

1. Company details

Fluence Corporation Limited Appendix 4D Interim Half-year Report Half-year 30 June 2024

Name of entity:	Fluence Corporation Limited
ABN:	52 127 734 196
Reporting period:	For the half-year ended 30 June 2024
Previous period:	For the half-year ended 30 June 2023

2. Results for announcement to the market

Current reporting period - half year ended 30 June 2024
Previous - half year ended 30 June 2023

			\$'000
Revenues from ordinary activities from continuing operations	down	34% to	20,070
Loss from ordinary activities after tax attributable to the Owners of Fluence Corporation Limited	up	9% to	(9,498)
Loss for the half-year attributable to the Owners of Fluence Corporation Limited	up	9% to	(9,498)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

The loss for the Group after providing for income tax and non-controlling interest amounted to \$9,498,000 (30 June 2023: \$8,719,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.10</u>	<u>0.89</u>

Explanation of the above information:

Refer to the Directors' Report - Review of operations.

To be read in conjunction with the 31 December 2023 Annual Report

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ABN 52 127 734 196

Fluence Corporation Limited

Interim Report - 30 June 2024

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Directors' Report

The Directors present their report, together with the financial statements for the six months ended 30 June 2024 ("H1 2024") of Fluence Corporation Limited ("Fluence", the "Company", and together with its subsidiaries, the "Group"). Please note that unless otherwise stated, all figures are in US Dollars.

Directors

The following persons held office as Directors of Fluence for the whole of the period unless otherwise stated:

Mr Douglas Brown, Chairman
Mr Thomas Pokorsky, CEO and Managing Director
Mr Paul Donnelly, Lead Independent Director, Non-Executive Director
Mr Richard Irving, Non-Executive Director
Mr Ross Haghghat, Non-Executive Director
Mr Mel Ashton, Non-Executive Director
Mr Nikolaus Oldendorff, Non-Executive Director (appointed 22 April 2024)

Introduction

During H1 2024, Fluence continued to execute its renewed strategy of shifting focus to high-margin Smart Product Solutions ("SPS") and Recurring Revenue through its realigned and product-focused business units while transitioning away from low-margin Custom Engineering Solutions ("CES") projects. Through H1 2024, the Company has completed the most significant elements of the restructuring and realignment of the business announced in Q4 2022, although we are still evaluating opportunities to improve efficiency and lower costs. The benefits the Company has already begun to realise from this realignment include: (1) enhanced commercial collaboration across all business units; (2) a significant reduction of \$2.4 million (19%) in fixed costs in H1 2024 as compared to H1 2023 and a reduction of \$3.5 million as compared to H1 2022 prior to the changes being implemented^[1]; and (3) improved ability to allocate capital effectively.

The strategic realignment and reorganisation announced in Q4 2022 is continuing to enhance the stated goals of growing the Company's sales reach, improving efficiency, reducing costs, and ultimately improving EBITDA growth. 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 ("MWW")** treatment includes MABR (Aspiral, SUBRE and Nitro) and Nirobox products (formerly Decentralized Municipal Water & Wastewater or DMWW);
- **Industrial Wastewater & Biogas ("IWB")**, provides 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 (formerly High-Strength Wastewater and Waste-to-Energy or HSWW);
- **Industrial Water & Reuse ("IWR")** solutions, focusing on water reuse applications and high-growth markets such as lithium mining that supports the trend toward electrification (formerly Specialized Industrial Water or SIW);
- **Southeast Asia and China ("SEA & China")**, with a particular focus on efforts in countries such as Taiwan, Vietnam, Cambodia and South Korea to strengthen and diversify its sales pipeline;
- Recurring Revenue, including **Build-Own-Operate ("BOO")** projects and Operations & Maintenance ("O&M") contracts for equipment sales; and
- The Ivory Coast Main Works and Addendum projects ("IVC").

While the change to Fluence's strategy is gaining traction and the majority of the realignment and reorganization is largely complete, the Company still anticipates some periods of volatility in revenue, profitability and cash flow as the Company's transformation is still in progress. This was evident in H1 2024 with the core business units showing strong growth and performance but the delays to the Ivory Coast project, which still makes up a significant amount of Fluence's revenue and cash flow, ultimately had a negative impact on the H1 2024 financial results.

