in the process of building out the North American sales representative network. When completed we will have much stronger coverage in all areas of the region.

### ***Industrial Wastewater & Biogas***

Revenues from the IWB business unit was \$7.0 million in FY2023 (FY2022: \$8.5 million). Gross Profit in FY2023 was \$1.9 million (FY2022: \$2.2 million) and EBITDA was \$0.1 million (FY2022: \$0.7 million).

The IWB business unit comprises operations in Italy and North America (sales and engineering). The expansion of the North American team, partners and sales reps has been the focus of our growth initiative with a focus on the Company's industrial wastewater and anaerobic digestion product lines as well as renewable energy projects. The team is building out our delivery capabilities to satisfy the US domestic content requirements under the Inflation Reduction Act program. This will position Fluence with a competitive advantage to win projects over its competitors.

In FY2023, the IWB sales team has more than doubled the pipeline from \$70 million to \$160 million by the end of FY2023. Again, the majority of this pipeline growth has come from North America. Early FY2024 has seen IWB book over \$4 million in new order bookings and has more than \$10 million of potential future projects under Letters of Intent.

### ***Industrial Water & Reuse***

Revenues from the IWR business unit was \$14.9 million in FY2023 (FY2022: \$12.6 million). Gross Profit in FY2023 was \$4.7 million (FY2022: \$4.6 million) and EBITDA was \$1.1 million (FY2022: \$1.9 million).

The IWR business unit comprises operations in Argentina and North America (sales and engineering). This group has made significant progress in building out its sales and delivery capabilities throughout South America, with strong growth in both capital sales and operations, maintenance and support services. Much of the growth is occurring in the rapidly growing lithium mining sector, with Fluence providing competitive, cost effective and state of the art solutions to satisfy the escalating market demand. These competitive products and solutions are now being offered in North America through our new team and growing list of partners.

The IWR business doubled its pipeline from the beginning of FY2023, growing it from \$28 million to \$65 million, much of that growth also coming from North America. The Company sees growth in the IWR business coming from demand in multiple reuse applications in the food & beverage industry as well as the rapidly growing lithium mining space (that support the global electric vehicle industry).

### ***Southeast Asia and China***

Revenues from the SEA and China business unit for FY2023 was \$13.6 million (FY2022: \$9.6 million). Gross Profit was \$4.4 million (FY2022: \$3.7 million) and EBITDA was (\$0.0 million) (FY2022: (\$1.4 million)).

The SEA and China business unit comprises operations in China, Singapore, the Philippines, and most recently Taiwan, with China being the only manufacturing location. The business also has project installations in Cambodia, Vietnam and South Korea.



There are a number of contracted projects in China that are on hold due to customer funding issues. The money for many of these projects is funded by the central government to the local districts. That flow of funding has been slow during the post-COVID recovery and subsequent economic slowdown that China is experiencing.

In SEA and China, the pipeline remains robust at \$67 million, particularly in SEA countries outside of mainland China, which have been the focus of the Company's business development efforts. The pipeline in SEA (including Taiwan, Vietnam and South Korea) is now larger than that of China, including several sizeable projects where Fluence is well-positioned.

### **Build Own Operate Projects**

Revenues from BOO projects was \$2.8 million in FY2023 (FY2022: \$2.1 million). Gross Profit in FY2023 was \$0.3 million (FY2022: \$0.7 million) and FY2023 EBITDA was \$0.3 million (FY2022: \$0.8 million).

Fluence currently has BOO projects in the Bahamas and Jamaica, which are supported by dedicated operations based in the United States. The BOO team has continued to grow in support of our expanding business in the Caribbean and our new offering of the BOO business model in the US. We now have all of our sales managers in North America sourcing BOO opportunities across all three of our product lines.

### **Ivory Coast**

Revenues from the Ivory Coast project was \$22.2 million in FY2023 (FY2022: \$69.5 million). Gross Profit in FY2023 was \$1.9 million (FY2022: \$7.9 million) and EBITDA was \$1.2 million (2022: \$6.2 million).

In FY2023, Fluence continued to successfully execute the IVC water treatment project, including receiving payment of the final milestone of the Main Works as well as Milestone 5 of the Additional Works. The Company was successful in receiving provisional acceptance of the project from the customer in October 2023 and continues to work towards full commissioning in Q1 2024 to early Q2 2024.

During Q4 2023, Fluence advanced the financing of the Addendum contract. Fluence has played a leading role in coordinating the project financing, led by Societe General and West African Development Bank. The Company expects the financing to be finalized and signed imminently. As noted in prior updates, these works are a critical step to connect the water treatment plant, the original scope of the Main Works, to the distribution system allowing delivery of the water produced by the plant to the people of Abidjan. The Addendum works are expected to take approximately 18 months and the majority of the revenue is forecasted to be recognized in FY2024 with the balance in FY2025. Fluence is also actively seeking to secure an operations and maintenance contract for the plant from the customer. The start of the O&M contract requires the work being undertaken pursuant to the Addendum to be completed.

The latest video showing plant progress is available on the Fluence YouTube channel and can be viewed at: <https://www.youtube.com/watch?v=BN31mMEcwq0>

### **Review of financial results**

The Group has used United States Dollars (\$ 000's), as its presentation currency in the attached financial report, which conforms to IFRS accounting standards.

The revenue from ordinary activities from continued operations for the year ending 31 December 2023 was \$70,037 (FY2022: \$116,265) and the loss from continuing operations before tax was \$16,344 (FY2022: loss of \$15,330).

Cost of sales from continued operations for the year ending 31 December 2023 decreased to \$50,960 (FY2022: \$89,419).

Total Fixed Costs including Research & Development, Sales & Marketing, and General & Administrative for the year ending 31 December 2023 decreased to \$23,292 (FY2022: \$28,402) illustrating the cost savings related to the restructuring and realignment announced in Q4 2022.

The Group's net assets increased by \$9,301 to \$12,217 on 31 December 2023 from \$2,916 as at 31 December 2022.

## Outlook for FY2024

- The Company is forecasting FY2024 revenue of \$90-100 million, representing 29-43% growth over FY2023 including \$51 million of backlog expected to be recognised as revenue in FY2024; and
- Forecasted order bookings of \$40-50 million in H1 2024; and
- EBITDA of \$3.5-4.0 million

## Material Business Risks

Fluence's approach to managing risk is documented in a Corporate Risk Registry reviewed and approved by the Board of Directors (the "**Board**"). The Risk Registry seeks to ensure that risk management is embedded throughout the business and managed in a structured and systematic manner. The Risk Registry is reviewed regularly by the Board's Audit and Risk Committee (the "**ARC**") and is evaluated and updated as the Company's business model evolves and underlying risks change.

The ARC assists in discharging the Board's responsibility to manage the organization's risks, and monitors management's actions to ensure they are in line with Company policy.

The following is a summary of the key continuing significant operational risks facing the business and the way in which Fluence manages these risks:

### Corporate

Fluence has a complex group structure with companies in many jurisdictions. As a result, Fluence is exposed to local laws and regulations which can hamper the efficient operation of its business. In particular Fluence has subsidiaries and projects in locations which attract exchange controls and also jurisdictions where the local currency is illiquid and it is difficult to convert into USD. As a result, Fluence is not able to fund its operations as efficiently as it would like, potentially resulting in the need for additional working capital and associated additional financing costs which may affect its profitability and prospects.

### Liquidity, Interest Rate and Credit

Fluence's activities expose it to a variety of financial risks such as interest rates, credit, and liquidity. This risk includes examples such as the ability to collect trade receivables from customers on a timely basis and the complexities of enforcing claims in some of the countries in which we operate, increases in interest rates, a history of loss making and negative cashflows and the ability to comply with the terms of and meet its financial obligations including its debt obligations, among other examples. These risks can adversely affect Fluence's ability to operate profitably or as a going concern.

### Material Contracts

Fluence regularly enters into contracts with customers that exceed \$1 million. Successful execution of such contracts is imperative for the continued success of Fluence. Most notably, the Ivory Coast project represents a significant share of Fluence's current revenue and cashflow. Some of the key risks associated with these material contracts include executing on time and on budget, cash flow, contract management, performance and quality of the equipment being delivered and reputation. While Fluence has been focusing on implementing enhanced project controls, there remains a risk of issues arising which may result in impacts to future profits or reductions or reversals of previously recorded profits. As is typical in for the industry in which the Fluence operates, Fluence is regularly required to provide performance security in relation to projects and contracts, which can be in respect of material amounts. There is a risk that a performance security may be called upon requiring Fluence to make whole the provider of the security which may in turn adversely affect Fluence's cash balance and financial performance and prospects.

### Design, Engineering and Quality of Equipment

Fluence designs and engineers drinking water and wastewater treatment equipment and systems for the global market. This presents the risk of delivering equipment that does not meet customer specifications or local regulatory compliance standards. Failure to meet those specifications or standard can result in customer dissatisfaction and/or claims, or rework to meet local standards, all of which can adverse affect the margins of such installations, with a consequential adverse impact on expenses and profits and cashflow.



### ***Cost Controls, Inflation and Supply Chain Constraints***

Rising input costs and global supply chain constraints experienced over the past few years across industries have the potential to reduce profit margins where those costs cannot be recovered from customers and project delays. Significant input costs include labour, components and materials, and freight. Delays in delivery or increases in costs can result in customer dissatisfaction and/or claims as well as reduced margins, all of which can adversely affect expenses and profits and cashflow.

### ***Political, Regulatory and Compliance***

Fluence is a global company and operates in numerous countries around the world. Fluence must comply with a range of governance requirements which are conditions of its listing on ASX. New or evolving regulations and international standards are outside Fluence's control and can often be complex and difficult to predict. The potential development of international opportunities can be jeopardised by changes to fiscal or regulatory regimes, adverse changes to tax laws, difficulties in interpreting or complying with local laws, material differences in sustainability standards and practices, or changes to existing political, judicial or administrative policies and changing community expectations. Issues can also arise through geopolitical factors such as the hostilities in Israel where Fluence has operations. All of these factors can adversely affect Fluence's ability to do business and its prospects as a whole.

### ***Anti-Bribery and Corruption***

Fluence's business activities and operations are located in jurisdictions with varying degrees of political, economic and judicial stability, including some countries with a relatively high inherent risk of bribery and corruption. This exposes Fluence to the risk of unauthorised payments or offers of payments to or by employees, agents or distributors that could be in violation of applicable anti-corruption laws. While Fluence has a clear Anti-bribery and Corruption Policy and internal controls and procedures to protect against such risks, there can be no assurances that such controls, policies and procedures will absolutely protect Fluence from potentially improper or criminal acts which would have an adverse impact on Fluence's reputation and potentially prevent it from doing business in certain locations or with particular clients, especially Government clients. This could adversely affect Fluence's ability to do business and its prospects as a whole.

### ***Environmental, Social and Governance***

Fluence is keenly aware of the potential risks climate change could present to its customers across the world. With the continued impact of climate change, it is expected that we will see an increase in weather extremes and resource variability in the future. In particular Fluence operates in the Caribbean and similar locations which are exposed to extreme of weather events which could damage Fluence installations or prevent or delay them proceeding. Such delays or damage can increase costs, reduce margins, and in turn adversely affect profits.

### ***Intellectual Property Rights and Litigation Risks***

Fluence may not be able to protect or enforce its intellectual property rights, especially in certain foreign jurisdictions, and may breach intellectual property obligations or rights of third parties. Any successful replication of similar technology or intellectual property by other could reduce Fluence's competitive position. The costs associated with protecting a position could impact Fluence's profitability. and cashflow.

### ***Competitor Risk***

Fluence's competitive position may deteriorate as a result of the actions of its competitors, including new entrants. Other market participants could develop superior technology or gain greater market approval or offer wastewater solutions at cheaper prices than Fluence's products. Any such actions of new or existing competitors may adversely affect Fluence's operating and financial performance.

### ***Key Personnel***

The Directors' and senior managers' ability to manage successfully Fluence's performance and business opportunities will directly affect Fluence's success. Fluence may be adversely affected if any of the Directors or senior management leave. Fluence may not be able to replace its Directors or key employees with persons of equivalent expertise and experience within a reasonable period of time or at all and Fluence may incur additional expenses to recruit, train and retain personnel. Loss of such personnel may also have an adverse effect on the performance of Fluence pending replacements being identified and retained by or appointed to the Board.

### ***Share Market Investments***

Fluence Shares are to be quoted on the ASX, where their price may rise or fall in relation to the Offer Price. The Shares issued under the Capital Raising carry no guarantee of profitability, dividends, return of capital, or the price at which they may trade on the ASX. The value of the Shares will be determined by the stock market and will be subject to a range of factors beyond the control of Fluence. Such factors include, but are not limited to, the demand for and availability of Shares, movements in domestic interest rate, fluctuations in the Australian and International stock markets and general domestic economic activity. Returns from an investment in the Shares may also depend on general stock market conditions as well as the performance of Fluence. There can be no guarantee that an active market in the Shares will develop or that the market price of the Shares will not decline below the Offer Price.

### ***General Economic Conditions***

Changes in economic and business conditions or government policies in Australia or internationally may impact upon the fundamentals upon which the projected growth of Fluence's target markets or its cost structure and profitability will rely. Adverse changes in such things as the level of inflation, interest rates, government policy (including fiscal, monetary and regulatory policies), consume spending, employment rates, amongst others, are outside the control of Fluence and may result in material adverse impacts on the business of Fluence or its operating results.

### ***Taxation***

Future changes in taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in the jurisdictions in which Fluence operates, may affect taxation treatment of an investment in Fluence shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, may impact the future tax liabilities and performance of Fluence. Any changes to the current rates of income tax applying to individuals and trusts will similarly impact on shareholder returns.

### ***Foreign Exchange Rates and Interest Rates***

Adverse movements in exchange rates may impact sales proceeds received, product costs and price competitiveness and may impact the operations and financial performance of Fluence. Adverse movements in exchange rates may impact sales proceeds received, product costs and price competitiveness and may impact the operations and financial performance of Fluence. Fluence has foreign exchange exposure through its operations in Argentina, Egypt, China, and Ivory Coast, among others. Also, adverse fluctuations in interest rates, to the extent that they are not anticipated may impact on the Fluence's financial performance.

### ***Environmental Regulation***

As a provider of water and wastewater treatment solutions, the Group is subject to environmental regulations in each jurisdiction in which it operates. MABR has demonstrated compliance with China Class 1A effluent standards as well as with Title 22 Certification in California, USA. The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Events after the reporting period**

On February 2, 2024, the Company entered into an Asset Purchase Agreement with Newterra Inc. for the sale of the Aeration and Mixing assets owned by its subsidiary Fluence USA for cash proceeds of \$2.0 million. The Aeration assets were determined to be non-core by Fluence management. The transaction is expected to improve liquidity and allow Fluence to streamline its focus on its core Municipal Water and Wastewater operations.

In December 2023, the Company approved the issuance of 31,500,000 options to certain members of senior management and the Board. Each option has an exercise price of AU\$0.10 per option, representing a 25% premium to the December placement price and a 10% premium to both the 20 and 30-day VWAP from the date of the Board approval. All options will vest over 4-years. Of the options approved for senior management (excluding the CEO and MD), 16,500,000 were issued on 31 January, 2024. The balance of the options are to be issued to the CEO and Managing Director and non-executive Board members following, and subject to shareholder approval at the AGM.

For the period ending January 2024, the Group was not in compliance with its consolidated DSCR covenant but received an unconditional waiver from Upwell. Fluence continues to make all principal and interest payments on time.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Information on Directors**

<b>Name:</b>	<b>Doug Brown</b>
<b>Title:</b>	Chairman
<b>Qualifications:</b>	B.S. in Chemical Engineering, Massachusetts Institute of Technology MBA, Harvard University
<b>Experience and expertise:</b>	Doug Brown was appointed Chairman of Fluence Corporation on 20 March 2023. Prior to his appointment as Chairman, he served as the Strategic Advisor to the Board of Fluence from May 2022.  Mr Brown is one of only a handful of globally recognized senior executives to have led multiple successful billion dollar exits in the water space. He was the founder, Chairman and CEO of AquaVenture Holdings, which he led to a listing on the New York Stock Exchange (“NYSE”) in 2016 and subsequently sold to Culligan Water for US\$1.2 billion in 2020 while he was serving as Chairman. Mr. Brown was also CEO of Seven Seas Water, an AquaVenture Holdings business. He was previously CEO of Ionics, Inc.(NYSE: ION), which was acquired by GE Water for US\$1.3 billion in 2005. Prior to Ionics, Mr. Brown was CEO of Advent International, a global private equity firm. Mr. Brown’s experience spans the US, Europe, South America, the Middle East, the Caribbean, Africa and Southeast Asia.
<b>Other current directorships:</b>	Chairman of the Board for Iv3 Aqua Holding A/S
<b>Former directorships (last 3 years):</b>	None
<b>Interests in shares:</b>	Direct interest in 89,237,966 shares and indirect interest in 38,674,690 held through Douglas R Brown 2020 Irrevocable Trust and 22,587,344 held through Deborah L Brown 2020 Irrevocable Trust for a total of 150,500,000 shares.
<b>Interests in options:</b>	Direct interest in: 500,000 Director options with an exercise price of A\$0.20 Indirect Interest in: 12,500,000 unlisted options with an exercise price of A\$0.22.
<b>Contractual rights to shares:</b>	None

**Name:** Thomas Pokorsky  
**Title:** Chief Executive Officer and Managing Director  
**Qualifications:** BSCE in Civil Engineering, Marquette University  
**Experience and expertise:** Thomas Pokorsky is Chief Executive Officer and Managing Director of Fluence Corporation. Mr Pokorsky has 35 years of successful water industry executive experience, including 15 years as CEO working in North America, with activity in Europe, China and Israel.

Mr. Pokorsky has run public and private businesses, achieving returns of 5-10x with IRRs up to 50%. He founded and grew Nexom in the wastewater sector, delivering 25% annual revenue growth and 50% EBITDA growth, leading to its sale to KKR. At Water Pollution Control Corporation (later "Sanitaire"), Mr Pokorsky doubled revenue and profits, negotiated its sale to ITT Industries, and then grew its Advanced Water Treatment group (now part of Xylem) from \$60M to \$350M in four years, including \$100M in organic growth and five successful acquisitions on three continents.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Chief Executive Officer and Managing Director  
**Interests in shares:** Direct interest in 1,984,125 shares  
**Interests in options:** Direct interest in:  
20,937,500 Director options with an exercise price of A\$0.22;  
3,125,000 Director options with an exercise price of A\$0.24;  
3,125,000 Director options with an exercise price of A\$0.26; and  
3,125,000 Director options with an exercise price of A\$0.28.

**Contractual rights to shares:** None

**Name:** Paul Donnelly  
**Title:** Lead Independent Director and Non-Executive Director  
**Qualifications:** BSc (Hons) Chemistry, University of Southampton  
Advanced Management Program, Harvard Business School  
Fellow of Institute of Chartered Accountants in England & Wales  
Graduate Australian Institute of Company Directors  
**Experience and expertise:** Paul Donnelly is the Lead Independent Director and Non-Executive Director for Fluence Corporation Limited. Mr. Donnelly is an accomplished financial services executive with international experience across all aspects of capital markets.

Mr Donnelly is Chief Executive Officer of Flagstaff Partners, an independent corporate advisory firm.

Previously, Mr Donnelly was an Executive Director at Macquarie Capital, where he worked for 25 years in various roles, including President and CEO of Macquarie's Canadian operations and Global Head of Equity and Debt Capital Markets.

Mr Donnelly has a broad range of investment banking experience in Australia and internationally, with particular expertise in capital markets. Over the course of his 30-year career, he has gathered deep transactional experience advising on significant and complex transactions for leading Australian and international companies.