^[1] SG&A and R&D in Q2 2023 excludes the reversal of the Chief Scientist liability.

H1 2024 Review

During H1 2024, the Company is reporting the following highlights:

- Total H1 2024 Revenue of \$20.1 million was 34% lower than H1 2023 primarily due to delays in commencing work on the Ivory Coast Addendum project. H1 2024 revenue from the Ivory Coast project was \$0.7 million as compared to \$13.2 million of revenue in H1 2023.
- H1 2024 SPS plus Recurring Revenue of \$19.2 million, representing 14% growth over H1 2023.
- Gross margins of 30.2% in H1 2024, an increase of 8.7% over H1 2023.
- Total backlog as of 30 June 2024 sits at \$96.6 million, an increase of \$43.8 million (+83%) over Q2 2023. SPS plus Recurring Revenue backlog is equal to \$51.2 million.
- SG&A and R&D savings in H1 2024 of \$2.4 million (19% savings) when compared to H1 2023^[2].
- Cash balance of \$7.9 million plus \$7.8 million in security deposits as at June 30, 2024. Negative cash flow in Q1 2024 was expected, however, operating cash flow underperformed expectations in Q2 2024 due to the delayed start of the Ivory Coast Addendum project, delays in certain large collections forecasted to be received and other project delays. H2 2024 is expected to be operating cash flow positive. Repaid \$2.3 million in debt in Q2 2024 and \$3.6 million overall in H1 2024.
- Fully repaid the loan facility with Upwell Water LLC (the "Upwell Facility") in July 2024 and secured a new revolving credit facility for up to \$15.0 million (the "Revolving Facility"), which will provide the Company considerable interest savings and operating flexibility.

Revenue in H1 2024 of \$20.1 million was \$10.5 million lower than H1 2023, however, when adjusting for the impact of Ivory Coast, revenue in the core business grew by \$2.2 million. It is expected that total revenue will increase significantly in H2 2024

The shift in focus toward our SPS and Recurring Revenue products and services is having the desired effect of improving gross margins, which saw an increase in H1 2024 to 30.2% (up 8.7% vs. H1 2023). These improved gross margins were also in-line with Q4 2023 margins of 30.6%, which were higher than any other quarter in FY2023.

SG&A and R&D costs also continued to improve. With the full benefit of the FY2023 reorganisation combined with the sale of the Aeration & Mixing assets ("Aeration Assets") in Q1 2024, the Company realised \$1.4 million (22%) in savings in Q2 2024 as compared to Q2 2023 and \$2.4 million in savings in H1 2024 as compared to H1 2023^[2] (19%).

Despite the increase in SPS and Recurring Revenue, higher gross margins and lower SG&A and R&D, administrative delays in the Ivory Coast Addendum project and the slowdown in China have resulted in an EBITDA^[3] loss in H1 2024 of \$3.6 million.

In light of the project delays in H1 2024, particularly those related to the Ivory Coast Addendum, and the continued slowdown in China, Fluence revised its annual guidance for FY 2024 to total revenue of \$70-75 million (from \$90-100 million) and breakeven EBITDA (from \$3.5-4.0 million), however risks of further project delays in relation to the Ivory Coast Addendum and a recovery in China remain.

Our overall sales pipeline saw continued growth since Q2 2023 in Q2 2024 and has increased by \$576 million to \$1,034 million (+126%). North America continues to lead the way, particularly in MWW, where the pipeline has grown from \$38 million in Q2 2023 to \$242 million due to the investment in sales and technical talent the Company has made in the region. The total sales pipeline represents over 450 opportunities, which results in an average potential project size of \$1.4 million (excluding BOO).

Fluence signed \$24.8 million in new order bookings in H1 2024, an increase of \$6.4 million or 35% over H1 2023. In addition, there are over \$16 million of orders that are under Letter of Intent or expected to close imminently. As a result, total backlog as of Q2 2024 sits at \$96.6 million, of which \$51.2 million are SPS and Recurring Revenue, which represents an increase of \$43.8 million (+83%) over Q2 2023 and \$5.2 million (+5.7%) higher than Q1 2024. Of the \$96.6 million of backlog, \$38.9 million is forecasted to be recognised in FY2024. The Company is forecasting to book \$50-60 million in new orders in H2 2024.

^[2] SG&A and R&D in Q2 2023 excludes the reversal of the Chief Scientist liability.

^[3] EBITDA excludes the impact of Other Gains and Losses, which include FX gains and losses, gains and losses related to various legacy balance sheet items, restructuring, and other exceptional items.

Key Wins in H1 2024

The Company secured a number of important wins in H1 2024, including:

- Cartiere di Trevi paper mill WWTP - Trevi, Italy (\$2.3 million);
- International Fish Processor Phase 2 WWTP - Mazatlan, Mexico (\$0.8 million)
- Needmore WWTP - Indiana, USA (\$0.5 million);
- Xinyang City Highway System WWTP - Henan Province, China (\$0.5 million);
- Fiddlesticks, FL Country Club WWTP (\$1.5 million);
- Verona, Italy (confidential client) chicken slaughterhouse WWTP Phase 3 (\$1.4 million);
- 1st Municipal O&M Agreement - Red Bluff, TX Dam;
- Cabot St. Lucia Nirobox Pretreatment (\$0.5 million);
- Eneva Demi Water Plant - Brazil (\$4.8 million);
- Rabigh Power Ultrapure WTP & Demineralization - Saudi Arabia (\$3.6 million);
- Coca Cola Solar WTP by BWRO - Brazil (\$1.7 million);
- New Mansoura Operations contract - Egypt (\$1.2 million);
- Boortmalt WTP by BWRO - Argentina (\$0.6 million);
- International Functionalized Polymers WTP - Milan, Italy (\$0.5 million);
- Lamb Weston WTP by BWRO - Argentina (\$0.3 million); and
- Austin Powders Condensate Treatment by BWRO - Argentina (\$0.2 million).

Cash Flow

As at June 30, 2024, Cash and Cash Equivalents were \$7.9 million. In addition, the Company held \$7.8 million in short and long-term deposits, of which \$6.8M are held as collateral for bank guarantees for the Ivory Coast Project. Operating cash flow used in H1 2024 was \$13.6 million.

While it was expected that the Company would generate negative cash flow in the Q1 2024, both Q1 and Q2 underperformed compared to forecast. This was primarily due to:

- Delays in the IVC Addendum and securing the preliminary deposit;
- New Mansoura and other collection delays in the MMW Middle East;
- Slowdown in China resulting in lower project revenue and delays in collections;
- Repaying more Upwell debt than forecasted; and
- Project delays in IWR resulting in fewer deposits.

Fluence forecasts that operating cash flow will reverse the trend and will be positive for the balance of FY2024.

The Company repaid \$3.6 million in debt in H1 2024, as noted in the cash flows from financing activities. As of July 29, 2024 Fluence has repaid the entirety of the Upwell Facility, which was \$30.3 million as at June 30, 2023.

Fluence also generated \$1.6 million in investing cash flows due to the sale of the Aeration Assets (less closing costs) and return of collateral related to project bonds and guarantees. The Company also invested \$0.6 million in capital expenditures in H1 2024.

Corporate Update

In July 2024, the Company fully repaid the Upwell Facility. Since it was put in place in July 2020, Fluence had drawn down on \$30.3 million, a substantial portion of which was repaid in 2023 and in the first half of 2024. In addition to repayment of the balance of the Upwell Facility term loan, the Company has also fully repaid the balance of the Bimini Project Loan for a total repayment of \$14.25 million across both loans. As a result of the repayment, the Upwell Facility has been terminated and all collateral underlying the loan will be fully released. Upwell will continue to have the option to provide project debt financing on future Build-Own-Operate projects presented by Fluence.