**Other current directorships:** Walter and Eliza Hall Medical Research Institute  
**Former directorships (last 3 years):** Melbourne Recital Centre  
**Special responsibilities:** Lead Independent Director, Non-Executive Director  
Chair of the Audit and Risk Committee  
**Interests in shares:** Indirect interest in 700,000 shares held by Tres Petitbijou Pty Ltd ATF Tres Petitbijou Superannuation Fund.  
**Interests in options:** Indirect interest through Tres Petitbijou Pty Ltd ATF Tres Petitbijou Superannuation Fund in:  
1,000,000 Director options with an exercise price of A\$0.23;  
500,000 Director options with an exercise price of A\$0.22; and  
500,000 Director options with an exercise price of A\$0.20.  
**Contractual rights to shares:** None

<b>Name:</b>	<b>Richard Irving</b>
<b>Title:</b>	Non-Executive Director, Chairman (retired as Chairman on 20 March 2023)
<b>Qualifications:</b>	BSc (First class honours) in Electrical Engineering, Manchester University, UK; MSc Electrical Engineering, Manchester University, UK
<b>Experience and expertise:</b>	Richard Irving is a non-executive Director of Fluence Corporation. Mr Irving has served as Chairman and Chief Executive Officer, Executive Chairman and Non-Executive Chairman of Fluence Corporation Limited and its predecessor (Emefcy Group Limited) since 2010.  Based in Silicon Valley, Richard co-founded Pond Venture Partners, raising and managing 2 top-of-vintage cross-border, early stage technology venture capital funds. He brings 40 years' experience in venture capital and building startups to successful exits in US, Israel, UK, Australia, Ireland, Spain, & China, helping drive over US\$3B in value creation mainly from initial startup. Richard has 15 years' tech operating experience including P&L responsibility from Brooktree, AMD and AT&T Bell Labs.  Past exits include LiveRail (Facebook), Gige Networks (Broadcom), 4Home (Motorola Mobility), Transitive (IBM), and Microcosm Communications (Conexant). Chairman of SeeChange Technologies, a venture-backed vision AI software company
<b>Other current directorships:</b>	None
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	Chairman (retired on 20 March 2023) Member of the Audit and Risk Committee Chairman of the Remuneration and Nomination Committee
<b>Interests in shares:</b>	Richard has an indirect interest through Pond Venture Nominees III Limited in 36,264,579 shares and a direct interest in 1,000,000 shares, for a total of 37,264,579 shares in the Group.
<b>Interests in options:</b>	Direct interest in: 1,000,000 Director options with an exercise price of A\$0.23; 500,000 Director options with an exercise price of A\$0.22; and 500,000 Director options with an exercise price of A\$0.20.
<b>Contractual rights to shares:</b>	None

**Name:** Ross Haghghat  
**Title:** Non-Executive Director  
**Qualifications:** BSc and a Masters in Material Science in Organometallic Chemistry, Rutgers University MBA, Boston College - Carroll School of Management  
**Experience and expertise:** Ross Haghghat serves as a Non-Executive Director for Fluence Corporation Limited. He has over 30 years of experience in the technology sector as founder or co-founder of six companies with a combined shareholder value exceeding \$4.5 billion.

With over 20 years of operating and strategic roles and a decade in the investment arena, he has helped to create a number of global enterprises in the private and public space in the US, China, Australia and Europe. Mr. Haghghat has been a Non-Executive Director of Fluence Corporation Limited and its predecessor (Emefcy Group Limited) since 2015.

He serves as Chairman of Triton Systems Group - a Global Investment and Product Venturing firm. He serves as CEO and Managing Director of BIOS Acquisition Corp (NASDAQ: BIOS), a listed biotech investment company; as non executive director of Chinook Therapeutics (NASDAQ: KDNY) a late clinical stage precision medicine entity; as Chairman of FRX Polymers, a listed Toronto Stock Exchange listed company, and as Chairman of AngleMedical, a PreIPO commercial stage MedTech company.

**Other current directorships:** NASDAQ: BIOS; NASDAQ: KDNY; TSX: FRX  
**Former directorships (last 3 years):** NYSE listed CITIC Acquisition Corp; NASDAQ listed Aduro Biotech  
**Special responsibilities:** Chair of the Remuneration and Nomination Committee  
**Interests in shares:** Direct interest in 600,000 shares  
**Interests in options:** Direct interest in:  
 1,000,000 Director options with an exercise price of A\$0.23;  
 500,000 Director options with an exercise price of A\$0.22; and  
 500,000 Director options with an exercise price of A\$0.20.  
**Contractual rights to shares:** None

**Name:** Mel Ashton  
**Title:** Non-Executive Director (appointed 25 July 2023)  
**Qualifications:** Bachelor of Commerce University of Western Australia, CAANZ Membership Program, AICD Membership Program.  
**Experience and expertise:** Mel Ashton is a former Fellow of Chartered Accountants Australia and New Zealand (CAANZ), specializing in corporate finance and restructuring with over 40 years of varied experience.

Mr Ashton is the former Chair of Cullen Wines (Australia) Pty Ltd, former Director of The Hawaiian Group, and previous Acting CEO of Royal Flying Doctor Service in Western Australia. He has also been President and Director of CAANZ, and Vice President and Director of Fremantle Football Club Ltd, who hold the Australian Football League license for the Fremantle Dockers.

Mr Ashton holds a Bachelor of Commerce degree from the University of Western Australia. In 2019 Mel was awarded a Meritorious Service Award which recognizes an outstanding contribution to CAANZ and the Accounting Profession.

**Other current directorships:** Chair of Venture Minerals Ltd (ASX:VMS), Bellavista Resources Ltd (ASX:BVR) and as a Director of Aurora Labs Ltd (ASX:A3D).  
**Former directorships (last 3 years):** Labyrinth Resources Ltd (ASX:LRL) Non-Executive Director 9 June 2021 – 30 June 2023  
**Interests in shares:** Indirect interest in 1,000,000 shares held by Palms on Farms Pty Ltd.  
**Interests in options:** None  
**Contractual rights to shares:** None



**Name:** **Dr Rengarajan Ramesh**  
**Title:** Non-Executive Director (retired on 25 May 2023)  
**Qualifications:** Bachelor in Chemical Engineering from Annamalai University (India)  
 Masters in Chemical Engineering from University of Akron (USA)  
 Doctorate in Chemical Engineering from University of Akron (USA)  
**Experience and expertise:** Dr Ramesh serves as Non-Executive Director for Fluence Corporation Limited. He is an Operating Partner at Eagletree Capital since 2010. Previously, Dr Ramesh supported RWL Water's efforts to evaluate the best water treatment technologies and companies around the world.

Dr Ramesh has held senior management positions at GE Water and Process Technologies, including Chief Technology Officer (CTO), a role which he held for more than four years. As CTO, Dr Ramesh played a key role in the development and implementation of the strategy that led to the creation of GE's \$2.5 billion global water platform. While at GE, he also led the technology and engineering organisations for GE Sensing, GE Security and GE Fanuc. He also served on the board of GE's Asia Pacific American Forum.

In addition to his role at GE, Dr Ramesh served in numerous senior management roles over a two-decade career with A. Schulman, Inc., a global multi-billion-dollar specialty chemicals manufacturer. He also served on the International Advisory Board for the Ministry of Environment and Water, Government of Singapore from 2006-2016.

He currently serves on the board of advisors for City College of New York for Zahn Innovation Center and also a visiting scholar at Princeton University

**Other current directorships:** None  
**Former directorships (last 3 years):** Liqtech - (NYSE:LIQT)  
**Special responsibilities:** Member of the Audit and Risk Committee (retired on 25 May 2023)  
 Member of the Remuneration and Nomination Committee (retired on 25 May 2023)  
**Interests in shares:** None  
**Interests in options:** Direct interest in  
 250,000 Director options with an exercise price of A\$0.23.  
**Contractual rights to shares:** None

**Name:** **Samantha Tough**  
**Title:** Non-Executive Director (retired on 25 July 2023)  
**Qualifications:** B Juris; LLB; Fellow AICD  
**Experience and expertise:** Samantha Tough was appointed as the Non-Executive Director of Fluence Corporation on 1 June 2021.

Ms Tough brings over 20 years of experience in public and private companies as both an executive and director in a range of industry sectors including energy, oil and gas, resources, engineering, health, venture capital, data analytics, law and tertiary education. Ms. Tough is a Fellow of the AICD.

Ms Tough is currently Chair of Horizon Power, Chair National Energy Selection Panel and Director of the Clean Energy Finance Corporation, Director of Rumin8 and Director of Mineral Carbonation International. Ms. Tough is also a Pro Vice Chancellor Industry and Commercial at the University of Western Australia.

**Other current directorships:** None  
**Former directorships (last 3 years):** 3D Metalforge Ltd. (ASX: 3MF)  
**Special responsibilities:** Member of the Audit and Risk Committee (retired on 25 July 2023)  
**Interests in shares:** None  
**Interests in options:** Direct interest in:  
 1,000,000 Director options with an exercise price of A\$0.23.  
**Contractual rights to shares:** None

### Company secretary

Melanie Leydin is the company Secretary. Ms. Leydin was appointed to this position on 1 January 2021. She holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of Chartered Accountants Australia and New Zealand, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. Ms. Leydin is Managing Director of Vistra Australia. Vistra is a prominent provider of specialised consulting and administrative services to clients in the Fund, Corporate, Capital Markets, and Private Wealth sectors.

Ms. Leydin has over 25 years' experience in the accounting profession and has extensive experience holding Board positions including Company Secretary of ASX listed entities. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies, initial public offerings, secondary raisings and shareholder relations.

### Meetings of Directors

The number of meetings of the Board and of each Board committee held during the year ended 31 December 2023, and the number of meetings attended by each Director were:

	Full Board		Audit and Risk Committee		Nomination and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Douglas Brown (1)	11	11	-	-	-	-
Mr Richard Irving (2)	13	13	8	8	4	4
Mr Paul Donnelly	12	13	11	11	-	-
Mr Ross Haghghat	13	13	-	-	6	6
Dr Rengarajan Ramesh (3)	4	4	3	3	2	2
Ms Samantha Tough (4)	6	6	5	5	-	-
Mr Thomas Pokorsky	13	13	-	-	-	-
Mr Norman Mel Ashton (5)	7	7	5	5	1	1
Company Secretary	-	-	-	-	-	-

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

(1) *Doug Brown was appointed Chairman on 20 March 2023.*

(2) *Mr Richard Irving retired as Chairman on 20 March 2023. Appointed Non-Executive Director and Chairman of Remuneration and Nomination Committee on 20 March 2023.*

(3) *Dr Rengarajan Ramesh retired on 25 May 2023.*

(4) *Ms Samantha Tough retired on 25 July 2023.*

(5) *Mr Mel Ashton appointed on 25 July 2023.*

## Remuneration report (audited)

### (a) Principles used to determine the nature and amount of remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The objective of the Group's executive compensation framework is to ensure remuneration is competitive to attract and retain talent while at the same time being appropriate relative to Group's results. The framework aligns executive compensation with the achievement of strategic objectives and the creation of value for shareholders and conforms to generally accepted industry standards for remuneration. The Board ensures that executive compensation satisfies the following key criteria in accordance with good governance practices:

- Competitiveness to attract and retain talent;
- Reasonableness in terms of industry benchmarks;
- Acceptability to shareholders;
- Alignment of compensation incentives to business performance goals; and
- Transparency.

Remuneration is aligned to shareholders' interests and program participants' interests as follows:

#### (a) Alignment to shareholders' interests:

- Achievement of strategic goals as a core component of plan design;
- Focus on growth in shareholder value, as measured by growth in the share price;
- Focus the executives on key financial and non-financial drivers of value; and
- Attract and retain high-calibre executives.

#### (b) Alignment to program participants' interests:

- Rewards capability and experience;
- Reflects competitive reward for successful execution of the business strategy and business performance; and
- Provides a clear structure for earning rewards.

In accordance with recommended corporate governance, the structure of Non-Executive Directors' remuneration is determined separately to the structure of executives' remuneration.

## Directors remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee with recommendations made to the full Board.

The previous level of Non-Executive Directors' fees was in line with earlier benchmarking recommendations provided by Mercer Consulting Australia, one of the world's largest remuneration benchmarking and consulting services companies. The firm was engaged by the Remuneration and Nomination Committee to recommend Executive Chair and Non-Executive Directors' fees, including Board Committee fees, appropriate for the demands on being on the Board of a developing and global technology business, and as benchmarked against market rates for comparable positions for peer companies.

Mr. Doug Brown was appointed the Chairman on 20 March 2023. Mr. Richard Irving retired from the Chairman position on 20 March 2023 and remains a Non-Executive Director. Mr. Paul Donnelly continued to hold the role of Lead Independent Director.

Directors engaged on Committees of the Board are also entitled to receive Board Committee fees. Such Committee fees have remained unchanged since 2017.

In view of the growing and developing nature of the Company, Non-Executive Directors may also be engaged on specific projects, on commercial arm's length terms, where the executive team either does not have the same skill sets or capacity. All such special purpose project arrangements are approved by the full Board with the relevant Director abstaining.

Other than Director Fee and Board Committee Fees, Directors may receive share options and strategic bonuses.

ASX listing rules require the aggregate Non-Executive Directors' remuneration to be determined periodically by a general meeting. The most recent determination on 12 July 2017 was that shareholders approved an aggregate remuneration of AU\$ 1,000,000 (the equivalent of US\$ 767,000 at that time).

### **Executive remuneration**

The Group aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has four components which collectively comprise the executive's total remuneration:

- Base pay, deferred compensation and allowance;
- Short-term performance incentives;
- Share-based payments; and
- Other remuneration such as superannuation and long service leave.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee and then the Board of Directors. Such review also takes into account individual responsibilities, performance and business unit performance.

In the latter part of 2018 ClearBridge Compensation Group was engaged to design an Executive remuneration system. The resulting recommendation adopted by the Board comprised a fixed base, a short-term incentive ("**STI**") program incorporating Company and individual targets and the continuing long-term incentive ("**LTI**") program incorporating equity-based compensation.

The STI program for 2023 comprises specific Company-wide targets to align to specific areas of responsibility. Key Performance Indicators ("**KPIs**") include meeting or exceeding budget goals for the year.

The Board also reserves the right to award discretionary bonuses to executives for exceptional achievements which may or may not relate to specific transactions.

The LTI program comprises equity-based remuneration in the form of unlisted share options. An updated employee share option plan was approved by shareholders on 4 June 2020. Options are awarded to executives as long-term incentives aligned to shareholder wealth through the exercise price being calculated at a premium to the 20-day volume weighted average market price prior to the date of grant. Appropriately structured LTI's also provide incentives to retain talent.

Certain executive options comprised a 50%-time vesting element and a 50% performance-based vesting element. In determining whether performance options issued to certain executives for a particular year have vested, the Board assesses the achievement of (i) corporate KPIs and (ii) in certain cases, individual KPIs, in each case during the applicable year. Corporate KPIs are established by the Board towards the beginning of the fiscal year in consultation with the CEO. Individual performance KPIs are established by the CEO at the beginning of the fiscal year in consultation with the applicable executive. These same KPIs are utilized in determining whether an executive may receive a discretionary end of year cash bonus as part of the STI program. Following the conclusion of the applicable year, the Board, in consultation with the CEO, determines what percentage, if any, of such corporate and individual KPIs have been achieved. The corresponding portion of the performance options subject to such criteria are then vested with the balance forfeited.

### **Business performance in FY2023 and executive remuneration**

Fluence undertakes its activities on a global basis and employs staff across multiple geographies. As part of its practice of recruiting and retaining staff of the highest calibre on a long-term basis, the Company is constantly monitoring and developing compensation practices. As noted above, international benchmarking is used as an important tool in setting remuneration practices. In reflection of the business achievements during 2023, executive STI bonuses for 2023 were generally towards 80% of the available bonus quantum prior to the special bonuses related to Capital raise.

### **Consolidated entity performance and link to remuneration**

The Remuneration and Nomination Committee ("**RemCo**") is of the opinion that the adoption of performance-based compensation will continue to increase shareholder wealth if maintained over the coming years.

Key management personnel bonuses for FY2024 will be considered by RemCo and the Board on the basis of the consolidated entity's performance relative to pre-determined KPI's during the financial year and exceptional achievements.

Directors consider that the options program and the exercise prices provide incentives to management and Directors which are aligned with the interests of shareholders to lift the value of the company in the medium term. Any remuneration derived by employees from the employee option program is directly linked to the improved share price performance of the consolidated entity relative to the exercise price determined at the time of the issue of the options.

The Directors' report presents the Fluence Corporation Limited 2023 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

### **(b) Details of remuneration**

#### *Amounts of remuneration (shown in USD)*

The following tables show details of the remuneration expense recognised for the Group's Directors and Executive Key Management Personnel ("**KMP**") for the current and previous financial year measured in accordance with the requirements of the accounting standards.

Directors and other Key Management Personnel for 2023 consisted of:

- Doug Brown - Chairman (appointed on 20 March 2023)
- Thomas Pokorsky - Chief Executive Officer and Managing Director
- Paul Donnelly - Lead Independent Director, Non-Executive Director
- Richard Irving - Non-Executive Director (retired from the position of Chairman 20 March 2023)
- Ross Haghghat - Non-Executive Director
- Mel Ashton - Non-Executive Director (appointed on 25 July 2023)
- Dr Rengarajan Ramesh - Non-Executive Director (retired on 25 May 2023)
- Samantha Tough - Non-Executive Director (retired on 25 July 2023)
- Benjamin Fash - Chief Financial Officer (appointed on 3 January 2023)
- Spencer Smith - Chief Legal Officer
- Richard Cisterna - Chief Commercial Officer
- Anthony Hargrave - Chief Operating Officer (retired on 31 January 2023)

Directors and other Key Management Personnel for 2022 consisted of:

- Richard Irving - Chairman (1)
- Thomas Pokorsky - Chief Executive Officer and Managing Director (appointed on 14 March 2022)
- Paul Donnelly - Lead Independent Director, Non-Executive Director
- Ross Haghghat - Non-Executive Director
- Dr Rengarajan Ramesh - Non-Executive Director
- Samantha Tough - Non-Executive Director
- Francesco Fragasso - Chief Financial Officer (retired on 31 August 2022)
- Anthony Hargrave - Chief Operating Officer
- Spencer Smith - Chief Legal Officer
- Richard Cisterna - Chief Commercial Officer (2)

1= Mr Richard Irving as of 13 March 2022 retired as CEO and continued his role as Chairman.

2 = Mr Richard Cisterna's title was changed from Chief Strategy Officer to Chief Commercial Officer in 2022.

2023	Short-term benefits		Share-based payment		Total
	Cash salary and fees Base salary US\$	Cash salary and fees Bonus US\$	Equity-settled Shares US\$	Equity-settled options US\$	
<b>Executive directors:</b>					
Thomas Pokorsky	465,000	101,625	-	530,696	1,097,321
<b>Total</b>	<b>465,000</b>	<b>101,625</b>	<b>-</b>	<b>530,696</b>	<b>1,097,321</b>
<b>Non-executive directors:</b>					
Doug Brown (a)	-	-	129,420	10,131	139,551
Richard Irving (b)	120,220	-	-	32,435	152,655
Paul Donnelly	80,747	-	-	32,435	113,182
Ross Haghighat	74,372	-	-	32,435	106,807
Mel Ashton (c)	32,563	-	-	-	32,563
Rengarajan Ramesh (d)	33,203	-	-	(27,778)	5,425
Samantha Tough (e)	41,107	-	-	(5,269)	35,838
<b>Total</b>	<b>382,212</b>	<b>-</b>	<b>129,420</b>	<b>74,389</b>	<b>586,021</b>
<b>Other key management personnel:</b>					
Benjamin Fash (f)	275,000	131,375	-	602,139	1,008,514
Richard Cisterna	300,000	116,500	-	214,489	630,989
Spencer Smith	351,665	171,979	-	140,489	664,133
Anthony Hargrave (g)	92,660	-	-	(93,160)	(500)
<b>Total</b>	<b>1,019,325</b>	<b>419,854</b>	<b>-</b>	<b>863,957</b>	<b>2,303,136</b>
<b>Grand Total</b>	<b>1,866,537</b>	<b>521,479</b>	<b>129,420</b>	<b>1,469,042</b>	<b>3,986,478</b>

- (a) Doug Brown was appointed Chairman 20 March 2023. Mr Brown has elected to be paid in Fluence Shares in lieu of his Chairman fee, subject to shareholder's approval at the AGM.
- (b) Richard Irving retired as Chairman 20 March 2023 and was appointed Non-Executive Director 20 March 2023
- (c) Mel Ashton was appointed Non-Executive Director 25 July 2023
- (d) Rengarajan Ramesh retired on 25 May 2023. Dr Ramesh forfeited his equity settled options upon retirement. Under AASB2 Share-based Payments, this is treated as a reversal of the expense.
- (e) Samantha Tough retired on 25 July 2023. Ms Tough forfeited her equity settled options upon retirement. Under AASB2 Share-based Payments, this is treated as a reversal of the expense.
- (f) Benjamin Fash was appointed CFO on 3 January 2023. The bonus for Mr Fash in the table above excludes a one-time signing bonus of \$125,000.
- (g) Anthony Hargrave retired on 31 January 2023, Mr Hargrave forfeited his equity settled options upon retirement. Under AASB2 Share-based Payments, this is treated as a reversal of the expense.



2022	Short-term benefits		Share-based payment		Total
	Cash salary and fees	Cash salary and fees	Equity-settled Shares	Equity-settled options	
	Base salary US\$	Bonus US\$	US\$	US\$	US\$
Executive directors:					
Richard Irving	267,214	-	-	27,296	294,510
Thomas Pokorsky	370,708	52,500	-	975,507	1,398,715
<b>Total</b>	<b>637,922</b>	<b>52,500</b>	<b>-</b>	<b>1,002,803</b>	<b>1,693,225</b>
Non-executive directors:					
Paul Donnelly	84,322	-	-	27,296	111,618
Ross Haghighat	77,665	-	-	27,296	104,961
Rengarajan Ramesh	83,213	-	-	27,296	110,509
Samantha Tough	74,891	-	-	18,144	93,035
<b>Total</b>	<b>320,091</b>	<b>-</b>	<b>-</b>	<b>100,032</b>	<b>420,123</b>
Other key management personnel:					
Francesco Fragasso (a)	204,677	-	-	(25,568)	179,109
Anthony Hargrave	343,800	51,914	-	42,001	437,715
Spencer Smith	338,140	51,059	-	27,806	417,005
Richard Cisterna	258,333	72,480	-	70,528	401,341
<b>Total</b>	<b>1,144,950</b>	<b>175,453</b>	<b>-</b>	<b>114,767</b>	<b>1,435,170</b>
<b>Grand total</b>	<b>2,102,963</b>	<b>227,953</b>	<b>-</b>	<b>1,217,602</b>	<b>3,548,518</b>

(a) Francesco Fragasso retired as Chief Financial Officer on 31 August 2022. Mr Fragasso forfeited his equity-settled options upon retirement. Under AASB2 Share-based Payments, this is treated as a reversal of the expense.

Remuneration subject to performance in 2023:

Some cash compensation is dependent on meeting defined performance measures. The amount of the cash compensation is determined having regard to the satisfaction of performance measures. The amounts payable are determined at the end of each fiscal year by the Nomination and Remuneration Committee.

Name	Target maximum total potential compensation	Target maximum potential compensation subject to performance	Percentage of Maximum potential compensation subject to performance
	US\$	US\$	%
Thomas Pokorsky	540,000	75,000	13.9%
Benjamin Fash	385,000	110,000	28.6%
Richard Cisterna	420,000	120,000	28.6%
Spencer Smith	439,581	87,916	20.0%

Name	Compensation subject to performance paid/payable 2023	Compensation subject to performance not earned 2023
	%	%
Thomas Pokorsky	135.5%	-
Benjamin Fash	119.4%	-
Richard Cisterna	97.1%	2.9%
Spencer Smith	195.6%	-

The Board approved a special bonus pool of US\$150,000 for the management related to the extraordinary efforts related to the capital raise that closed in Q4 2023.

### Share-based compensation

#### Issue of shares

There were no shares issued to Directors and other KMP as part of compensation during the year ended 31 December 2023.

The number of shares in the Group held during the period by each Director and other KMP, including their personally related parties, are set out below.

2023	Balance at the start of the year	Received as compensation	Options exercised	Net change exercised / purchased	Total
<b>Executive Directors</b>					
Thomas Pokorsky	-	-	-	1,984,125	1,984,125
	-	-	-	<b>1,984,125</b>	<b>1,984,125</b>
<b>Non-Executive Directors</b>					
Doug Brown (a)	13,000,000	-	-	137,500,000	150,500,000
Richard Irving	37,264,579	-	-	-	37,264,579
Paul Donnelly	500,000	-	-	200,000	700,000
Ross Haghghat	600,000	-	-	-	600,000
Mel Ashton	-	-	-	1,000,000	1,000,000
Samantha Tough	-	-	-	-	-
Rengarajan Ramesh	-	-	-	-	-
	<b>51,364,579</b>	-	-	<b>138,700,000</b>	<b>190,064,579</b>
<b>Key Management Personnel</b>					
Benjamin Fash	-	-	-	1,250,000	1,250,000
Richard Cisterna	-	-	-	198,412	198,412
Spencer Smith	-	-	-	1,250,000	1,250,000
	-	-	-	<b>2,698,412</b>	<b>2,698,412</b>
<b>Total</b>	<b>51,364,579</b>	-	-	<b>143,382,537</b>	<b>194,747,116</b>

(a) Doug Brown was appointed Chairman 20 March 2023. Mr Brown has elected to be paid in Fluence Shares in lieu of his Chairman fee of \$129,420, subject to shareholder's approval at the AGM.

2022	Balance at the start of the year	Received as compensation	Options exercised	Net change exercised / purchased	Total
<b>Executive Directors</b>					
Richard Irving	37,264,579	-	-	-	37,264,579
Thomas Pokorsky	-	-	-	-	-
	<b>37,264,579</b>	-	-	-	<b>37,264,579</b>
<b>Non-Executive Directors</b>					
Ross Haghighat	600,000	-	-	-	600,000
Rengarajan Ramesh	-	-	-	-	-
Paul Donnelly	500,000	-	-	-	500,000
Samantha Tough	-	-	-	-	-
	<b>1,100,000</b>	-	-	-	<b>1,100,000</b>
<b>Key Management Personnel</b>					
Francesco Fragasso	-	-	-	-	-
Anthony Hargrave	-	-	-	-	-
Spencer Smith	-	-	-	-	-
Richard Cisterna	-	-	-	-	-
	-	-	-	-	-
<b>Total</b>	<b>38,364,579</b>	-	-	-	<b>38,364,579</b>

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*Issue of options*

The number of options over ordinary shares in the Group held during the period by each Director and other KMP, including their personally related parties, are set out below. An Employee Option Plan was approved by shareholders on 4 June 2020. Refer to description of Long-Term Incentives under executive remuneration for details.

2023	Balance at the start of the year	Granted as compensation	Option expired / exercised/ forfeited	Net change other	Balance at end of year	Vested & Exercisable	Escrowed / Unvested
<b>Executive Directors</b>							
Thomas Pokorsky	31,250,000	-	(937,500)	-	30,312,500	6,093,750	24,218,750
	<b>31,250,000</b>	<b>-</b>	<b>(937,500)</b>	<b>-</b>	<b>30,312,500</b>	<b>6,093,750</b>	<b>24,218,750</b>
<b>Non-Executive Directors</b>							
Doug Brown	12,500,000	500,000	-	-	13,000,000	-	13,000,000
Richard Irving	1,500,000	500,000	-	-	2,000,000	500,000	1,500,000
Paul Donnelly	2,000,000	500,000	(500,000)	-	2,000,000	750,000	1,250,000
Ross Haghighat	1,500,000	500,000	-	-	2,000,000	500,000	1,500,000
Mel Ashton	-	-	-	-	-	-	-
Rengarajan Ramesh (a)	1,500,000	-	(1,250,000)	-	250,000	250,000	-
Samantha Tough (b)	1,500,000	500,000	(1,000,000)	-	1,000,000	1,000,000	-
	<b>20,500,000</b>	<b>2,500,000</b>	<b>(2,750,000)</b>	<b>-</b>	<b>20,250,000</b>	<b>3,000,000</b>	<b>17,250,000</b>
<b>Key Management Personnel</b>							
Benjamin Fash	-	13,040,000	-	-	13,040,000	-	13,040,000
Rick Cisterna	1,250,000	5,000,000	(61,816)	-	6,188,184	641,384	5,546,800
Spencer Smith	1,850,000	3,000,000	-	-	4,850,000	1,091,667	3,758,333
Anthony Hargrave (c)	1,610,000	-	(1,610,000)	-	-	-	-
	<b>4,710,000</b>	<b>21,040,000</b>	<b>(1,671,816)</b>	<b>-</b>	<b>24,078,184</b>	<b>1,733,051</b>	<b>22,345,133</b>
<b>Total</b>	<b>56,460,000</b>	<b>23,540,000</b>	<b>(5,359,316)</b>	<b>-</b>	<b>74,640,684</b>	<b>10,826,801</b>	<b>63,813,883</b>

(a) Dr Ramesh's unvested Options were forfeited upon his retirement on 25 May 2023

(b) Ms Tough's unvested Options were forfeited upon her retirement on 25 July 2023

(c) Mr Hargrave's Options were forfeited upon his retirement on 31 January 2023

2022	Balance at the start of the year	Granted as compensation	Option expired / exercised/ forfeited	Net change other	Balance at end of year	Vested & Exercisable	Escrowed / Unvested
<b>Executive Directors</b>							
Richard Irving	2,500,000	500,000	(1,500,000)	-	1,500,000	250,000	1,250,000
Thomas Pokorsky	-	31,250,000	-	-	31,250,000	-	31,250,000
	<b>2,500,000</b>	<b>31,750,000</b>	<b>(1,500,000)</b>	<b>-</b>	<b>32,750,000</b>	<b>250,000</b>	<b>32,500,000</b>
<b>Non-Executive Directors</b>							
Paul Donnelly	1,500,000	500,000	-	-	2,000,000	750,000	1,250,000
Ross Haghghat	1,000,000	500,000	-	-	1,500,000	250,000	1,250,000
Rengarajan Ramesh	1,000,000	500,000	-	-	1,500,000	250,000	1,250,000
Samantha Tough	1,000,000	500,000	-	-	1,500,000	1,000,000	500,000
	<b>4,500,000</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>6,500,000</b>	<b>2,250,000</b>	<b>4,250,000</b>
<b>Key Management Personnel</b>							
Francesco Fragasso (a)	1,655,000	500,000	(2,155,000)	-	-	-	-
Anthony Hargrave	1,512,344	500,000	(402,344)	-	1,610,000	645,000	965,000
Spencer Smith	1,425,000	500,000	(75,000)	-	1,850,000	675,000	1,175,000
Richard Cisterna	-	1,250,000	-	-	1,250,000	156,400	1,093,600
	<b>4,592,344</b>	<b>2,750,000</b>	<b>(2,632,344)</b>	<b>-</b>	<b>4,710,000</b>	<b>1,476,400</b>	<b>3,233,600</b>
<b>Total</b>	<b>11,592,344</b>	<b>36,500,000</b>	<b>(4,132,344)</b>	<b>-</b>	<b>43,960,000</b>	<b>3,976,400</b>	<b>39,983,600</b>

(a) Mr Fragasso's options were forfeited upon his retirement on 31 August 2022.

#### Share-based payments granted as compensation during the year

For the period, options were issued to certain KMP under the Fluence 2015 Employee Share Option Plan (as amended) and the Fluence 2020 Employee Share Option Plan. In accordance with AASB 2 Share Based Payments, the tables include employee options agreed to be issued up to and including 31 December 2023. Options issued to KMP during the period generally vest on a time basis in 16 equal quarterly increments subject to the employee continuing to be employed by the Group at the vesting date. Some options are also a subject to meeting performance criteria established by the Board.

2023	Grant date	No. of options granted	No. of options vested	Fair value per option at grant date US\$	Exercise price AU\$	Expiry date	Value of options at grant date US\$
<b>Non-executive Directors</b>							
Doug Brown	06 June 2023	500,000	-	0.0609	0.20	06 June 2028	30,432
Paul Donnelly	06 June 2023	500,000	-	0.0609	0.20	06 June 2028	30,432
Richard Irving	06 June 2023	500,000	-	0.0609	0.20	06 June 2028	30,432
Ross Haghghat	06 June 2023	500,000	-	0.0609	0.20	06 June 2028	30,432
Samantha Tough	06 June 2023	500,000	-	0.0690	0.20	06 June 2028	30,432
<b>Key Management Personnel</b>							
Benjamin Fash	30 January 2023	13,040,000	-	0.0859	0.19	01 December 2028	1,120,717
Spencer Smith	30 January 2023	1,500,000	281,250	0.0799	0.23	01 December 2028	119,848
	30 January 2023	1,500,000	-	0.0825	0.23	01 December 2028	123,724
Richard Cisterna	30 January 2023	2,500,000	468,750	0.0799	0.23	01 December 2028	199,746
	30 January 2023	2,500,000	-	0.0825	0.23	01 December 2028	206,207

2022	Grant date	No. of options granted	No. of options vested	Fair value per option at grant date US\$	Exercise price AU\$	Expiry date	Value of options at grant date US\$
<b>Executive Directors</b>							
Richard Irving	30 June 2022	500,000	-	0.0690	0.22	30 June 2026	34,510
Thomas Pokorsky	30 June 2022	6,250,000	-	0.0665	0.22	14 March 2027	415,897
	30 June 2022	3,125,000	-	0.0593	0.22	14 March 2027	185,211
	30 June 2022	3,125,000	-	0.0625	0.24	14 March 2027	195,211
	30 June 2022	3,125,000	-	0.0651	0.26	14 March 2027	203,510
	30 June 2022	3,125,000	-	0.0663	0.28	14 March 2027	207,281
	30 June 2022	12,500,000	-	0.0639	0.22	14 March 2027	799,328
<b>Non-executive Directors</b>							
Paul Donnelly	30 June 2022	500,000	-	0.0690	0.22	30 June 2026	34,511
Ross Haghighat	30 June 2022	500,000	-	0.0690	0.22	30 June 2026	34,511
Rengarajan Ramesh	30 June 2022	500,000	-	0.0690	0.22	30 June 2026	34,511
Samantha Tough	30 June 2022	500,000	-	0.0690	0.22	30 June 2026	34,511
<b>Key Management Personnel</b>							
Francesco Fragasso	21 March 2022	500,000	-	0.1235	0.17	22 March 2027	42,807
Anthony Hargrave	21 March 2022	500,000	-	0.1235	0.17	22 March 2027	42,807
Spencer Smith	21 March 2022	500,000	-	0.1235	0.17	22 March 2027	42,807
Richard Cisterna	21 March 2022	1,250,000	39,100	0.1235	0.18	01 January 2027	93,573



### Service agreements - Directors

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

**Name:** Doug Brown  
**Title:** Chairman  
**Agreement commenced:** 20 March 2023  
**Term of agreement:** Subject to shareholder approval every two years.  
**Details:** Chairman fee of AU\$250,000 (US\$166,015) per annum to be paid in shares subject to shareholder's approval. Remuneration is reviewed annually by the Remuneration and Nomination Committee.

**Name:** Richard Irving  
**Title:** Non-Executive Director, Chairman (retired on 20 March 2023)  
**Agreement commenced:** 13 November 2020  
**Term of agreement:** Subject to shareholder approval every two years.  
**Details:** In the role of Chairman up to 20 March 2023, Mr. Irving received AU\$250,000 (US\$166,012) per annum. Starting 20 March 2023 to 30 September 2023, Mr. Irving received Non-Executive Director fees of AU\$160,000 (US\$106,247) per annum plus Member of the Audit and Risk Committee fees of AU\$12,000 (US\$7,969) per annum and Chairman of the Remuneration and Nomination Committee fees of AU\$16,000 (US\$10,625) per annum. Starting 1 October 2023 Non-Executive Director fee was adjusted to AU\$96,000 (US\$63,750). Remuneration is reviewed annually by the Remuneration and Nomination Committee.

**Name:** Paul Donnelly  
**Title:** Non-Executive Director  
**Agreement commenced:** 20 July 2018  
**Term of agreement:** Subject to shareholder approval every two years.  
**Details:** Non-Executive Director fees of AU\$96,000 (US\$63,750) per annum plus Chair of the Audit and Risk Committee fees of AU\$16,000 (US\$10,625) per annum and Lead Independent Director fee amounting to AU\$9,600 (US\$6,375) per annum. Remuneration is reviewed annually by the Remuneration and Nomination Committee.

**Name:** Ross Haghigat  
**Title:** Non-Executive Director  
**Agreement commenced:** 18 December 2015  
**Term of agreement:** Subject to shareholder approval every two years.  
**Details:** Non-Executive Director fees of AU\$96,000 (US\$63,750) per annum plus Member of Remuneration and Nomination Committee fees of AU\$12,000 (US\$7,969) per annum. Remuneration is reviewed annually by the Remuneration and Nomination Committee.

**Name:** Mel Ashton  
**Title:** Non-Executive Director  
**Agreement commenced:** 25 July 2023  
**Term of agreement:** Subject to shareholder approval every two years.  
**Details:** Non-Executive Director fees of AU\$96,000 (US\$63,750) per annum plus Member of the Audit and Risk Committee fees of AU\$12,000 (US\$7,969) per annum and Member of the Remuneration and Nomination Committee fees of AU\$12,000 (US\$7,969) per annum. Remuneration is reviewed annually by the Remuneration and Nomination Committee.

**Name:**  
**Title:**  
**Agreement commenced:**  
**Term of agreement:**

**Dr. Rengarajan Ramesh**  
Non-Executive Director  
14 July 2017

Dr Ramesh retired from the Non-Executive Director position, Member of the Audit and Risk Committee and, Member of Nomination and Remuneration Committee on 25 May 2023.

**Details:**

Non-Executive Director fees of AU\$96,000 (US\$63,750) per annum plus Member of the Audit and Risk Committee fees of AU\$12,000 (US\$7,969) per annum and Member of the Remuneration and Nomination Committee fees of AU\$12,000 (US\$7,969) per annum. Remuneration is reviewed annually by the Remuneration and Nomination Committee. Dr Ramesh retired on 25 May 2023.

**Name:**  
**Title:**  
**Agreement commenced:**  
**Term of agreement:**

**Samantha Tough**  
Non-Executive Director  
1 July 2021

Ms Tough retired from the Non-Executive Director position and Member of the Audit and Risk Committee on 25 July 2023.

**Details:**

Non-Executive Director fees of AU\$96,000 per annum (US\$63,750) plus Member of Audit and Risk Committee fees of AU\$12,000 (US\$7,969) per annum. Remuneration is reviewed annually by the Remuneration and Nomination Committee. Ms Tough retired on 25 July 2023.

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**Service agreements KMPs**

**Name:** **Thomas Pokorsky**  
**Title:** Chief Executive Officer and Managing Director  
**Agreement commenced** 14 March 2022  
**Terms of agreement:** 4 Year Agreement with automatic 1-year renewals. Either party to provide 6 months written notice for termination of agreement

**Details of remuneration:**

**Cash salary and fees:** US\$465,000 (base salary)  
**Bonuses and deferred remuneration:** Target performance based bonus of up to US\$75,000

**Other Benefits:** Entitled to participate in Company benefit plans, including health insurance

**Employment Based Option Remuneration:**

Number of Options	Grant Date	Exercise Price	Vesting Period
<b>Granted</b> 3,125,000	30 June 2022	AU\$0.22	Options vest and become exercisable 1 year anniversary from the start date.
9,375,000	30 June 2022	AU\$0.22	Options shall vest and become exercisable in twelve (12) equal installments of 781,250 at the end of each consecutive three (3) month period over a three (3) year period commencing on 30 June 2023.