The Company was also pleased to report it had replaced the Upwell Facility with a new revolving credit facility for up to \$15.0 million on more favorable terms for the Company than the Upwell Facility. The Revolving Facility will initially be used to pay off the Upwell Facility and for working capital and projects going forward. The interest rate on the Revolving Facility is variable and will equal to the US Prime Rate, which is currently 8.5%. The initial term will be 21 months with a Company option to extend for up to three (3) months at Prime Rate plus 5%. Security in respect of the Revolving Facility will initially be limited to no more than five percent (5%) of the equity interests of the Company, unless shareholder approval is obtained under ASX Listing Rule 10.1. The Revolving Facility has been provided by Nikolaus Oldendorff and Doug Brown, each of whom currently sit on the Company's Board of Directors and have been long-term supporters of the business.

The repayment of the Upwell Facility and securing the Revolving Facility provides the Company considerable interest savings, operating flexibility and will support our continued growth.

Segmented Financial Results

(US\$ millions)	YTD Q2 2023 ⁽²⁾		YTD Q2 2024 ⁽³⁾		YTD Variance	
	Revenue	EBITDA ⁽¹⁾	Revenue	EBITDA ⁽¹⁾	Revenue	EBITDA ⁽¹⁾
Municipal Water & Wastewater	\$5.3	(\$0.4)	\$3.7	(\$0.2)	(\$1.6)	\$0.2
Industrial Wastewater & Biogas	\$3.4	(\$0.1)	\$3.2	(\$0.2)	(\$0.2)	(\$0.1)
Industrial Water & Reuse	\$5.7	(\$0.1)	\$8.6	\$1.5	\$2.9	\$1.6
SEA & China	\$2.2	(\$1.5)	\$2.4	(\$0.7)	\$0.2	\$0.8
BOO	\$1.1	\$0.2	\$1.5	\$0.2	\$0.4	-
IVC	\$13.2	\$1.5	\$0.7	(\$0.2)	(\$12.5)	(\$1.7)
Corporate ⁽⁴⁾	(\$0.3)	(\$1.4)	(\$0.2)	(\$3.9)	\$0.1	(\$2.5)

(1) EBITDA excludes the impact of Other Gains and Losses, which include FX Gains and losses, legacy balance sheet clean-up items, restructuring, and other exceptional items.

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

(3) Restructuring was executed in 2023, therefore business not managed under new structure in 2022 and numbers are estimated

(4) Includes all intercompany eliminations and unallocated expenses. YTD 2023 includes a one-time accrual reversal for the Israel Chief Scientist grant of \$2.65 million.

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Municipal Water and Wastewater

The MWW reduction in revenue was primarily due to the recognition of a significant amount of remaining revenue (~\$2 million) related to the completion of the New Mansoura water treatment plant in Egypt in H1 2023. MWW revenue in North America increased by \$0.5 million or 37%.

The MWW business unit comprises operations in North America and the Middle East (Dubai and Egypt). As announced in Q1 2024, Management made the difficult, but ultimately necessary, decision to eliminate commercial operations in Israel (including production). A lack of historical profitability combined with the focus on MWW's 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 over the course of 2024. This is expected to lead to significant cost savings. Israel will remain an important hub for R&D and engineering at Fluence.

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. In Q1 2024, Fluence hired Steve Scheidler to lead the MWW business unit. Steve has 30+ years' experience in the municipal water and wastewater industry. In H1 2024, Steve has focused on building out the global MWW organisation, especially operations and executions capabilities in the US. The North American execution team now consists of an Operations Manager, two (2) Project Managers, one (1) Project Engineer, one (1) Purchasing Manager, one (1) Commissioning Manager and one (1) Service Manager. Additionally, we are excited to expand MABR membrane manufacturing capabilities in North America. This will be accomplished by utilising the membrane machine recently in operation in our Israel facilities, which is in the process of being moved and installed in the US in H2 2024.

The Company also continues to expand its independent municipal rep network. Fluence has added 8 new reps YTD 2024 for a total of 21 (62% growth). Almost all US states and Canadian provinces are now covered by Fluence reps. This is expected to lead to continued sales pipeline growth.