**Performance Based Option Remuneration:**

Number of Options	Grant Date	Exercise Price	Vesting Period
<b>Granted</b> 3,125,000	30 June 2022	AU\$0.22	Options vest and become exercisable on 15 January 2023 subject to meeting performance criteria.
3,125,000	30 June 2022	AU\$0.24	Options vest and become exercisable on 15 January 2024 subject to meeting performance criteria.
3,125,000	30 June 2022	AU\$0.26	Options vest and become exercisable on 15 January 2024 subject to meeting performance criteria.
3,125,000	30 June 2022	AU\$0.28	Options vest and become exercisable on 15 January 2025 subject to meeting performance criteria.
6,250,000	30 June 2022	AU\$0.22	Options shall vest and become exercisable when the Enterprise Value of Fluence Corporation Limited reaches at least US \$400 million.

**Name:** Benjamin Fash  
**Title:** Chief Financial Officer  
**Agreement commenced** 3 January 2023  
**Terms of agreement:** At will with 60 days' notice by either party  
**Details of remuneration:**  
**Cash salary and fees:** US\$275,000 (base salary)  
**Bonuses and deferred remuneration:** Performance based bonus up to 40% of base salary, and a one-time signing bonus of US\$125,000.  
**Other Benefits:** Health insurance for Mr Fash and his family

**Employment Based Option Remuneration:**

Number of Options Granted	Grant Date	Exercise Price	Vesting Period
3,260,000	30 January 2023	AU\$0.19	Options vest and become exercisable 1 year anniversary from the start date.
9,780,000	30 January 2023	AU\$0.19	Options shall vest and become exercisable in twelve (12) equal installments of 815,000 at the end of each consecutive three (3) month period over a three (3) year period commencing on 30 January 2023.

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**Name:** **Spencer Smith**  
**Title:** Chief Legal Officer  
**Agreement commenced:** Mr Smith joined RWL Water LLC on 31 May 2016. His current agreement was executed on July 14, 2017.  
**Terms of agreement:** The initial term of the contract was 2 years. The Initial term will automatically be extended for successive periods of 1 year until the Company or the Executive gives ninety (90) days written notice of non-renewal or unless terminated.  
**Details of remuneration:**  
**Cash salary and fees:** US\$351,665 (base salary)  
**Bonuses and deferred remuneration:** Performance based bonus up to 25% of base salary  
**Other Benefits:** Health insurance for Mr Smith and his family

**Employment Based Option Remuneration:**

Number of Options Granted	Grant Date	Exercise Price	Vesting Period
350,000	14 July 2017	AU\$0.84	Options vest and become exercisable in equal installments at the end of each consecutive three (3) month period over four (4) years, commencing on 14 July 2017.
75,000	26 March 2018	AU\$0.48	Options are fully vested.
140,000	31 January 2019	AU\$0.39	49,000 options vested at grant date, 91,000 options vest and become exercisable in ten equal installments at the end of each consecutive three (3) month period, commencing on 30 April 2019.
300,000	26 February 2020	AU\$0.44	Options vest and become exercisable in equal installments at the end of each consecutive three (3) month period over four (4) years, commencing on 26 February 2020.
200,000	6 April 2021	AU\$0.23	Options vest and become exercisable in equal installments at the end of each consecutive three (3) month period over four (4) years, commencing on 6 April 2021.
500,000	21 March 2022	AU\$0.17	Options vest and become exercisable in equal installments at the end of each anniversary year for a period over three (3) years.
1,500,000	30 January 2023	AU\$0.23	Options vest and become exercisable in equal installments at the end of each consecutive three (3) month period over four (4) years, commencing on 30 January 2023.

**Trigger Event Based Option Remuneration:**

Number of Options Granted	Grant Date	Exercise Price	Vesting Period
500,000	11 August 2021	AU\$0.21	Options vest and become exercisable upon the Company meeting specific goals with an expiry date of 18 August 2025.

**Performance Based Option Remuneration:**

Number of Options Granted	Grant Date	Exercise Price	Vesting Period
1,500,000	30 January 2023	AU\$0.23	375,000 Options vest and become exercisable every year upon meeting performance criteria established by the Board with an expiry date of 18 January 2028.

**Name:** Richard Cisterna  
**Title:** Chief Commercial Officer  
**Agreement commenced** 13 December 2021  
**Terms of agreement:** At will with 60 days' notice by either party  
**Details of remuneration:**  
**Cash salary and fees:** US\$300,000 (base salary)  
**Bonuses and deferred remuneration:** Performance based bonus up to 40% of base salary  
**Other Benefits:** Health insurance for Mr Cisterna and his family

**Employment Based Option Remuneration:**

Number of Options Granted	Grant Date	Exercise Price	Vesting Period
1,250,000	21 March 2022	AU\$0.18	Options will vest and become exercisable in equal installments at the end of each consecutive three (3) month period over four (4) years, commencing on 21 March 2022.
2,500,000	30 January 2023	AU\$0.23	Options vest and become exercisable in equal installments at the end of each consecutive three (3) month period over four (4) years, commencing on 30 January 2023.

**Performance Based Option Remuneration:**

Number of Options Granted	Grant Date	Exercise Price	Vesting Period
2,500,000	30 January 2023	AU\$0.23	625,000 Options vest and become exercisable every year upon meeting performance criteria established by the Board with an expiry date of 18 January 2028.

For persons

**Financial performance**

The earnings of the Group for the five years to 31 December 2023 are summarised below:

	<b>2023</b> USD \$'000	<b>2022</b> USD \$'000	<b>2021</b> USD \$'000	<b>2020</b> USD \$'000	<b>2019</b> USD \$'000
Sales revenue	70,037	116,265	111,986	97,139	59,848
Loss before income tax from continuing operations	(16,344)	(15,330)	(10,982)	(8,378)	(29,355)
Loss from discontinued operations	(667)	(985)	(3,868)	(12,419)	(238)
Loss for the year	(15,984)	(16,292)	(15,083)	(19,859)	(31,585)

The results for 2022 have been adjusted to conform with AASB 5: "Assets held for sale and discontinued operations" presentation requirements. The results for 2021 and beyond match the published financial reports for the Group.

Other factors relevant to shareholder returns include the share price performance and earnings per share over the same period:

	<b>31 December</b> <b>2023</b> <b>AU\$</b>	<b>31 December</b> <b>2022</b> <b>AU\$</b>	<b>31 December</b> <b>2021</b> <b>AU\$</b>	<b>31 December</b> <b>2020</b> <b>AU\$</b>	<b>31 December</b> <b>2019</b> <b>AU\$</b>
Market factors					
Share price	0.12	0.17	0.15	0.23	0.43
	<b>2023</b> <b>US\$</b>	<b>2022</b> <b>US\$</b>	<b>2021</b> <b>US\$</b>	<b>2020</b> <b>US\$</b>	<b>2019</b> <b>US\$</b>
Financial factors					
Loss per share from continuing operations	(0.02)	(0.03)	(0.02)	(0.01)	(0.06)

***This concludes the remuneration report, which has been audited.***



**Shares under option**  
**Unissued ordinary shares**

Unissued ordinary shares of Fluence Corporation Limited under option at the date of this report are as follows:

<b>Date options granted</b>	<b>Expiry date</b>	<b>Issue Price of shares</b>	<b>Number under option</b>
		<b>AU\$</b>	
31 May 2017	25 May 2025	0.93	8,992,938
14 July 2017	25 May 2025	0.84	350,000
30 May 2019	14 July 2025	0.39	1,470,000
10 March 2020	1 March 2024	0.44	40,000
19 March 2020	1 March 2024	0.44	500,000
24 September 2020	30 May 2024	0.23	3,750
24 September 2020	31 May 2024	0.23	250
7 December 2020	29 August 2024	0.26	76,000
6 April 2021	31 May 2025	0.23	1,640,000
25 June 2021	25 June 2025	0.23	1,000,000
25 June 2021	25 August 2025	0.23	3,250,000
11 August 2021	18 August 2025	0.21	500,000
21 March 2022	1 January 2026	0.18	100,000
21 March 2022	1 July 2026	0.22	250,000
21 March 2022	1 January 2027	0.18	1,188,184
21 March 2022	1 January 2027	0.22	25,000
21 March 2022	22 March 2027	0.17	500,000
23 May 2022	31 March 2027	0.22	12,500,000
30 June 2022	30 June 2026	0.22	1,500,000
30 June 2022	14 March 2027	0.22	20,937,500
30 June 2022	14 March 2027	0.24	3,125,000
30 June 2022	14 March 2027	0.26	3,125,000
30 June 2022	14 March 2027	0.28	3,125,000
30 January 2023	15 January 2028	0.19	13,040,000
30 January 2023	15 January 2028	0.23	8,000,000
6 June 2023	6 June 2028	0.20	2,000,000
			87,238,622

**Insurance of officers and indemnities**

**(a) Insurance of officers**

The Group has indemnified the Directors and executives of the Group for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to ensure the Directors and executives of the Group against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**(a) Indemnity of auditors**

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

**Proceedings on behalf of the Group**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

### **Non-audit services**

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in note 28 in the financial statements.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

### **Rounding of amounts**

The amounts contained in the directors' report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Report) Legislative Instrument 2016/191. The Company is an entity in which the Legislative Instrument applies.

### **Auditor**

BDO Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

### **Corporate Governance Statement**

In accordance with ASX listing Rule 4.10.3, the Group's Corporate Governance Statements can be found on its website <https://www.fluencecorp.com/investor-news/>.

On behalf of the Directors



Thomas Pokorsky  
CEO and Managing Director

28 March 2024  
Minneapolis, Minnesota



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Australia

**DECLARATION OF INDEPENDENCE BY KATHERINE ROBERTSON TO THE DIRECTORS OF FLUENCE CORPORATION LIMITED**

As lead auditor of Fluence Corporation Limited for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Fluence Corporation Limited and the entities it controlled during the year.

A handwritten signature in blue ink that reads 'Katherine Robertson'. The signature is written in a cursive style with a large initial 'K'.

**Katherine Robertson**  
Director

**BDO Audit Pty Ltd**  
Melbourne, 28 March 2024

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**Fluence Corporation Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2023**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
		<b>USD \$'000</b>	<b>USD \$'000</b>
<b>Revenue from continuing operations</b>	4	70,037	116,265
<b>Other income</b>		8	10
<b>Expenses</b>			
Cost of sales		(50,960)	(89,419)
Research and development expenses	5	(171)	(3,779)
Sales and marketing expenses	5	(6,620)	(5,837)
General and administration expenses	5	(16,501)	(18,786)
Other losses	5	(6,459)	(9,801)
Finance costs	5	(5,678)	(3,983)
<b>Loss before income tax benefit from continuing operations</b>		(16,344)	(15,330)
Income tax benefit	7	1,027	23
<b>Loss after income tax benefit from continuing operations</b>		(15,317)	(15,307)
Loss after income tax benefit/(expense) from discontinued operations	3	(667)	(985)
<b>Loss after income tax benefit/(expense) for the year</b>		(15,984)	(16,292)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation, net of tax		(1,466)	(2,176)
Other comprehensive income for the year, net of tax		(1,466)	(2,176)
<b>Total comprehensive income for the year</b>		<u>(17,450)</u>	<u>(18,468)</u>
Other comprehensive income for the year:			
From continuing operations		(1,394)	(2,151)
From discontinued operations		(72)	(25)
		<u>(1,466)</u>	<u>(2,176)</u>
Loss for the year is attributable to:			
Non-controlling interest		28	(99)
Owners of Fluence Corporation Limited		(16,012)	(16,193)
		<u>(15,984)</u>	<u>(16,292)</u>
Other comprehensive income is attributable to:			
Non-controlling interest		-	-
Owners of Fluence Corporation Limited		(1,466)	(2,176)
		<u>(1,466)</u>	<u>(2,176)</u>

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Fluence Corporation Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2023**



Total comprehensive income for the year is attributable to:

Continuing operations

Discontinued operations

Non-controlling interest

Continuing operations

Discontinued operations

Owners of Fluence Corporation Limited

Note	Consolidated	
	31 December 2023 USD \$'000	31 December 2022 USD \$'000
	63	(57)
	(35)	(42)
	28	(99)
	(16,774)	(17,401)
	(704)	(968)
	(17,478)	(18,369)
	(17,450)	(18,468)

**Earnings per share for loss from continuing operations attributable to the Owners of Fluence Corporation Limited**

Basic earnings per share

Diluted earnings per share

**Earnings per share for loss from discontinued operations attributable to the Owners of Fluence Corporation Limited**

Basic earnings per share

Diluted earnings per share

**Earnings per share for loss attributable to the Owners of Fluence Corporation Limited**

Basic earnings per share

Diluted earnings per share

	31 December 2023 US Dollars	31 December 2022 US Dollars
8	(0.0218)	(0.0238)
8	(0.0218)	(0.0238)
8	(0.0009)	(0.0015)
8	(0.0009)	(0.0015)
8	(0.0227)	(0.0253)
8	(0.0227)	(0.0253)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Fluence Corporation Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2023**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
		<b>USD \$'000</b>	<b>USD \$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	24,635	30,936
Other financial assets	9	3,645	4,128
Trade and other receivables	10	35,296	48,538
Inventories	11	5,690	8,552
Prepayments	12	2,513	6,016
Concession arrangement assets	13	271	246
Other assets	14	407	151
		<hr/>	<hr/>
		72,457	98,567
Assets directly associated with assets classified as held for sale	3	1,839	2,090
Total current assets		<hr/>	<hr/>
		74,296	100,657
<b>Non-current assets</b>			
Investments accounted for using the equity method	15	332	348
Deferred tax	7	1,968	-
Property, plant and equipment	16	8,146	8,848
Intangible assets	17	1,140	1,339
Concession arrangement assets	13	2,770	2,619
Long-term deposits	12	4,340	9,532
Other assets	14	136	277
Total non-current assets		<hr/>	<hr/>
		18,832	22,963
<b>Total assets</b>		<hr/>	<hr/>
		93,128	123,620
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables and other liabilities	18	32,363	51,276
Borrowings	19	15,752	1,265
Lease liabilities	20	977	966
Current tax liabilities		714	118
Provisions	21	4,490	6,158
Contract liabilities	22	22,130	24,801
		<hr/>	<hr/>
		76,426	84,584
Liabilities directly associated with assets classified as held for sale	3	1,127	1,354
Total current liabilities		<hr/>	<hr/>
		77,553	85,938
<b>Non-current liabilities</b>			
Other liabilities		-	1,779
Borrowings	19	2,085	30,003
Lease liabilities	20	496	2,125
Deferred tax	7	46	334
Provisions	21	505	525
Contract liabilities	22	226	-
Total non-current liabilities		<hr/>	<hr/>
		3,358	34,766
<b>Total liabilities</b>		<hr/>	<hr/>
		80,911	120,704
<b>Net assets</b>		<hr/>	<hr/>
		12,217	2,916

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**Fluence Corporation Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2023**



**Equity**

Contributed equity  
Reserves  
Accumulated losses  
Equity attributable to the Owners of Fluence Corporation Limited  
Non-controlling interest

**Total equity**

Note	Consolidated	
	31 December 2023 USD \$'000	31 December 2022 USD \$'000
23	232,313	207,443
24	(3,252)	(3,667)
	<u>(214,878)</u>	<u>(198,866)</u>
	14,183	4,910
25	<u>(1,966)</u>	<u>(1,994)</u>
	<u>12,217</u>	<u>2,916</u>

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*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*



**Fluence Corporation Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2023**



<b>Consolidated</b>	<b>Issued capital USD \$'000</b>	<b>Reserves USD \$'000</b>	<b>Retained profits USD \$'000</b>	<b>Non-controlling interest USD \$'000</b>	<b>Total equity USD \$'000</b>
Balance at 1 January 2022	203,728	(3,170)	(182,673)	(1,895)	15,990
Loss after income tax benefit for the year	-	-	(16,193)	(99)	(16,292)
Other comprehensive income for the year, net of tax	-	(2,176)	-	-	(2,176)
Total comprehensive income for the year	-	(2,176)	(16,193)	(99)	(18,468)
<i>Transactions with Owners in their capacity as Owners:</i>					
Contributions of equity, net of transaction costs (note 23)	3,715	-	-	-	3,715
Share-based payments (note 6)	-	1,679	-	-	1,679
Balance at 31 December 2022	207,443	(3,667)	(198,866)	(1,994)	2,916

<b>Consolidated</b>	<b>Issued capital USD \$'000</b>	<b>Reserves USD \$'000</b>	<b>Retained profits USD \$'000</b>	<b>Non-controlling interest USD \$'000</b>	<b>Total equity USD \$'000</b>
Balance at 1 January 2023	207,443	(3,667)	(198,866)	(1,994)	2,916
Profit/(loss) after income tax benefit for the year	-	-	(16,012)	28	(15,984)
Other comprehensive income for the year, net of tax	-	(1,466)	-	-	(1,466)
Total comprehensive income for the year	-	(1,466)	(16,012)	28	(17,450)
<i>Transactions with Owners in their capacity as Owners:</i>					
Issue of ordinary shares, net of transaction costs	24,870	-	-	-	24,870
Share based payments (note 6)	-	1,881	-	-	1,881
Balance at 31 December 2023	232,313	(3,252)	(214,878)	(1,966)	12,217

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

**Fluence Corporation Limited**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2023**



For perspective

Note	Consolidated	
	31 December 2023 USD \$'000	31 December 2022 USD \$'000
<b>Cash flows from operating activities</b>		
	79,255	91,307
	(92,344)	(107,949)
	-	136
	248	78
	(5,950)	(3,947)
	(247)	(110)
	<u>(19,038)</u>	<u>(20,485)</u>
<b>Cash flows from investing activities</b>		
	(1,758)	(445)
	53	253
	6,122	10,861
	<u>4,417</u>	<u>10,669</u>
<b>Cash flows from financing activities</b>		
23	26,628	3,715
	(13,414)	(365)
	(1,381)	(1,588)
23	(1,758)	-
	<u>10,075</u>	<u>1,762</u>
	(4,546)	(8,054)
	30,936	41,363
	(1,755)	(2,373)
	<u>24,635</u>	<u>30,936</u>
9	<u>24,635</u>	<u>30,936</u>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## **Note 1. Summary of material accounting policies**

### **Corporate information**

The Financial Report of Fluence Corporation Limited and its controlled entities (the “Group”) for the year ended 31 December 2023 was authorised for issue in accordance with a resolution of the Directors on 28 March 2024.

Fluence Corporation Limited is a for profit listed public company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (“ASX”). The Group provides fast-to-deploy, decentralised and smart water and wastewater treatment solutions.

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the international accounting standards board.

The financial report has been prepared on an accruals basis and is based on historical costs, except for those assets and liabilities measured at fair value. The financial report is presented in United States Dollars, which is the Group’s presentation currency. All values are rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors’ Report) Legislative Instrument 2016/191. The Company is an entity in which the Legislative Instrument applies.

Management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

#### *(i) Going concern*

The financial statements have been prepared on a going concern basis, which assumes the consolidated entity will have sufficient cash to pay its debts, as and when they become payable, for a period of at least 12 months from the date the financial report was authorised for issue.

For the year ended 31 December 2023, the consolidated entity incurred an operating loss after tax of \$15,984,000 (2022: \$16,292,000) and had cash outflow from operating activities of \$19,038,000 (2022: cash outflow of \$20,485,000), and total net cash outflows of \$4,546,000 (2022: cash outflow of \$8,054,000). The Group had cash and cash equivalents of \$24,635,000 and other financial assets of \$3,645,000 at 31 December 2023 (2022: \$30,936,000 and \$4,128,000 respectively).

The consolidated entity has prepared a cash flow forecast supported by detailed assumptions and scenario planning directed to sustaining business growth. These forecasts indicate that the consolidated entity will be able to fund its ongoing operations for a period of 12 months from the date the financial report was authorised for issue.

### **Note 1. Summary of material accounting policies (continued)**

The Group has prepared cash flow forecasts that include the following assumptions:

- Positive Group cash position forecast at the end of 31 March 2024 after allowing for operating, investing and financing cash flows.
- The positive Group cash position at that date is based on a contracted sales backlog of \$91.8 million, which includes the Ivory Coast Project and other projects. Expected contracted revenues from the Ivory Coast Project Addendum are \$26.4 million for financial year 2024.
- The Group has in place a project financing and working capital loan facility with an affiliate of Upwell (the 'Upwell Facility'), which can be applied to finance completion of strong cash flow generation projects.

#### *(ii) New and amended standards adopted by the group*

All accounting standards adopted by the Group are consistent with the most recent Annual Report for the year ended 31 December 2023.

### **Comparatives**

The comparative figures have been adjusted to conform with the AASB 5: "Assets held for sale and discontinued operations" presentation requirements. Refer to Note 3 "Discontinued operations" for detailed information on the changes in comparatives presentation.

The Options reserve has been reclassified from "Contributed equity" to "Reserves" in 2023. The Consolidated statement of financial position and the Consolidated statement of changes in equity comparatives for the prior year have been updated accordingly.

The Lease liabilities have been shown separately from Borrowings in the Consolidated statement of financial position in 2023. The comparatives for the prior year have been updated accordingly.

### **Principles of consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent company, Fluence Corporation Limited, and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in note 32.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation.

Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group. Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests".

The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income.

Non-controlling interests are shown separately within the equity section of the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income.

## **Note 1. Summary of material accounting policies (continued)**

### **Foreign currency translation**

#### *(i) Functional currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements of Fluence Corporation Limited (the parent entity of the Group) are measured in Australian Dollars which is that entity's functional currency.

#### *(ii) Presentation currency*

The consolidated financial statements are presented in US Dollars, which is the Group's presentation currency.

#### *(iii) Translation and balances*

Transactions in foreign currencies are converted to the functional currency at the exchange rate at the date of the transaction. Amounts payable to and by the Group outstanding at reporting date and denominated in foreign currencies have been converted to local currency using rates prevailing at the end of the financial year. All exchange differences are taken to profit or loss.

#### *(iv) Group companies*

The results of foreign subsidiaries and the parent entity are translated to US Dollars at the exchange rate at the date of the transaction. Assets and liabilities of foreign subsidiaries and the Australian parent are translated to US Dollars at exchange rates prevailing as at the reporting date. All resulting exchange differences are recognised in other comprehensive income and in the foreign currency translation reserve in equity.

#### *(v) Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences on translation of foreign controlled subsidiaries. Amounts are reclassified to profit or loss when the investment is disposed of.

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### **Revenue recognition**

Revenue is recognised when goods or services are transferred to a customer, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Before recognising revenue, the Group needs to identify the contract, identify separate performance obligations, determine the transaction price, allocate the transaction price to the performance obligations and recognise revenue as or when each performance obligation is satisfied. Performance obligations can be satisfied at a point in time or over time.

Revenue related to construction or upgrade services under service concession arrangements is recognised over time, consistent with the Group's accounting policy on recognising revenue on construction contracts. Operating or service revenue is recognised in the period in which the services are provided by the Group. If the service concession arrangement contains more than one performance obligation, then the consideration received is allocated with reference to the relative stand-alone selling price of the services delivered.

## Note 1. Summary of material accounting policies (continued)

### Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions. note 18 provides further information on how the group accounts for government grants.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate.

Grants received from the Government of Israel that are required to be repaid by payment of royalties on sales revenue, or refunded if relevant conditions are not met, are recorded as other payables.

### Employee benefits

#### (i) Wages and salaries

Wages and salaries include non-monetary benefits, annual leave and long service leave. These are recognised and presented in different ways in the financial statements:

- The liability for annual leave and the portion of long service leave expected to be paid within twelve months is measured at the amount expected to be paid.
- The liability for long service leave and annual leave expected to be paid after one year is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.
- The liability for annual leave and the portion of long service leave that has vested at the reporting date is included in the current provision for employee benefits.
- The portion of long service leave that has not vested at the reporting date is included in the non-current provision for employee benefits.

#### (ii) Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 6.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Statement of Profit or Loss and Other Comprehensive Income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

## **Note 1. Summary of material accounting policies (continued)**

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is canceled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

### **Discontinued operations**

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

### **Earnings per share**

Basic earnings per share is calculated as net profit or loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for estimated irrecoverable amounts.

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model. The expected credit loss model requires the Group to account for expected credit losses at each reporting date to reflect changes in credit risk since the initial recognition of the financial assets.



## Note 1. Summary of material accounting policies (continued)

### Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of First in-First out (FIFO). Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

Cash flows arising from operating activities are included in the Consolidated Statement of Cash Flows on a gross basis (i.e. including GST) and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the Consolidated Statement of Financial Position.

### Assets classified as held for sale

Assets and liabilities of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets associated with the assets classified as held for sale and the assets of disposal groups classified as assets held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups associated with the assets classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

## **Note 1. Summary of material accounting policies (continued)**

### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

### *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

### *Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

### *Research and development*

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

## **Investment in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in Other Comprehensive Income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown in note 5 and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

## Note 1. Summary of material accounting policies (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the Statement of Profit or Loss and Other Comprehensive Income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost, over their estimated useful lives, as follows:

Buildings	25-50 years
Leasehold improvements	Over the shorter of the term of the lease or useful life of an asset
Production equipment	4-17 years
Office furniture and equipment	3-17 years
Computers and peripheral equipment	3-15 years
Vehicles	5-7 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds to the carrying amount. These are included in profit or loss.

### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## Note 1. Summary of material accounting policies (continued)

### Leases liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

### Intangible assets

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

### Concession financial asset

A financial asset arising from a concession arrangement. The Group recognises a financial asset to the extent that it receives an unconditional contractual right to receive a specified or determinable amount of cash or another financial asset in return for constructing or upgrading a public sector asset, and then operating and maintaining the asset for a specified period of time. The financial asset is measured at fair value. The financial asset is reduced when amounts are received.

### Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where applicable, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### Contributed equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction (net of tax) of the share proceeds received.

### Significant accounting estimates and assumptions

#### (i) Revenue recognition over time

The value of work performed using the stage of completion method is used to determine revenue recognition on contracts where revenue is recognised over time. This measurement is an accounting judgment as management uses judgement to estimate costs incurred to date as a percentage of total estimated costs.

## Note 1. Summary of material accounting policies (continued)

### (ii) Share-based payment transactions

Under AASB 2 Share Based Payments, the consolidated entity must recognise the fair value of share options granted to directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in profit or loss with a corresponding adjustment to equity.

The consolidated entity provides benefits to employees (including directors) of the consolidated entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("**equity-settled transactions**").

Estimating the fair value of share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model for the options. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 6.

### (iii) Impairment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the Cash Generating Units (CGU) being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

### (iv) Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### (v) Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability. Considerable judgment is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

## Note 1. Summary of material accounting policies (continued)

### (vi) Fair value of financial liability

The Group assessed the fair value of the financial milestone payments and government grant liabilities, which incorporate a number of key estimates and assumptions. For further details, please refer to note 18 Trade and other payables and other liabilities.

### (vii) PDVSA project

In December 2014, Fluence Argentina entered into significant work agreements with PDVSA Agricola (PDVSA), a wholly owned company by the Venezuelan government. These work agreements consisted of a series of purchase orders (POs) from PDVSA, for detailed engineering and the supply of water and wastewater treatment systems and composting systems for five ethanol production plants in Venezuela. In relation to those work agreements, Fluence Argentina received advanced payments of approximately \$95 million in June 2015. The amounts received in advance are recognised as revenue in line with the accounting policy for Revenue recognition for performance obligations satisfied overtime.

An accrued liability has been recognised between advance received and revenue recognised is carried as a liability.

During March 2016, PDVSA rescinded the original work agreements. During that period, Fluence Argentina had invested significant amounts in the engineering design of the projects. In January 2017, PDVSA expressed its intention to continue with a smaller scope of work, comprising the Portuguesa project with a project value of \$44 million.

During 2019, the United States Office of Foreign Assets Control (OFAC), enacted further sanctions with respect to Venezuela (the Venezuelan Sanctions). As Fluence is headquartered in the US, the Company has determined that the Venezuelan Sanctions are applicable to the Company and its subsidiaries. While in place, the Venezuelan Sanctions prohibit US persons from having certain dealings with Venezuela. This extends to any work Fluence's Argentinean subsidiary may otherwise have performed for PDVSA. Fluence is keeping the customer informed as permitted under the OFAC regulations.

## Note 2. Segment information

The Group identified seven primary reporting segments based on the internal reports that are reviewed by the Managing Director and Chief Executive Officer (who is identified as the Chief Operating Decision Maker ("**CODM**"). The internal reports reviewed by the CODM assess performance and determine the allocation of resources.

The segment note reporting segments have been revised reflecting the Group's strategic realignment and reorganization. As a consequence, the segment note, and the prior period comparatives, have been represented.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Group's operating segments are:

- Municipal Water & Wastewater ("**MWW**") including MABR product line (Aspiral, SUBRE, and Nitro) and Nirobox;
- Industrial Wastewater & Biogas ("**IWB**"), providing solutions that support the shift to global decarbonization, taking advantage of government incentives such as the Inflation Reduction Act in the United States and the new nitrogen removal laws in Mexico;
- Industrial Water & Reuse ("**IWR**") focusing on water reuse applications and high-growth markets such as lithium mining that supports the trend toward electrification;
- Southeast Asia and China ("**SEA & China**"), with a particular focus on efforts in countries such as Taiwan, Vietnam, Cambodia and Korea to strengthen and diversify its sales pipeline;
- Ivory Coast project ("**IVC**"); and
- Recurring Revenue, Build Own Operate ("**BOO**") projects, and Operation and Maintenance ("**O&M**") contracts for equipment sales.



**Note 2. Segment information (continued)**

<b>2023</b> <b>USD \$'000</b>	<b>MWW</b>	<b>IWB</b>	<b>IWR</b>	<b>SEA &amp; China</b>	<b>BOO</b>	<b>IVC</b>	<b>Intersegment Elimination</b>	<b>Corporate</b>	<b>Fluence</b>
<b>Revenue</b>									
Revenue from continuing operations	11,142	6,988	14,865	13,559	2,751	22,241	(1,685)	176	70,037
Other income	-	8	-	-	-	-	-	-	8
	<b>11,142</b>	<b>6,996</b>	<b>14,865</b>	<b>13,559</b>	<b>2,751</b>	<b>22,241</b>	<b>(1,685)</b>	<b>176</b>	<b>70,045</b>
<b>Segment gross profit</b>	<b>5,075</b>	<b>1,944</b>	<b>4,732</b>	<b>4,421</b>	<b>316</b>	<b>1,888</b>	<b>532</b>	<b>177</b>	<b>19,085</b>
Operating expenses	(3,362)	(2,092)	(3,837)	(4,726)	(425)	(796)	(532)	(7,522)	(23,292)
Less Depreciation and amortisation	590	236	254	265	-	143	-	550	2,038
Other EBITDA adjustments	-	-	-	-	403	-	-	1,943	2,346
<b>Segment EBITDA</b>	<b>2,303</b>	<b>88</b>	<b>1,149</b>	<b>(40)</b>	<b>294</b>	<b>1,235</b>	<b>-</b>	<b>(4,852)</b>	<b>177</b>
Share of profits of associates	33	-	-	-	-	-	-	-	33
Profit/loss from discontinued operations	(611)	-	-	-	(56)	-	-	-	(667)
Other losses, finance costs and income tax	(7,934)	(239)	(340)	(35)	(160)	(204)	-	(2,231)	(11,143)
<b>Segment results</b>	<b>(6,799)</b>	<b>(387)</b>	<b>555</b>	<b>(340)</b>	<b>(325)</b>	<b>888</b>	<b>-</b>	<b>(9,576)</b>	<b>(15,984)</b>

<b>2022</b> <b>USD \$'000</b>	<b>MWW</b>	<b>IWB</b>	<b>IWR</b>	<b>SEA &amp; China</b>	<b>BOO</b>	<b>IVC</b>	<b>Intersegment Elimination</b>	<b>Corporate</b>	<b>Fluence</b>
<b>Revenue</b>									
Revenue from continuing operations	14,844	8,509	12,581	9,578	2,067	69,529	(1,135)	292	116,265
Other income	-	-	-	-	-	-	-	10	10
	<b>14,844</b>	<b>8,509</b>	<b>12,581</b>	<b>9,578</b>	<b>2,067</b>	<b>69,529</b>	<b>(1,135)</b>	<b>302</b>	<b>116,275</b>
<b>Segment gross profit</b>	<b>6,737</b>	<b>2,191</b>	<b>4,571</b>	<b>3,726</b>	<b>657</b>	<b>7,889</b>	<b>895</b>	<b>190</b>	<b>26,856</b>
Operating expenses	(5,576)	(1,831)	(2,855)	(5,544)	(247)	(1,834)	(895)	(9,620)	(28,402)
Less Depreciation and amortisation	573	294	189	396	-	170	-	615	2,237
Other EBITDA adjustments	-	-	-	-	400	-	-	1,679	2,079
<b>Segment EBITDA</b>	<b>1,734</b>	<b>654</b>	<b>1,905</b>	<b>(1,422)</b>	<b>810</b>	<b>6,225</b>	<b>-</b>	<b>(7,136)</b>	<b>2,770</b>
Share of profits of associates	9	-	-	-	-	-	-	-	9
Profit/loss from discontinued operations	(718)	-	-	-	(267)	-	-	-	(985)
Other losses, finance costs and income tax	(7,692)	(2,113)	(2,587)	(909)	(215)	1,189	-	(1,443)	(13,770)
<b>Segment results</b>	<b>(7,240)</b>	<b>(1,753)</b>	<b>(871)</b>	<b>(2,727)</b>	<b>(72)</b>	<b>7,244</b>	<b>-</b>	<b>(10,873)</b>	<b>(16,292)</b>

**Note 3. Discontinued operations and assets classified as held for sale**

**(a) Discontinued operations and assets classified as held for sale**

*(i) Description*

During the year ended 31 December 2023, the Company classified its Aeromix business as an Asset Held for Sale.

The Company classifies its operations in Mexico as discontinued operations. Impairment of assets associated with the Mexican operations was recorded in the 2020 financial year.



**Note 3. Discontinued operations and assets classified as held for sale (continued)**

FLC Generate GCM, S.A. de C.V. ("**GCM Peru**") was sold for \$290,000 in April 2022 and was deconsolidated from Fluence Group. GCM Peru net assets on the date of disposal were \$497,000. The sale of subsidiary resulted in a \$207,000 loss.

*(ii) Financial performance and cash flow information*

The financial performance and cash flow information presented are for the year ended 31 December 2023 and the year ended 31 December 2022.

	31 December 2023 USD \$'000	31 December 2022 USD \$'000
<b>Aeromix</b>		
Revenues	3,010	2,823
Cost of sales	(1,918)	(1,652)
Sales and marketing expenses	(497)	(483)
General and administration expenses	(1,182)	(1,350)
Finance costs	(24)	(54)
Loss before income tax	<u>(611)</u>	<u>(716)</u>
Income tax expense	-	(2)
Loss after income tax from held for sale operations	<u>(611)</u>	<u>(718)</u>

	31 December 2023 USD \$'000	31 December 2022 USD \$'000
<b>Aeromix</b>		
Cash flow from operating activities	(522)	(662)
Cash flow from financing activities	(24)	(54)
Net decrease in cash and cash equivalents from held for sale operations	<u>(546)</u>	<u>(716)</u>

	31 December 2023 USD \$'000	31 December 2022 USD \$'000
<b>Fluence Mexico</b>		
Cost of sales	(34)	(93)
General and administrative expenses	(59)	(35)
Other Gains/(Losses) - Net	65	41
Finance Costs - Net	6	5
Loss before income tax	<u>(22)</u>	<u>(82)</u>
Income tax benefit	(34)	29
Loss after income tax from discontinued operations	<u>(56)</u>	<u>(53)</u>

	31 December 2023 USD \$'000	31 December 2022 USD \$'000
<b>Fluence Mexico</b>		
Net cash used in operating activities	(164)	(27)
Net cash from financing activities	60	-
Changes in cash funds effects of exchange-rate changes	68	(12)
Net decrease in cash and cash equivalents from discontinued operations	<u>(36)</u>	<u>(39)</u>

**Note 3. Discontinued operations and assets classified as held for sale (continued)**

	31 December 2023 USD \$'000	31 December 2022 USD \$'000
<b>Peru</b>		
General and administrative expenses	-	(7)
Loss from Peru disposal	-	(207)
Loss after income tax from discontinued operations	-	(214)

	31 December 2023 USD \$'000	31 December 2022 USD \$'000
<b>Peru</b>		
Cash flow from operating activities	-	4
Changes in cash funds effects of exchange-rate changes	-	(4)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	-	-

	31 December 2023 USD \$'000	31 December 2022 USD \$'000
Loss after income tax expense from discontinued and held for sale operations		
Aeromix-held for sale	(611)	(718)
Mexico-discontinued	(56)	(53)
Peru-discontinued	-	(214)
	<b>(667)</b>	<b>(985)</b>

**(b) Assets and liabilities directly associated with assets classified as held for sale**

	31 December 2023 USD \$'000	31 December 2022 USD \$'000
<b>Aeromix</b>		
Trade and other receivables	530	488
Inventories	1,031	738
Prepayments	278	49
Property, plant and equipment	-	815
<b>Total assets directly associated with assets classified as held for sale</b>	<b>1,839</b>	<b>2,090</b>
Trade and other payables	606	218
Current lease liabilities	209	137
Provisions	18	14
Contract liabilities	135	176
Non-current lease liabilities	159	809
<b>Total liabilities directly associated with assets classified as held for sale</b>	<b>1,127</b>	<b>1,354</b>
<b>Net assets</b>	<b>712</b>	<b>736</b>

**Note 3. Discontinued operations and assets classified as held for sale (continued)**

**(c) Carrying amounts of assets and liabilities related to discontinued operations.**

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<b>Fluence Mexico</b>		
Cash and cash equivalents	90	127
Trade and other receivables	77	34
Prepayments	1	8
Other current assets	14	7
Property, plant and equipment	3	3
<b>Total assets</b>	<b>185</b>	<b>179</b>
Trade and other payables	472	366
Current tax liabilities	-	5
Contract liabilities	-	1
Other liabilities	(5)	347
<b>Total liabilities</b>	<b>467</b>	<b>719</b>
<b>Net liabilities</b>	<b>(282)</b>	<b>(540)</b>

**Note 4. Operating revenue**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<b>Operating revenue</b>		
<i>Contract revenue</i>		
Smart product solutions	36,862	32,659
Custom engineering solutions	23,618	73,875
	<b>60,480</b>	<b>106,534</b>
<i>Service revenue</i>		
Revenues on services	5,717	7,158
Revenue on parts	1,089	506
Recurring revenue from concession assets	2,751	2,067
	<b>9,557</b>	<b>9,731</b>
	<b>70,037</b>	<b>116,265</b>

Revenue has been disaggregated based on contract revenue (inclusive of Smart Product Solutions and Customer Engineering Solutions) and service revenue (inclusive of Recurring Revenue). They comprise distinct revenue streams and margins. Refer to Note 2 for disaggregation of revenue by operating segments.