Over the past year, the total MWW sales pipeline has grown from \$113 million as at 30 June 2023 to \$290 million as at 30 June 2024, an increase of 157%. In North America, the pipeline has grown from \$38 million as at 30 June 2023 to \$242 million as at 30 June 2024, an increase of 537%. H1 2024 orders in MWW were \$9.2 million, an increase of \$6.4 million or 230%. In North America alone, orders in H1 2024 were \$3.5 million, an increase of \$1.7 million or 100%.^[4] Total backlog was \$8.7 million as at 30 June 2024, an increase of \$2.3 million or 36%.

Industrial Wastewater & Biogas

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 anaerobic digestion product line 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 and other Buy America Build America programs. This will position Fluence with a competitive advantage to win projects over its competitors. IWB has already booked 2 orders in Mexico and has recently booked its first order in the US in H2 2024 as a result of these investments. This first IWB project in the US is a new wastewater treatment plant for a food processing company in Ohio totalling almost \$1.5M.

IWB revenue in H1 2024 was lower than anticipated due to delays on several projects in backlog as well as order bookings, mostly due to lags in permit approvals. However, with total backlog sitting at \$12.0 million as at 30 June 2024 (an increase of \$7.7 million or 175% over 30 June 2023), IWB expects significant growth in FY2024 compared to FY2023. Additionally, IWB expects to book a number of new projects in H2 2024, which is expected to continue to grow backlog, strongly positioning the business for 2025.

^[4] MWW orders from H1 2023 exclude Aeromix.

Industrial Water & Reuse

The IWR business unit comprises operations in Argentina and North America (sales and engineering). This group is making 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 unit experienced significant growth in H1 2024, with revenue up 53% compared to H1 2023. Gross margins also expanded, achieving 36% in H1 2024 as compared to 30% in H1 2023 primarily due to several favorable project variances. With the recent Eneva order, IWR is well-positioned to finish FY2024 with substantial growth in revenue, gross margins, and EBITDA.

Southeast Asia and China

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

The market in mainland China slowed considerably in H2 2023, which continued through H1 2024 due in large part to the collapse in the property and real estate markets. Government funding for water and wastewater treatment has been significantly reduced as a result and there are a number of projects that have stalled or been cancelled outright. The Company does not anticipate significant growth from the region in the near-term and risks remain in the forecast, but given the significant MABR installation experience and manufacturing capabilities, China is expected to remain an important part of the Company's future. Management has taken steps to reduce costs and expect that SG&A will be reduced by 20-25% from FY2023.

In Southeast Asia, the pipeline remains strong as a result of focused business development activities in countries such as Taiwan and Cambodia. The Company is tracking a number of meaningful projects that could have a positive impact in H2 2024, FY2025 and beyond.

BOO Projects

Fluence currently has BOO projects in the Bahamas and Jamaica, which are supported by various business units and 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.

Fluence is also rolling out an equipment lease program for its clients and seeing significant interest and pipeline growth for this offering across all business units. This is part of our strategic plan to help grow our recurring revenue business and the Company anticipates closing one or more of these projects in H2 2024.

Ivory Coast

The Ivory Coast project provided the most significant underperformance in H1 2024 when compared to other business units. In FY2023, the Company was still recognising revenue related to the Main Works project while in FY2024 the project was in the pre-commissioning phase. This revenue was expected to be replaced by revenue from the Addendum project, which was initially projected to commence in Q1 2024 and contribute \$10.6 million in revenue in H1 2024.

During H1 2024, Fluence continued to advance the financing of the Addendum contract toward closing. While the Company had anticipated that a Notice to Proceed would be granted in Q1 2024, administrative delays related to the project financing delayed the Entry into Force and the issuance of the Notice to Proceed. We have now received the Entry into Force and are expected to receive the Notice to Proceed on the project in Q3 2024, however, risks of further delays remain. As noted in prior updates, these works are a critical step to connect the Main Works water treatment plant to the distribution system allowing delivery of the water produced by the plant to the people of Abidjan. The Addendum works are expected to take approximately 18 months to complete, and a significant amount of the revenue was originally forecasted to be recognised in 2024 with the balance in 2025.