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	20,481	23,742
Services transferred over time	49,556	92,523
	<b>70,037</b>	<b>116,265</b>

**Note 5. Expenses**

	<b>Consolidated</b> <b>31 December</b> <b>2023</b> <b>USD \$'000</b>	<b>31 December</b> <b>2022</b> <b>USD \$'000</b>
<b>Research and development expenses</b>		
Salaries and other employee related expenses	(1,865)	(2,422)
Depreciation	(427)	(558)
Materials	(139)	(450)
Professional fees	(189)	(158)
Travel and entertainment	(57)	(55)
Release of Chief Scientist accrual - note 18(i)	2,662	-
Other	(156)	(136)
	<u>(171)</u>	<u>(3,779)</u>

	<b>Consolidated</b> <b>31 December</b> <b>2023</b> <b>USD \$'000</b>	<b>31 December</b> <b>2022</b> <b>USD \$'000</b>
<b>Sales and marketing expenses</b>		
Salaries and other employee related expenses	(4,337)	(3,858)
Professional fees	(477)	(353)
Marketing activities	(761)	(530)
Travel and entertainment	(548)	(409)
Depreciation	(42)	(44)
Other	(455)	(643)
	<u>(6,620)</u>	<u>(5,837)</u>

	<b>Consolidated</b> <b>31 December</b> <b>2023</b> <b>USD \$'000</b>	<b>31 December</b> <b>2022</b> <b>USD \$'000</b>
<b>General and administration expenses</b>		
Salaries and other employee related expenses	(8,692)	(10,739)
Professional fees	(2,657)	(3,232)
Depreciation	(1,164)	(1,198)
Insurance	(745)	(683)
Director expense	(728)	(773)
Office expenses	(263)	(475)
Bank charges	(320)	(251)
Travel and entertainment	(507)	(461)
Maintenance	(169)	(168)
IT expenses	(652)	(652)
Bad debt	(474)	(48)
Other	(130)	(106)
	<u>(16,501)</u>	<u>(18,786)</u>

**Note 5. Expenses (continued)**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<b>Other gains/(loss)</b>		
Foreign exchange loss	(2,582)	(2,234)
Restructuring provision	(1,542)	(3,455)
Change in inventory provision	(645)	(877)
Non-operating expenses	(270)	(793)
Withholding taxes	(211)	(186)
Write off of contract assets	(1,148)	(506)
Onerous contract provisions	(107)	(1,911)
Gain from investments accounted for using the equity method	33	9
Gain on disposal of property, plant and equipment	32	108
Covid-19 relief	-	417
Other	(19)	(373)
	<u>(6,459)</u>	<u>(9,801)</u>

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<b>Finance income/(costs)</b>		
Interest income	391	224
Interest expense borrowings	(5,054)	(3,934)
Project financing and other	(942)	(119)
Interest expense leases	(73)	(154)
	<u>(5,678)</u>	<u>(3,983)</u>

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<b>Aggregate expenses</b>		
Aggregate depreciation and amortisation expenses	(2,038)	(2,237)
Aggregate employee payroll and benefit expenses	(21,776)	(24,479)

**Note 6. People costs (Share-based payments)**

**(a) Share-based payments**

**Employee Option Plan**

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Board of Directors (the "**Board**"), grant options over ordinary shares in the Group to employees, consultants and directors of the consolidated entity. The options are issued for nil financial consideration and are granted in accordance with performance guidelines established by the Remuneration and Nomination Committee ("**RemCo**").

Set out below are summaries of the movement in options granted under the plan during the year ended 31 December 2023:

Grant/Change Date	Expiry Date	Exercise Price AU\$	Granted	Exercises	Vested	Cancelled/ Reversed	Balance at year end
<b>Opening balance</b>			<b>138,931,872</b>	<b>(13,773,161)</b>	<b>53,697,587</b>	<b>(55,583,023)</b>	<b>69,575,688</b>
Options vested during the year					8,912,313		
15 January 2023	1 March 2024	0.44	-	-	-	(8,250)	(8,250)
16 January 2023	29 November 2023	0.44	-	-	-	(9,000)	(9,000)
25 January 2023	1 January 2027	0.18	-	-	-	(61,816)	(61,816)
25 January 2023	14 March 2027	0.22	-	-	-	(937,500)	(937,500)
30 January 2023	30 May 2023	0.44	-	-	-	(70,000)	(70,000)
30 January 2023	15 January 2028	0.19	13,040,000	-	-	-	13,040,000
30 January 2023	15 January 2028	0.23	8,000,000	-	-	-	8,000,000
31 January 2023	29 August 2023	0.44	-	-	-	(1,500)	(1,500)
31 January 2023	1 March 2024	0.44	-	-	-	(90,000)	(90,000)
31 January 2023	31 May 2025	0.23	-	-	-	(375,000)	(375,000)
31 January 2023	22 March 2027	0.17	-	-	-	(500,000)	(500,000)
24 February 2023	29 August 2024	0.26	-	-	-	(12,500)	(12,500)
28 February 2023	29 August 2024	0.26	-	-	-	(6,250)	(6,250)
1 March 2023	1 March 2023	0.44	-	-	-	(12,000)	(12,000)
3 April 2023	29 August 2023	0.44	-	-	-	(10,500)	(10,500)
3 April 2023	1 March 2024	0.44	-	-	-	(270,000)	(270,000)
3 April 2023	31 May 2025	0.23	-	-	-	(375,000)	(375,000)
20 April 2023	29 August 2024	0.26	-	-	-	(10,000)	(10,000)
21 April 2023	31 May 2025	0.23	-	-	-	(43,750)	(43,750)
24 April 2023	29 August 2024	0.26	-	-	-	(27,500)	(27,500)
28 April 2023	29 August 2024	0.26	-	-	-	(8,250)	(8,250)
25 May 2023	25 August 2025	0.23	-	-	-	(750,000)	(750,000)
25 May 2023	30 June 2026	0.22	-	-	-	(500,000)	(500,000)
30 May 2023	30 May 2023	0.44	-	-	-	(32,000)	(32,000)
30 May 2023	30 May 2023	0.60	-	-	-	(250,000)	(250,000)
30 May 2023	30 May 2023	0.80	-	-	-	(250,000)	(250,000)
6 June 2023	6 June 2028	0.20	2,000,000	-	-	-	2,000,000
6 June 2023	6 June 2028	0.20	500,000	-	-	-	500,000
13 June 2023	29 August 2024	0.23	-	-	-	(3,750)	(3,750)
20 June 2023	29 August 2024	0.26	-	-	-	(30,000)	(30,000)
23 June 2023	31 May 2025	0.23	-	-	-	(56,250)	(56,250)
25 July 2023	30 June 2026	0.22	-	-	-	(500,000)	(500,000)
25 July 2023	6 June 2028	0.20	-	-	-	(500,000)	(500,000)
1 August 2023	29 November 2023	0.44	-	-	-	(750)	(750)
14 August 2023	29 August 2024	0.23	-	-	-	(8,250)	(8,250)
29 August 2023	29 August 2023	0.44	-	-	-	(152,000)	(152,000)
29 September 2023	29 November 2023	0.44	-	-	-	(11,250)	(11,250)
29 November 2023	29 November 2023	0.44	-	-	-	(4,000)	(4,000)
<b>Closing balance</b>			<b>162,471,872</b>	<b>(13,773,161)</b>	<b>62,609,900</b>	<b>(61,460,089)</b>	<b>87,238,622</b>

**Note 6. People costs (Share-based payments) (continued)**

**(i) Fair value of options granted**

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are outlined below. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Grant Date	Expiry Date	Share price at grant date AU\$	Exercise Price AU\$	Dividend yield	Risk-free interest rate (%)	Fair value at grant date US\$
6 June 2023	6 June 2028	0.18	0.20	Nil	3.617	0.0609
6 June 2023	6 June 2028	0.18	0.20	Nil	3.617	0.0609
6 June 2023	6 June 2028	0.18	0.20	Nil	3.617	0.0609
6 June 2023	6 June 2028	0.18	0.20	Nil	3.617	0.0609
6 June 2023	6 June 2028	0.18	0.20	Nil	3.617	0.0609
30 January 2023	15 January 2028	0.23	0.19	Nil	3.277	0.0859
30 January 2023	15 January 2028	0.23	0.23	Nil	3.277	0.0799
30 January 2023	15 January 2028	0.23	0.23	Nil	3.277	0.0799
30 January 2023	15 January 2028	0.23	0.23	Nil	3.277	0.0825
30 January 2023	15 January 2028	0.23	0.23	Nil	3.277	0.0825

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.62 years.

The fair value of the options granted to employees is considered to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was \$0.1063. These values were calculated using the binomial lattice, based on the Cox, Ross Rubinstein (1979) method applying the following inputs:

Weighted average exercise price: \$0.23  
Expected share price volatility: 70%

The volatility measure was obtained based on the historical returns of the Company's stock on the ASX.

**(b) Expenses arising from share-based payment transactions**

	Consolidated 31 December 2023 USD \$'000	31 December 2022 USD \$'000
<b>Share based payment expense</b>		
Consultant share based payments	391	500
Employee share based payments	1,415	84
Director share based payments	75	1,095
	<u>1,881</u>	<u>1,679</u>



**Note 6. People costs (Share-based payments) (continued)**

**(c) Key Management Personnel Disclosures**

**Compensation**

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$</b>	<b>USD \$</b>
Short-term employee benefits	2,388,016	2,330,915
Share based payments	1,598,462	1,217,603
	<b>3,986,478</b>	<b>3,548,518</b>

The above Key Management Personnel ("KMP") disclosures represent the remuneration of Key Management Personnel defined in the Remuneration Report and paid or payable for the 12 months ended 31 December 2023 and 31 December 2022.

For more information on Key Management Personnel Compensation disclosed under the Corporations Act 2001, please refer to the Remuneration Report contained within the Directors' Report.

**Note 7. Income tax**

**(a) Income tax expense**

The components of tax expense comprise:

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<b>Current tax</b>		
Current tax	(1,178)	209
Adjustments for current tax of prior periods	(90)	195
Increase/(decrease) in deferred tax assets	(82)	207
Increase/(decrease) in deferred tax liabilities	2,343	(561)
	<b>993</b>	<b>50</b>

**Income tax expense is attributable to:**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
Income from continuing operations	1,027	23
Loss from discontinued operations	(34)	27
<b>Aggregate income tax benefit</b>	<b>993</b>	<b>50</b>

**Note 7. Income tax (continued)**

**(b) Numerical reconciliation of income tax expense to prima facie tax payable**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
Loss from continuing operations before income tax	(16,344)	(15,330)
Loss from discontinued operations before income tax	(633)	(1,012)
	<b>(16,977)</b>	<b>(16,342)</b>
Prima facie tax on profit from ordinary activities	(5,090)	(4,903)
Tax losses carried forward	5,090	4,903
Tax expense - Fluence Italy S.R.L.	81	190
Tax expense - Fluence Israel Ltd	(62)	196
Tax expense - Fluence Argentina	1,032	(579)
Tax expense - other	(58)	243
<b>Income tax expense</b>	<b>993</b>	<b>50</b>

**(c) Deferred tax balances**

The components of deferred tax asset and liability comprise:

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<b>(i) Deferred tax assets</b>		
Tax losses	285	-
Doubtful debts provision	4	-
Annual leave provision	57	-
Other	1,622	-
	<b>1,968</b>	<b>-</b>

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<b>(ii) Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
WIP	46	126
Other	-	208
	<b>46</b>	<b>334</b>

**(d) Unrecognised deferred tax assets**

A few of the Group's subsidiaries have been accumulating losses in the past years. The consolidated balance of the tax losses carried forward as of 31 December 2023 was \$35,668,000 (2022: \$49,668,000). In order to recoup carried forward losses in future periods, the group needs to generate taxable profits in the jurisdictions in which it has carried forward losses. As at 31 December 2023 the group has not recognised any deferred tax assets in respect of losses carried forward.

**Note 8. Loss per share**

**(a) Loss per share from continuing operations**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax	(15,317)	(15,307)
Non-controlling interest	(63)	57
	<u>(15,380)</u>	<u>(15,250)</u>
Loss after income tax attributable to the Owners of Fluence Corporation Limited		
	<b>US Dollars</b>	<b>US Dollars</b>
Basic earnings per share	(0.0218)	(0.0238)
Diluted earnings per share	(0.0218)	(0.0238)

**(b) Loss per share from discontinued operations**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax	(667)	(985)
Non-controlling interest	35	42
	<u>(632)</u>	<u>(943)</u>
Loss after income tax attributable to the Owners of Fluence Corporation Limited		
	<b>US Dollars</b>	<b>US Dollars</b>
Basic earnings per share	(0.0009)	(0.0015)
Diluted earnings per share	(0.0009)	(0.0015)

**(c) Loss per share**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<i>Earnings per share for loss</i>		
Loss after income tax	(15,984)	(16,292)
Non-controlling interest	(28)	99
	<u>(16,012)</u>	<u>(16,193)</u>
Loss after income tax attributable to the Owners of Fluence Corporation Limited		
	<b>US Dollars</b>	<b>US Dollars</b>
Basic earnings per share	(0.0227)	(0.0253)
Diluted earnings per share	(0.0227)	(0.0253)

*Weighted average number of ordinary shares*

	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	704,123,094	640,485,267
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>704,123,094</u>	<u>640,485,267</u>

The options and performance rights are considered to be non-dilutive as the options are not in-the-money and therefore excluded from the weighted average number of shares used in the calculation of diluted loss per share. These options and performance rights may become dilutive in the future periods.

**Note 9. Cash and cash equivalents**

**(a) Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
Cash and cash equivalents	24,635	30,936
	<b>24,635</b>	<b>30,936</b>

**(b) Other financial assets**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
Restricted cash	89	90
Short term deposits	3,556	4,038
	<b>3,645</b>	<b>4,128</b>

Short-term deposits are collections from the Ivory Coast projects deposited for a period of less than twelve months.

**(c) Cash flow information**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
Loss after income tax	(15,984)	(16,292)
<i>Adjustment for:</i>		
Depreciation and amortisation expenses	2,038	2,404
Share based payments expense	1,881	1,679
Loss from discontinued operations	667	267
Increase in restructuring provision	1,542	3,455
Provision for losses	107	1,911
Inventory reserve	645	877
Warranty provision	-	685
Bad debt provision	1,622	506
Increase/(decrease) in employee benefits provision	(78)	100
Gain on disposal of property, plant and equipment	(32)	(108)
Share of profits of associates and joint ventures	(33)	(9)
Finance costs - net	(5,702)	(3,869)
Foreign exchange differences	2,582	2,234
<i>Change in operating assets and liabilities:</i>		
(Increase)/ decrease in trade and other receivables	4,829	(22,199)
Decrease in inventory	2,761	3,534
Decrease in prepaid expenses	2,253	4,996
(Increase)/decrease in net tax asset	(712)	425
(Increase)/decrease in other current and non-current assets	(37)	66
Increase in trade and other payables	(19,250)	5,724
Increase/(decrease) in contract liabilities	1,863	(6,871)
<b>Cash used in operations</b>	<b>(19,038)</b>	<b>(20,485)</b>

**Note 10. Trade and other receivables**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<i>Current assets</i>		
Trade receivables	17,547	20,703
Less: Allowance for expected credit losses	(2,224)	(1,775)
	<u>15,323</u>	<u>18,928</u>
Contract assets (unbilled receivables)	18,381	27,423
GST and other taxes receivable	1,312	965
Income tax receivable	124	826
Other receivables	156	396
	<u>19,973</u>	<u>29,610</u>
Other receivables	1,171	1,131
Provision for impairment - long-term receivables	(1,171)	(1,131)
	<u>35,296</u>	<u>48,538</u>

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>

**Movements in the allowance for expected credit losses are as follows:**

<i>Current allowance</i>		
Opening balance	(1,775)	(2,118)
Additional provision recognized in operating expenses	(474)	(48)
Additional provision recognized in other losses	(157)	(506)
Reversal of bad debt allowance	-	867
Currency translation differences	182	30
Closing balance	<u>(2,224)</u>	<u>(1,775)</u>

*Non-current allowance*

Opening balance	(1,131)	(1,200)
Currency translation differences	(40)	69
Closing balance	<u>(1,171)</u>	<u>(1,131)</u>

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>

**Movements in contract assets are as follows:**

Opening balance	27,423	14,638
Additions	60,480	106,534
Transfer to trade receivables	(67,557)	(89,824)
Write off	(991)	-
Currency translation differences	(974)	(3,925)
Closing balance	<u>18,381</u>	<u>27,423</u>

**Note 10. Trade and other receivables (continued)**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<b>Additional information on contract assets and liabilities</b>		
Total contract assets	18,381	27,423
Total contract liabilities	(22,130)	(24,801)
	<u>(3,749)</u>	<u>2,622</u>

Contract assets are balances due from customers under long-term contracts as work is performed and therefore a contract asset is recognised over the period in which the performance obligation is fulfilled. This represents the Group's right to consideration for the products and services transferred to date. Amounts are generally reclassified to contract receivables when they have been invoiced to the customer.

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

**Note 11. Inventories**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<i>Current assets</i>		
Raw materials - at cost	3,996	4,910
Work in progress - at cost	899	2,412
Finished goods - at lower of cost or net realisable value	795	1,230
	<u>5,690</u>	<u>8,552</u>

**Note 12. Prepayments and long-term deposits**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<i>Prepayments</i>		
Prepayments to vendors	2,513	6,016
<i>Long-term deposits</i>		
Collections from customers deposited for a period of more than twelve months	4,340	9,532
	<u>6,853</u>	<u>15,548</u>

Long-term deposits are collections from the Ivory Coast projects deposited for a period of more than twelve months.

### Note 13. Concession asset

In July 2018 the Group entered into a service concession arrangement in the Bahamas to build a seawater desalination potable treatment plant. The onsite execution and construction started in October 2018 and was completed in October 2019. Under the terms of the agreement, the Group will operate the desalination plant and provide water to the grantor for a period of 15 years. The Group will be responsible for any maintenance services required during the concession period. The grantor provides the Group a guaranteed minimum annual payment for each year that the desalination plant will be in operation. At the end of the concession period, the desalination plant will become the property of the grantor and the Group will have no further involvement in its operation or maintenance requirements. For the year ended 31 December 2023, the Group has recognised revenue of \$2.751 million on the desalination plant.

	<b>Consolidated</b>	<b>31 December</b>	<b>31 December</b>
		<b>2023</b>	<b>2022</b>
		<b>USD \$'000</b>	<b>USD \$'000</b>
<i>Current assets</i>			
Current concession asset		271	246
<i>Non-current assets</i>			
Non-current concession asset		2,770	2,619
		<u>3,041</u>	<u>2,865</u>

### Note 14. Other assets

	<b>Consolidated</b>	<b>31 December</b>	<b>31 December</b>
		<b>2023</b>	<b>2022</b>
		<b>USD \$'000</b>	<b>USD \$'000</b>
<i>Current assets</i>			
Miscellaneous project assets		293	-
Other		114	151
		<u>407</u>	<u>151</u>
<i>Non-current assets</i>			
Prepaid contract cost		66	178
Debt issuance cost		70	99
		<u>136</u>	<u>277</u>
		<u>543</u>	<u>428</u>

### Note 15. Investments accounted for using the equity method

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of relationship	Measurement method	31 December 2023	31 December 2022
					USD \$'000	USD \$'000
E.T.G.R Water Infrastructure Management	Israel	50%	Associate	Equity method	332	348

The Group holds 50% interest in E.T.G.R Water Infrastructure Management partnership. This investment contributed a gain of \$33,000 to Fluence Corporation Limited (2022: \$9,000), which is included in 'Other gains/(losses)' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.



**Note 15. Investments accounted for using the equity method (continued)**

Summarised below is the financial information of E.T.G.R Water Infrastructure Management as of 31 December 2023 and 31 December 2022.