Review of Financial Results

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

The revenue from ordinary activities from continuing operations for the six months ended 30 June 2024 was \$20,070,000 (2023: \$30,527,000) and the loss from ordinary activities from continuing operations before tax was \$9,320,000 (2023: loss of \$8,281,000).

Cost of sales from continuing operations for the six months ended 30 June 2024 decreased to \$14,014,000 (2023: \$23,985,000).

Total fixed costs including R&D, Sales & Marketing, and General & Administrative expenses for the six months ended 30 June 2024 increased to \$11,903,000 (2023: \$10,367,000).

The Group's net assets decreased by \$8,973,000 to \$3,244,000 on 30 June 2024 from \$12,217,000 as at 31 December 2023.

Significant Changes in the State of Affairs

During H1 2024, there was no significant change in the state of affairs of the Company.

Events After the Reporting Period

On 29 July 2024, the Company repaid the Upwell Facility in full. In parallel with the repayment of the Upwell Facility, the Company entered into a new revolving credit facility for up to US \$15.0 million (the "Revolving Facility") on more favorable terms for the Company than the Upwell Facility.

On 16 August 2024, a claim was filed by MST Financial Services Pty Limited ("**MST**") against the Company for \$1.39 million in relation to an abandoned mandate and an alleged tail fee on the subsequent Capital Raise completed by the Company with assistance from Bell Potter.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations or the consolidated entity's affairs in future financial years.

Rounding of Amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Thomas Pokorsky
Chief Executive Officer and Managing Director
30 August 2024
Plymouth, Minnesota

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

As lead auditor for the review of Fluence Corporation Limited for the half-year ended 30 June 2024, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Katherine Robertson
Director

BDO Audit Pty Ltd
Melbourne, 30 August 2024

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General information

The financial statements cover Fluence Corporation Limited as a Group consisting of Fluence Corporation Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in US dollars, which is Fluence Corporation Limited's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 August 2024.

This Interim Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2023 and any public announcements made by Fluence Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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Fluence Corporation Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2024



		Consolidated	
	Note	30 June 2024	30 June 2023
		\$'000	\$'000
Revenue	5	20,070	30,527
Expenses			
Cost of sales		(14,014)	(23,985)
Research and development (expenses) / income		(1,062)	1,203
Sales and marketing expenses		(3,253)	(3,403)
General and administrative expenses		(7,588)	(8,167)
Other losses	6	(2,591)	(2,034)
Finance costs		(882)	(2,422)
Loss before income tax (expense)/benefit from continuing operations		(9,320)	(8,281)
Income tax (expense)/benefit		(229)	187
Loss after income tax (expense)/benefit from continuing operations		(9,549)	(8,094)
Profit/(loss) after income tax expense from discontinued and held for sale operations	7	86	(894)
Loss after income tax (expense)/benefit for the half-year		(9,463)	(8,988)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(638)	(881)
Other comprehensive income for the half-year, net of tax		(638)	(881)
Total comprehensive income for the half-year		<u>(10,101)</u>	<u>(9,869)</u>
Other comprehensive income for the half-year			
From continuing operations		(688)	(815)
From discontinued operations		50	(66)
		<u>(638)</u>	<u>(881)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		35	(269)
Owners of Fluence Corporation Limited		(9,498)	(8,719)
		<u>(9,463)</u>	<u>(8,988)</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		53	(252)
Discontinued operations		(18)	(17)
Non-controlling interest		35	(269)
Continuing operations		(10,290)	(8,657)
Discontinued operations		154	(943)
Owners of Fluence Corporation Limited		<u>(10,136)</u>	<u>(9,600)</u>
		<u>(10,101)</u>	<u>(9,869)</u>

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

Fluence Corporation Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2024



		Cents	Cents
Earnings per share for loss from continuing operations attributable to the Owners of Fluence Corporation Limited			
Basic earnings per share	8	(0.89)	(1.21)
Diluted earnings per share	8	(0.89)	(1.21)
Earnings per share for profit/(loss) from discontinued operations attributable to the Owners of Fluence Corporation Limited			
Basic earnings per share	8	0.01	(0.13)
Diluted earnings per share	8	0.01	(0.13)
Earnings per share for loss attributable to the Owners of Fluence Corporation Limited			
Basic earnings per share	8	(0.88)	(1.34)
Diluted earnings per share	8	(0.88)	(1.34)

In accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", the 30 June 2023 comparatives within the 6 month 2024 interim report have been re-presented for the sale of Aeromix.