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
Cash and cash equivalents	629	532
Trade and other receivables	58	118
Other assets	134	237
<b>Total assets</b>	<b>821</b>	<b>887</b>
Trade and other payables	(157)	(191)
<b>Net assets</b>	<b>664</b>	<b>696</b>
	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
Revenues	220	448
Cost of sales	(221)	(352)
Other expenses	67	(79)
	<b>66</b>	<b>17</b>

**Note 16. Property, plant and equipment**

<b>Consolidated entity</b>	<b>Land \$'000</b>	<b>Building and leasehold improvements \$'000</b>	<b>Protection equipment \$'000</b>	<b>Office furniture and equipment \$'000</b>	<b>Computers and peripheral equipment \$'000</b>	<b>Vehicles \$'000</b>	<b>Right of use assets \$'000</b>	<b>Total \$'000</b>
<b>At 1 January 2023</b>								
Cost or fair value	7	4,119	5,284	1,267	4,705	1,123	8,182	24,687
Accumulated depreciation	-	(1,138)	(4,150)	(1,106)	(3,129)	(844)	(5,472)	(15,839)
<b>Net book amount</b>	<b>7</b>	<b>2,981</b>	<b>1,134</b>	<b>161</b>	<b>1,576</b>	<b>279</b>	<b>2,710</b>	<b>8,848</b>
<b>Year ended 31 December 2023</b>								
Opening net book amount	7	2,981	1,134	161	1,576	279	2,710	8,848
Additions	-	966	122	29	518	123	80	1,838
Disposals	-	-	-	-	-	(21)	-	(21)
Depreciation charge	-	(93)	(347)	(61)	(303)	(131)	(939)	(1,874)
Exchange differences	1	(85)	(28)	(2)	52	(6)	(577)	(645)
<b>Closing book amount</b>	<b>8</b>	<b>3,769</b>	<b>881</b>	<b>127</b>	<b>1,843</b>	<b>244</b>	<b>1,274</b>	<b>8,146</b>
<b>At 31 December 2023</b>								
Cost or fair value	8	4,480	5,298	1,149	5,038	792	7,478	24,243
Accumulated depreciation	-	(711)	(4,417)	(1,022)	(3,195)	(548)	(6,204)	(16,097)
<b>Net book amount</b>	<b>8</b>	<b>3,769</b>	<b>881</b>	<b>127</b>	<b>1,843</b>	<b>244</b>	<b>1,274</b>	<b>8,146</b>

**Note 16. Property, plant and equipment (continued)**

Consolidated entity	Land \$'000	Building and leasehold improvements \$'000	Protection equipment \$'000	Office furniture and equipment \$'000	Computers and peripheral equipment \$'000	Vehicles \$'000	Right of use assets \$'000	Total \$'000
<b>At 1 January 2022</b>								
Cost or fair value	22	4,487	5,800	1,454	4,230	1,146	11,535	28,674
Accumulated depreciation	-	(1,086)	(4,189)	(1,122)	(3,008)	(716)	(5,970)	(16,091)
<b>Net book amount</b>	<b>22</b>	<b>3,401</b>	<b>1,611</b>	<b>332</b>	<b>1,222</b>	<b>430</b>	<b>5,565</b>	<b>12,583</b>
<b>Year ended 31 December 2022</b>								
Opening net book amount	22	3,401	1,611	332	1,222	430	5,565	12,583
Additions	-	-	13	-	418	14	411	856
Disposals	(15)	(345)	(11)	(48)	274	-	(677)	(822)
Disc Ops presentation	-	-	-	-	-	-	(815)	(815)
Depreciation charge	-	(91)	(389)	(71)	(274)	(121)	(1,333)	(2,279)
Exchange differences	-	18	(90)	(52)	(65)	(44)	(442)	(675)
<b>Closing book amount</b>	<b>7</b>	<b>2,983</b>	<b>1,134</b>	<b>161</b>	<b>1,575</b>	<b>279</b>	<b>2,709</b>	<b>8,848</b>
<b>At 31 December 2022</b>								
Cost or fair value	7	4,119	5,284	1,267	4,705	1,123	8,182	24,687
Accumulated depreciation	-	(1,138)	(4,150)	(1,106)	(3,129)	(844)	(5,472)	(15,839)
<b>Net book amount</b>	<b>7</b>	<b>2,981</b>	<b>1,134</b>	<b>161</b>	<b>1,576</b>	<b>279</b>	<b>2,710</b>	<b>8,848</b>

The 2022 note for Property, plant and equipment has been restated to account for the sale of the Aeration and Mixing assets of Fluence USA, please refer to note 3, Discontinued operations and asset classified as held for sale.

**Right of use assets**

The Group leases buildings for its offices and warehouses in some jurisdictions where it operates. The lease agreements range between one and five years, with, in some cases, options to extend. The terms of the leases are renegotiated on renewal.

The Group leases the vehicles for employees in some jurisdictions where it operates. The lease agreements for the vehicles range between one and five years.

**Note 17. Intangible assets**

Capitalised development costs	Consolidated 31 December 2023 USD \$'000	Consolidated 31 December 2022 USD \$'000
Opening net book amount	1,339	1,709
Amortisation charge	(159)	(175)
Currency translation differences	(40)	(195)
<b>Closing net book amount</b>	<b>1,140</b>	<b>1,339</b>

**Note 18. Trade and other payables and other liabilities**

	Consolidated	
	31 December 2023 USD \$'000	31 December 2022 USD \$'000
<b><u>Current liabilities</u></b>		
Trade payables	8,159	17,446
Accrued payroll liabilities	3,509	3,576
Accrued project expenses	18,494	23,030
Government grants	398	1,927
Other accruals	1,803	5,297
	32,363	51,276
<b><u>Non-current liabilities</u></b>		
Government grants	-	1,779
	32,363	53,055

**(i) Government Grant Liability**

The Group participates in programs sponsored by the Office of the Chief Scientist (“OCS”) of Israel, for the support of research and development projects. In exchange for the Chief Scientist's participation in the programs, the Group is required to repay the grant and interest by way of royalties at a rate between 3% and 4.5% of sales to end customers of products developed with funds provided by the Chief Scientist, if and when such sales are recognised.

As of 31 December 2023 and 31 December 2022, the Group recognised a liability to the OCS in the amount of \$398,000 and \$3,706,000 respectively for the obligation for future royalty payments. The recognition of a liability for the Group to repay the grants from future royalty payments is based on its estimation at the end of each year. In 2023, due to a change in circumstances and the Group's strategic direction, the amount of the remaining liability has decreased by \$2,662,000. The decrease in the liability has been recognised in the statement of profit and loss and other comprehensive income within the Research and development expense.

**Note 19. Borrowings**

On 29 July 2020, the Company entered into a loan agreement with an affiliate of Upwell to provide an initial \$20 million finance facility. In December 2021 the facility was increased by \$10.3 million. The facility was used to fund the BOO projects and the Company's working capital.

The Company has entered into an amendment to its loan agreement with Upwell to restructure its existing debt facility thereby providing the Company with more flexibility. A portion of the \$26.6 million (AU\$40.3 million) of funds raised from the capital raise undertaken in November 2023 was used to repay a significant amount of the Upwell term loan. The amendment includes revised financial covenants and customary amendment fees while maintaining the existing interest rate and other market terms. The Company has been compliant with the revised financial covenants in 2023.

**Note 19. Borrowings (continued)**

The term loan debt of \$14.6 million is presented as a current liability in the Consolidated statement of financial position as at 31 December 2023 and the balance matures in July 2024.

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<i>Borrowings and lease liability</i>		
Current borrowings and interest payable	15,752	1,265
<i>Non-current liabilities</i>		
Non-current borrowings	2,085	30,003
	<u>17,837</u>	<u>31,268</u>

Refer to note 26 for further information on financial risk management.

**Note 20. Lease liabilities**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<i>Current liabilities</i>		
Lease liability	977	966
<i>Non-current liabilities</i>		
Lease liability	496	2,125
	<u>1,473</u>	<u>3,091</u>

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<i>Future lease payments</i>		
Future lease payments are due as follows:		
Within one year	1,216	1,181
One to five years	598	3,006
Over 5 years	-	213
	<u>1,814</u>	<u>4,400</u>

Refer to note 26 for further information on financial risk management.

**Note 21. Provisions**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<b>Current</b>		
<i>Current liabilities</i>		
Employee benefits	1,241	1,341
Warranty reserve	1,041	2,529
Provision - onerous contracts	121	56
Restructuring provision	1,663	1,883
Other provisions	424	349
	4,490	6,158
<i>Non-current liabilities</i>		
Employee benefits	505	525
	4,995	6,683

<b>Consolidated entity</b>	<b>Employee benefits \$'000</b>	<b>Warranty \$'000</b>	<b>Onerous contracts \$'000</b>	<b>Restructuring provisions \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
<b>Current</b>						
At 1 January 2023	1,341	2,529	56	1,883	349	6,158
Additions	-	-	107	1,834	78	2,019
Reversed	-	(1,405)	-	(292)	-	(1,697)
Utilised	(21)	(94)	(45)	(1,733)	-	(1,893)
Currency translation differences	(79)	11	3	(29)	(3)	(97)
<b>At 31 December 2023</b>	<b>1,241</b>	<b>1,041</b>	<b>121</b>	<b>1,663</b>	<b>424</b>	<b>4,490</b>
<b>Non-current</b>						
At 1 January 2023	525	-	-	-	-	525
Utilized	(35)	-	-	-	-	(35)
Currency translation differences	15	-	-	-	-	15
<b>At 31 December 2023</b>	<b>505</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>505</b>

**Note 22. Contract liabilities**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
Contract liabilities	22,130	24,801
Long-term contract liabilities	226	-
	22,356	24,801

**Note 22. Contract liabilities (continued)**

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
<b>Current contract liabilities opening balance</b>	24,801	34,756
Payments received in advance	8,418	8,563
Transfer from long-term	-	2,820
Transfer to revenue	(10,667)	(18,123)
Transferred to discontinued operations	-	(176)
Currency translation differences	(422)	(3,039)
<b>Current contract liabilities closing balance</b>	<u>22,130</u>	<u>24,801</u>
<b>Long-term contract liabilities opening balance</b>	-	2,838
Payments received in advance	227	-
Transfer to current	-	(2,820)
Currency translation differences	(1)	(18)
<b>Long-term contract liabilities closing balance</b>	<u>226</u>	<u>-</u>
<b>Total contract liabilities</b>	<u><u>22,356</u></u>	<u><u>24,801</u></u>

The aggregate amount of the contract liabilities was \$22.356 million as at 31 December 2023 (\$24.801 million as at 31 December 2022) and is expected to be recognised as revenue in future periods as follows:

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$'000</b>	<b>USD \$'000</b>
0-6 months	4,061	6,899
6-12 months	18,069	17,902
1-5 years	226	-
	<u>22,356</u>	<u>24,801</u>

**Note 23. Contributed equity**

*Ordinary Shares - Fully Paid*

	<b>Consolidated</b>			
	<b>31 December 2023</b>	<b>31 December 2022</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>Shares</b>	<b>Shares</b>	<b>USD \$'000</b>	<b>USD \$'000</b>
Ordinary shares - fully paid	1,076,184,716	650,554,034	232,313	207,443
	<u><b>1,076,184,716</b></u>	<u><b>650,554,034</b></u>	<u><b>232,313</b></u>	<u><b>207,443</b></u>

	<b>Number of shares</b>	<b>USD \$'000</b>
<b>Opening balance 1 January 2022</b>	624,854,034	203,728
Private placement at AU\$0.21 per share	25,700,000	3,715
<b>Balance 31 December 2022</b>	<u><b>650,554,034</b></u>	<u><b>207,443</b></u>

**Note 23. Contributed equity (continued)**

	Number of shares	USD \$'000
Opening balance 1 January 2023	650,554,034	207,443
Private placement at AU\$0.12 per share issued at 8 November 2023	165,408,542	12,101
Private placement at AU\$0.08 per share issued at 8 November 2023	144,617,556	7,054
Private placement at AU\$0.08 per share issued at 4 December 2023	115,604,584	7,473
<b>Total share issue</b>	<b>425,630,682</b>	<b>26,628</b>
Transaction costs arising on share issue	-	(1,758)
Balance at 31 December 2023	<u>1,076,184,716</u>	<u>232,313</u>

*Transaction costs relating to share issues*

- Under AASB 132, incremental costs that are directly attributable to issuing new shares should be deducted from equity. Accordingly, the share issue expense relates to costs associated with the listing of new capital raised during the year; costs directly attributable to the issuing of new shares have been deducted from equity.

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group in proportion to the number of and amounts paid on the shares held. At shareholder meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

**Note 24. Reserves**

	Consolidated	
	31 December 2023	31 December 2022
	USD \$'000	USD \$'000
Options	12,111	10,230
Foreign currency translation reserve	(15,363)	(13,897)
	<u>(3,252)</u>	<u>(3,667)</u>

*Options*

**(a) Options**

	Number of options 31 December 2023	Number of options 31 December 2022
Opening balance	69,575,688	26,949,157
Unlisted options issued to employees and directors	23,540,000	49,375,000
Cancelled, lapsed and forfeited options	(5,877,066)	(6,748,469)
Closing balance	<u>87,238,622</u>	<u>69,575,688</u>



**Note 24. Reserves (continued)**

**(b) Summary of all unlisted options in existence**

Date options granted	Expiry date	Issue Price of shares	Number under option
		AU\$	
31 May 2017	25 May 2025	0.93	8,992,938
14 July 2017	25 May 2025	0.84	350,000
30 May 2019	14 July 2025	0.39	1,470,000
10 March 2020	1 March 2024	0.44	40,000
19 March 2020	1 March 2024	0.44	500,000
24 September 2020	30 May 2024	0.23	3,750
24 September 2020	31 May 2024	0.23	250
7 December 2020	29 August 2024	0.26	76,000
6 April 2021	31 May 2025	0.23	1,640,000
25 June 2021	25 June 2025	0.23	1,000,000
25 June 2021	25 August 2025	0.23	3,250,000
11 August 2021	18 August 2025	0.21	500,000
21 March 2022	1 January 2026	0.18	100,000
21 March 2022	1 July 2026	0.22	250,000
21 March 2022	1 January 2027	0.18	1,188,184
21 March 2022	1 January 2027	0.22	25,000
21 March 2022	22 March 2027	0.17	500,000
23 May 2022	31 March 2027	0.22	12,500,000
30 June 2022	30 June 2026	0.22	1,500,000
30 June 2022	14 March 2027	0.22	20,937,500
30 June 2022	14 March 2027	0.24	3,125,000
30 June 2022	14 March 2027	0.26	3,125,000
30 June 2022	14 March 2027	0.28	3,125,000
30 January 2023	15 January 2028	0.19	13,040,000
30 January 2023	15 January 2028	0.23	8,000,000
6 June 2023	6 June 2028	0.20	2,000,000
			<b>87,238,622</b>

*Foreign currency translation reserve*

Foreign currency translation reserve is used to record exchange differences on translation of foreign controlled subsidiaries. Amounts are reclassified to profit or loss when the investment is disposed of.

**Note 25. Non-controlling interest**

	Consolidated 31 December 2023 USD \$'000	Consolidated 31 December 2022 USD \$'000
Opening balance	(1,994)	(1,895)
Contributed equity	-	-
Profit for the year attributable to non-controlling interests	28	(99)
Transactions with NCI	-	-
Closing balance	<b>(1,966)</b>	<b>(1,994)</b>

## Note 25. Non-controlling interest (continued)

The group has three subsidiaries with non-controlling interests, none of which are material to the group.

- Desaladora Kenton SA de CV, Mexico was founded in December 2015 by RWL Water LLC group ('RWL') and Mexican partners in order to invest in the project to build, finance, operate and transfer (BOT) a seawater desalination plant in San Quintin, Baja California, Mexico. RWL holds the 51% ownership share in Desaladora Kenton SA de CV. For more details please refer to Note 3.
- Constructora Kenton SA de CV, Mexico was founded in May 2016 by RWL and Mexican partners in order to act as the EPC contractor for the project to build, finance, operate and transfer (BOT) a seawater desalination plant in San Quintin, Baja California, Mexico. RWL holds the 51% ownership share in Constructora Kenton SA de CV. For more details please refer to Note 3.
- In October 2018 the Group formed a new entity The International Company for Water Services and Infrastructure S.A.E. in Egypt to supply the desalination plants to projects owned by the Egyptian Ministry of Housing. The Group holds 75% share in this entity.
- In May 2020 the Group formed a new entity, Bimini Water Services Ltd which is held 60% by the Group to supply water to the customers in Bimini, the Bahamas for 15 years.

## Note 26. Financial risk management

### Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), collection risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

### (a) Market risk

#### (i) Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The Group is also subject to foreign exchange risk from the capital and currency controls in Argentina. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows

### Consolidated entity

31 December 2023

	ILS \$'000	EUR \$'000	AUD \$'000	ARS \$'000	CNY \$'000	BRL \$'000	AED \$'000	EGP \$'000	CFA \$'000	SGD \$'000
Assets	4,877	16,262	1,031	2,193	6,687	1,365	84	455	1,283	5
Liabilities	(5,667)	(9,942)	(598)	(2,034)	(6,879)	(2,383)	(169)	(588)	(245)	-
	<b>(790)</b>	<b>6,320</b>	<b>433</b>	<b>159</b>	<b>(192)</b>	<b>(1,018)</b>	<b>(85)</b>	<b>(133)</b>	<b>1,038</b>	<b>5</b>

Most of the contracts for Argentina and Brazil are denominated in United States dollars. Currency fluctuations would have no substantial impact on the entities financial position.

A strengthening or weakening of 10% of the United States Dollar against the following currencies would have an equal and opposite effect on loss after tax and equity as outlined below. The analysis assumes that all other variables, in particular interest rates, remain constant.

**Note 26. Financial risk management (continued)**

The use of 10% and 70% was determined based on the analysis of the above currencies change, on an absolute value basis, between 31 December 2023 and 31 December 2022.

	<b>2023</b>
	<b>USD \$'000</b>
	<b>+10%/-10%</b>
Israeli New Shekel (ISL)	79/(79)
Euro (EUR)	632/(632)
Australian Dollar (AUD)	43/(43)
Egyptian Pound (EGP)	13/(13)
Chinese Yuan (CNY)	19/(19)
Brazilian Real (BRL)	102/(102)
United Arab Emirates Dirham (AED)	9/(9)
Singapore Dollars (SGD)	1(1)
West Africa CFA franc (XOF)	104/(104)
	<b>+70%/-70%</b>
Argentine Peso (ARS)	112/(112)

*(ii) Interest rate risk*

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

**(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to ensure the prompt collection of customers' balances. The Group's main financial assets are cash and cash equivalents as well as trade and other receivables and represent the Group's maximum exposure to credit risk in connection with its financial assets. Trade and other receivables are carried on the Statement of Financial Position net of bad and doubtful debt provisions estimated by management based on prior year experience and an evaluation of prevailing economic circumstances. Wherever possible and commercially practical the Group holds cash with major financial institutions in various regions.

The Group has a credit risk exposure with a major customer, which as at 31 December 2023 owed the Group \$5,581,000 (17% of trade and unbilled receivables) (2022:\$19,340,000). This balance was within its terms of trade and no impairment was made as at 31 December 2023. Management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk. As long as Fluence is performing its obligations as per the contract, the credit risks remains low.

**Note 26. Financial risk management (continued)**

*Maturity profile*

The table below analyses the consolidated entity's financial assets into relevant maturity groupings based on the aging profile at the reporting date. The amounts disclosed in the table are the aging profiles of trade and other receivables for the Group.

	<b>Less than 6 months \$'000</b>	<b>Greater 6 months \$'000</b>	<b>Total contractual cash flows \$'000</b>
<b>Contractual maturities of financial assets</b>			
<b>At 31 December 2023</b>			
Trade receivables	11,959	3,364	15,323
Other receivables	-	156	156
Contract assets (unbilled receivables)	14,925	3,456	18,381
	<u>26,884</u>	<u>6,976</u>	<u>33,860</u>
<b>Contractual maturities of financial assets</b>			
<b>At 31 December 2022</b>			
Trade receivables	18,382	546	18,928
Other receivables	352	44	396
Contract assets (unbilled receivables)	23,106	4,317	27,423
	<u>41,840</u>	<u>4,907</u>	<u>46,747</u>

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, amounts due from customers, as well as on loan commitments and financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

**Note 26. Financial risk management (continued)**

**(c) Liquidity risk**

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding when needed.

*Maturity profile*

The table below analyses the consolidated entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contracted undiscovered cash flows.

	Weighted average interest rate %	Less than 6 months \$'000	Between 6 months and 12 months \$'000	Greater than 12 months	Total contractual cash flows \$'000
<b>Contractual maturities of financial liabilities At 31 December 2023</b>					
<i>Non-interest bearing</i>					
Trade and other payables and other liabilities		24,797	7,566	-	32,363
<i>Interest-bearing-fixed rate</i>					
Borrowings	11.7%	3,028	12,871	1,938	17,837
Lease liabilities	4.7%	493	484	496	1,473
		<b>28,318</b>	<b>20,921</b>	2,434	<b>51,673</b>
<b>At 31 December 2022</b>					
<i>Non-interest bearing</i>					
Trade and other payables and other liabilities	-	40,136	12,919	-	53,055
<i>Interest-bearing-fixed rate</i>					
Borrowings	11.9%	785	480	30,003	31,268
Lease liabilities	4.7%	551	552	1,988	3,091
		<b>41,472</b>	<b>13,951</b>	31,991	<b>87,414</b>

**(d) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution. The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's Management the Board monitors the need to raise additional equity from the equity markets.

**(e) Loan covenants**

The Company has entered into an amendment to its loan agreement with Upwell to restructure its existing debt facility, providing the Company with more flexibility. A portion of the AU\$40.3 million of funds raised from the capital raise undertaken in November 2023 was used to repay a significant amount of the Upwell term loan. The amendment includes revised financial covenants and customary amendment fees while maintaining the existing interest rate and other market terms. The Company was compliant with the revised financial covenants in 2023.

The term loan debt is presented as current liability in the Consolidated statement of financial position as the balance matures in July 2024. The balance outstanding on the term loan at 31 December 2023 amounts to US\$14.6 million.

## Note 27. Recognised fair value measurements

### Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed are categorised according to the fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1 USD \$'000	Level 2 USD \$'000	Level 3 USD \$'000	Total USD \$'000
<b>Consolidated - 31 December 2023</b>				
<i>Liabilities</i>				
Government grant liability	-	-	398	398
Total liabilities	-	-	398	398

	Level 1 USD \$'000	Level 2 USD \$'000	Level 3 USD \$'000	Total USD \$'000
<b>Consolidated - 31 December 2022</b>				
<i>Liabilities</i>				
Government grant liability	-	-	3,706	3,706
Total liabilities	-	-	3,706	3,706

### Disclosed fair values

Due to their short-term nature, the carrying amount of trade and other receivables, trade and other payables and provisions are assumed to approximate their fair values because the impact of discounting is not significant.

### Valuation techniques and assumptions used to derive Level 3 fair values recognised in the financial statements

In 2023, due to a change in the estimate of the liability in relation to the Office of the Chief Scientist, the amount of the remaining liability has decreased by \$2,662,000. The decrease in the liability is due to a change in circumstances and the Group's strategic direction. The decrease in the liability has been recognised in the statement of profit and loss and other comprehensive income within the Research and development expense. In the prior year the discount rate was estimated at 18.2%.

### Reconciliation of Level 3 fair value movements

The following table sets out the movements in Level 3 fair values for recurring measurements

	Government grants USD \$'000	Total USD \$'000
<b>Balance at 1 January 2022</b>	3,833	3,833
Adjustment to fair value of liability	(478)	(478)
Currency translation differences	351	351
<b>Balance at 31 December 2022</b>	3,706	3,706
Payment	(612)	(612)
Adjustment to fair value of liability	(2,662)	(2,662)
Currency translation differences	(34)	(34)
<b>Balance at 31 December 2023</b>	398	398

**Note 28. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Group, and its network firms:

	<b>Consolidated</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>USD \$</b>	<b>USD \$</b>
<b>Audit and other assurance services</b>		
Audit and review of financial statements - BDO Audit Pty Ltd	188,000	172,500
Audit and review of financial statements - BDO related practices	197,249	201,387
	<b>385,249</b>	<b>373,887</b>
<b>Other services</b>		
Non-assurance services - BDO Services Pty Ltd.	9,500	7,500
Non-assurance services - BDO related practices	29,340	32,172
	<b>38,840</b>	<b>39,672</b>

*BDO non-assurance services relate to the provision of services in connection with tax lodgement.*

**Note 29. Commitments and contingent liabilities**

In the ordinary course of business, the Group is exposed to minor litigations and claims. There were no material ongoing litigations at 31 December 2023.

**Note 30. Related party transactions**

***Parent entity***

Fluence Corporation Limited is the legal parent entity in the consolidated Group.

***Subsidiaries***

Interests in subsidiaries are set out in note 32.

***Key management personnel***

Disclosures relating to key management personnel are set out in note 6 and the remuneration report included in the directors' report.

***Loans to/from related parties***

Other than the issue of shares and options, no other related party transactions have been entered into between key management personnel and the Group during the financial years 2023 and 2022.



**Note 31. Parent entity financial information**

The functional currency of the parent entity is Australian Dollars. The individual Financial Statements for the parent entity show the following aggregate amounts:

	<b>31 December 2023 \$'000 AUD</b>	<b>31 December 2022 \$'000 AUD</b>
Current assets	319	768
<b>Total assets</b>	<b>275,805</b>	<b>5,349</b>
Current liabilities	482	543
<b>Total liabilities</b>	<b>732</b>	<b>1,059</b>
Issued capital	290,465	252,432
Foreign currency translation reserve	29,015	30,209
Accumulated losses	(301,499)	(278,351)
<b>Total equity</b>	<b>17,981</b>	<b>4,290</b>
Loss for the period	(23,148)	(38,687)
<b>Total comprehensive loss</b>	<b>(23,148)</b>	<b>(38,687)</b>

**Guarantees entered into by the parent entity in relation to the debts of its subsidiaries**

The parent entity has not entered into any guarantees in the current or prior financial year in relation to the debts of its subsidiaries.

**Significant accounting policies**

The accounting policies of the parent entity are consistent with those of the Group as disclosed in Note 1, except for Investments in subsidiaries that are carried at cost less accumulated impairment.

**Contractual commitments and contingent liabilities**

At 31 December 2023 Fluence Corporation Limited had no contractual commitment and contingent liabilities.

**Note 32. Subsidiaries**

<b>Name</b>	<b>Place of incorporation</b>	<b>Ownership interest 2023</b>	<b>Ownership interest 2022</b>
<i>Parent Entity</i>			
Fluence Corporation Limited	Australia		
<i>Subsidiaries of Fluence Corporation Limited</i>			
Fluence Water Products and Innovation Limited	Israel	100%	100%
Fluence Hong Kong Limited	Hong Kong	100%	100%
<i>Subsidiaries of Fluence Hong Kong Limited</i>			
Fluence Water Technologies (Jiangsu) Limited	China	100%	100%
Fluence China Limited (Liaoning)	China	100%	100%
Fluence (Hunan) Water Technologies Limited	China	100%	100%
<i>Subsidiaries of Fluence Corporation LLC</i>			
Fluence Corporation LLC	USA	100%	100%
<i>Subsidiaries of Fluence Corporation LLC</i>			
Aeromix Systems, Incorporated	USA	100%	100%
Fluence Middle East FZE	UAE	100%	100%
Nirosoft Trading (1987) Limited	Israel	100%	100%
Fluence Water Israel Limited	Israel	100%	100%
<i>Subsidiaries of Fluence Water Israel Limited</i>			
Nirosoft Cyprus Limited	Cyprus	100%	100%
FLC Water Mexico S de RL de CV	Mexico	100%	100%
Constructora Kenton SA de CV	Mexico	51%	51%
<i>Subsidiaries of Fluence Corporation LLC</i>			
Fluence Investments Limited	United Kingdom	100%	100%
<i>Subsidiaries of Fluence Investments Limited</i>			
RWL Desal Holding S de RL de CV	Mexico	100%	100%
Desaladora Kenton SA de CV	Mexico	51%	51%
Fluence Water Singapore PTE Ltd	Singapore	100%	100%
Fluence Philippines, Inc	Philippines	100%	100%
Fluence Taiwan Ltd.	Taiwan	100%	
Fluence Colombia S.A.S.	Colombia	87%	
<i>Subsidiaries of Fluence Corporation LLC</i>			
Fluence Argentina SA	Argentina	100%	100%
<i>Subsidiaries of Fluence Argentina SA</i>			
Fluence Brazil Industria e Comercio de Sistemas de Tratamento de Agua Ltda.	Brazil	100%	100%
<i>Subsidiaries of Fluence Corporation LLC</i>			
Fluence Italia S.R.L	Italy	100%	100%
<i>Subsidiaries of Fluence Corporation LLC</i>			
Fluence Investments LLC	USA	100%	100%
<i>Subsidiaries of Fluence Investments LLC</i>			
Fluence Water Jamaica	Jamaica	100%	
International Company for Water Services and Infrastructure S.A.E.	Egypt	75%	75%
<i>Subsidiaries of Fluence Corporation LLC</i>			
FLC Boot Finance LLC	USA	100%	100%
<i>Subsidiaries of FLC Boot Finance LLC</i>			
FLC Generate GCM SA de CV	Mexico	100%	100%
Bimini Water Services Ltd.	Bahamas	60%	60%
FLC Water Bahamas Limited	Bahamas	100%	100%

**Note 33. Events after the reporting period**

On February 2, 2024, the Company entered into an Asset Purchase Agreement with Newterra Inc. for the sale of the Aeration and Mixing assets owned by its subsidiary Fluence USA with the cash proceeds of \$2.0 million. The Aeration assets were determined to be noncore by Fluence management. The transaction is expected to improve liquidity and allow Fluence to streamline its focus on its core Municipal Water and Wastewater operations.

In December 2023, the Company approved the issuance of 31,500,000 options to certain members of senior management and the Board. Each option has an exercise price of AU\$0.10 per option, representing a 25% premium to the December placement price and a 10% premium to both the 20 and 30-day VWAP from the date of the Board approval. All options will vest over 4-years. 16,500,000 of the options issued to senior management (excluding the CEO and MD) were issued on 31 January, 2024. The balance of the options are to be issued to the CEO and Managing Director and non-executive Board members following, and subject to shareholder approval at the AGM.

For the period ending January 2024, the Group was not in compliance with its consolidated DSCR covenant but received an unconditional waiver from Upwell. Fluence continues to make all principal and interest payments on time.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



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Thomas Pokorsky  
CEO and Managing Director

28 March 2024  
Minneapolis, Minnesota

## INDEPENDENT AUDITOR'S REPORT

To the members of Fluence Corporation Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Fluence Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<p><b>Revenue recognised over time</b></p> <p>The Group is predominately a project driven business and generates revenue from contracts in geographic regions around the world. The Group also signed an addendum to the Ivory Coast Main Works Project contract during the year that includes a new scope of works.</p> <p>Under AASB 15 <i>Revenue from Contracts with Customers</i>, contract revenue can be recognised over time or at point in time, as performance obligations are fulfilled.</p> <p>AASB 1059 <i>Service Concession Arrangements</i> is also applicable to Fluence’s Build, Own, Operate (‘BOO’) contracts.</p> <p>Revenue recognised over time has been determined as a key audit matter due to the:</p> <ul style="list-style-type: none"> <li>• Complexity associated with accounting for individual contract terms and conditions and the timing of revenue recognition</li> <li>• Degree of estimation required over the course of a contract in relation to costs to complete and profit margins</li> <li>• Judgement involved to assess the probability of recovery of contract assets and receivables.</li> </ul> <p>The accounting policy for revenue is described in Note 1, ‘<i>Revenue recognition</i>’, details of the key accounting estimates and assumptions associated with revenue are disclosed in Note 1, ‘Revenue recognised over time’, and a split of revenue recognised over time or point in time is included in Note 4.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Evaluating Management’s processes and controls in respect of the recognition of revenue to ensure compliance with AASB 15.</li> <li>• Assessing the accounting treatment, through technical consultation with BDO’s IFRS experts, for the Ivory Coast Project Addendum to determine whether revenue is recognised in accordance with AASB 15.</li> <li>• Selecting a sample of contracts for testing, focusing on contracts which may indicate that a greater level of judgement is required in recognising revenue over time, including: <ul style="list-style-type: none"> <li>• History of issues identified</li> <li>• Likelihood of risk events</li> <li>• Material new contracts</li> <li>• High value contracts which may also include more than one performance obligation</li> </ul> </li> <li>• For the samples selected the following procedures were performed, as appropriate: <ul style="list-style-type: none"> <li>• Obtaining an understanding of the contract terms and conditions to evaluate whether they reflected Management’s position including estimated forecast revenue and costs</li> <li>• Reviewing the determination and allocation of each performance obligation and associated margin</li> <li>• Vouching a sample of costs incurred to date and agreeing these to supporting documentation</li> <li>• Testing the determination of the revenue recognition for BOO. contracts in accordance with AASB 1059 and the associated margins and timeline in line with the terms of the concession arrangement</li> <li>• Assessing the measurement of stage of completion for contracts which satisfy the requirement to record revenue over time</li> <li>• Corroborating the contract status through examinations of third-party evidence, such as approved variations and customer or subcontractor correspondence.</li> </ul> </li> <li>• Assessing the appropriateness of the relevant disclosures in the financial statements.</li> </ul>

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p><b>Accounting of the Office of Chief Scientists liability in Israel</b></p> <p>The Group recognises a grant liability from the Israeli Chief Scientist Office ('OCS' or 'IIA'). Each reporting period, the fair value of the liability is calculated based on discounted cash flows derived from future anticipated revenues generated from the Intellectual Property ('IP') financed by the OCS.</p> <p>The OCS liability has been determined as a key audit matter given the material reduction of the liability in the current year requiring addition support around the underlying estimates and judgements.</p> <p>The accounting policy for the OCS liability is described in Note 18(i), details of the key accounting estimates and assumptions associated with this liability are disclosed in Note 1, 'Fair value of financial liability'.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Reviewing management's calculations to determine the liability including changes in the underlying estimates and judgements at balance date.</li> <li>• Understanding management's changes in the underlying future cash flows and judgements by reviewing the correspondence from an external legal advisor.</li> <li>• Confirming the outstanding liability balance through independent verification on the Israel Innovation Authority website to validate the liability recognised at year-end.</li> <li>• Reviewed the arrangements and understanding the accounting implications including feasibility of management's plans.</li> <li>• Assessing the appropriateness of the relevant disclosures in the financial statements.</li> </ul>

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 16 to 32 of the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Fluence Corporation Limited, for the year ended 31 December 2023, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit Pty Ltd**



Katherine Robertson  
Director

Melbourne, 28 March 2024

**Fluence Corporation Limited**  
**Shareholder information**  
**31 December 2023**

Following is a summary of shareholder information as at 1 March 2024.

**Equity security holders**

***Distribution of equity securities***

Analysis of number of equity security holders by size of holding:

<b>Holdings Ranges</b>	<b>Ordinary Shares</b>			<b>Unquoted Options</b>		
	<b>Holders</b>	<b>Total Units</b>	<b>%</b>	<b>Holders</b>	<b>Total Units</b>	<b>%</b>
1-1,000	510	109,927	0.010	0	0	0.000
1,001-5,000	840	2,414,018	0.220	2	8,000	0.008
5,001-10,000	472	3,758,557	0.350	0	0	0.000
10,001-100,000	1,155	41,077,772	3.820	8	377,000	0.369
100,001-9,999,999,999	317	1,028,824,442	95.600	16	101,772,797	99.623
<b>Totals</b>	<b>3,294</b>	<b>1,076,184,716</b>	<b>100.000</b>	<b>26</b>	<b>102,157,797</b>	<b>100.000</b>

***Holding less than a marketable parcel***

Based on the Fluence closing share price on March 1, 2024 of A\$0.160, there were 1,041 holders of less than a marketable parcel of ordinary shares, holding 1,215,860 shares in aggregate.

***Holdings of 20% or more of the unquoted securities***

The following person(s) hold 20% or more of the unquoted equity securities:

<b>Name</b>	<b>Securities</b>	<b>Number Held</b>
Thomas Pokorsky	Options	29,296,875

***Voting Rights***

All issued ordinary shares carry one vote per share.

All options do not carry the right to vote.

***Top 20 largest holders of ordinary shares***

<b>Name</b>	<b>Balance as at 1 March 2024</b>	<b>%</b>
CITICORP NOMINEES PTY LIMITED	217,390,949	20.200%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	149,546,551	13.896%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	124,666,442	11.584%
MR NIKOLAUS EGON MORITZ OLDENDORFF	110,747,116	10.291%
RARE COSTA SUPER PTY LTD <RARE COSTA SUPER FUND A/C>	47,500,000	4.414%
JAGEN GROUP INVESTMENT PTY LTD <JAGEN GROUP INVESTMENT A/C>	41,875,000	3.891%
POND VENTURES NOMINEES 111 LIMITED	36,264,579	3.370%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	25,685,483	2.387%
PLAN B VENTURES I LLC	20,007,151	1.859%
MR RICHARD SMITH	15,970,870	1.484%
EMPLOYEE EQUITY ADMINISTRATION PTY LTD	15,280,825	1.420%
PYXIS HOLDINGS PTY LTD <THE MAPLETREE A/C>	14,000,000	1.301%

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**Fluence Corporation Limited**  
**Shareholder information**  
**31 December 2023**

JAGEN PTY LTD	11,644,393	1.082%
BNP PARIBAS NOMS PTY LTD	10,630,298	0.988%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,994,027	0.929%
MR HAO JING	9,100,000	0.846%
WILLJO PTY LTD <THE SOLO 1 A/C>	8,500,000	0.790%
PYXIS HOLDINGS PTY LTD <THE MAPLETREE A/C>	8,000,000	0.743%
DEBORAH L BROWN <2020 IRREVOCABLE A/C>	6,500,000	0.604%
DOUGLAS R BROWN <2020 IRREVOCABLE A/C>	6,500,000	0.604%
Total Securities of Top 20 Holdings	889,803,684	82.681%
Total Securities of remaining shareholders	186,381,032	17.319%
<b>Total of Securities</b>	<b>1,076,184,716</b>	<b>100.000%</b>

**Substantial Holders**

Substantial holders in the Company, as disclosed in substantial holding notices given to the Company, are set out below:

<b>Name</b>	<b>Number held</b>	<b>Percentage</b>
Douglas R Brown	150,500,000	13.98%
Regal Funds Management Pty Limited and its associates	97,005,139	9.01%
Nikolaus Egon Moritz Oldendorff	107,997,116	11.2429%

**On-market buy-back**

There is no current on-market buy-back

**Shareholder enquiries**

Shareholders with enquiries about their shareholdings should contact the share registry:

Boardroom Pty Ltd  
Level 8, 210 George Street, Sydney, NSW, 2000, Australia  
Telephone: 1300 737 760 (local), +61 2 9290 9600 (international)  
Email: [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)  
Post: GPO Box 3993, Sydney NSW 2001

**Change of address, change of name, consolidation of shareholdings**

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

**Annual report**

Shareholders do not automatically receive a hard copy of the Company's Annual Report unless they notify the Share Registry in writing. An electronic copy of the Annual Report can be viewed on the company's website: [www.fluencecorp.com](http://www.fluencecorp.com)

**Corporate Governance Statement**

Refer to the Company's Corporate Governance statement at: <https://www.fluencecorp.com/investor-news/>

**Tax file numbers**

It is important that Australian resident Shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

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**Fluence Corporation Limited**  
**Shareholder information**  
**31 December 2023**

**CHES (Clearing House Electronic Sub-register System)**

Shareholders wishing to move to uncertified holdings under the Australian Securities Exchange CHES system should contact their stockbroker.

**Uncertified share register**

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of an individual/company's holding.

**Company Secretary**

The name of the Company Secretary is Ms Melanie Leydin.

**Registered office**

The address of the registered office is Level 4, 96-100 Albert Road, South Melbourne VIC 3205, Australia.

Phone: +61 3 9692 7222

**Stock exchange listing**

Quotation has been granted for all the ordinary shares of the Group on all member exchanges of the Australia Securities Exchange Limited.

**Closing Date for Director Nominations for Annual General Meeting**

An election of Directors will be held at the Company's 2024 Annual General Meeting on 30 May 2024. Notice is hereby given in accordance with ASX Listing Rules 3.13.1 and the Company's constitution that the closing date for receipt of nominations from persons wishing to be considered for election as a Director is 9 April 2024 ('Closing Date').

Nomination must be received in writing no later than 5.00pm (Melbourne Time) on the Closing Date at the Company's registered office.

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