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

Fluence Corporation Limited
Statement of financial position
As at 30 June 2024



		Consolidated	
	Note	30 June 2024 \$'000	31 December 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	10	7,923	24,635
Other financial assets		3,406	3,645
Trade and other receivables	11	34,678	35,296
Inventories	12	6,522	5,690
Prepayments		2,329	2,513
Concession arrangement assets	13	271	271
Other assets		317	407
		55,446	72,457
Assets directly associated with assets classified as held for sale	7	-	1,839
Total current assets		55,446	74,296
Non-current assets			
Investments accounted for using the equity method		237	332
Deferred tax assets		1,113	1,968
Property, plant and equipment		8,140	8,146
Intangible assets	14	1,021	1,140
Concession arrangement assets	13	2,636	2,770
Long-term deposits	15	4,344	4,340
Other assets		185	136
Total non-current assets		17,676	18,832
Total assets		73,122	93,128
Liabilities			
Current liabilities			
Trade and other payables	16	27,534	32,363
Contract liabilities		23,200	22,130
Borrowings	17	12,388	15,752
Lease liabilities		849	977
Current tax liabilities		20	714
Provisions		2,984	4,490
		66,975	76,426
Liabilities directly associated with assets classified as held for sale	7	-	1,127
Total current liabilities		66,975	77,553
Non-current liabilities			
Contract liabilities	16	162	226
Borrowings	17	1,869	2,085
Lease liabilities		363	496
Deferred tax liabilities		48	46
Provisions		461	505
Total non-current liabilities		2,903	3,358
Total liabilities		69,878	80,911
Net assets		3,244	12,217

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

Fluence Corporation Limited
Statement of financial position
As at 30 June 2024



		Consolidated	
	Note	30 June 2024 \$'000	31 December 2023 \$'000
Equity			
Contributed equity	18	232,629	232,313
Foreign currency translation reserve		(3,078)	(3,252)
Accumulated losses		(224,376)	(214,878)
Equity attributable to the Owners of Fluence Corporation Limited		5,175	14,183
Non-controlling interest		(1,931)	(1,966)
Total equity		<u>3,244</u>	<u>12,217</u>

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

Fluence Corporation Limited
Statement of changes in equity
For the half-year ended 30 June 2024



	Issued Capital	Reserves	Accumulated losses	Non- controlling interest	Total equity
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2023	207,443	(3,667)	(198,866)	(1,994)	2,916
Loss after income tax benefit for the half-year	-	-	(8,719)	(269)	(8,988)
Other comprehensive income for the half-year, net of tax	-	(881)	-	-	(881)
Total comprehensive income for the half-year	-	(881)	(8,719)	(269)	(9,869)
<i>Transactions with Owners in their capacity as Owners:</i>					
Share based payments	-	891	-	-	891
Balance at 30 June 2023	<u>207,443</u>	<u>(3,657)</u>	<u>(207,585)</u>	<u>(2,263)</u>	<u>(6,062)</u>
	Issued capital	Reserves	Accumulated losses	Non- controlling interest	Total equity
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2024	232,313	(3,252)	(214,878)	(1,966)	12,217
Profit/(loss) after income tax expense for the half-year	-	-	(9,498)	35	(9,463)
Other comprehensive income for the half-year, net of tax	-	(638)	-	-	(638)
Total comprehensive income for the half-year	-	(638)	(9,498)	35	(10,101)
<i>Transactions with Owners in their capacity as Owners:</i>					
Issue of ordinary shares, net of transaction costs	316	(317)	-	-	(1)
Share based payments	-	1,129	-	-	1,129
Balance at 30 June 2024	<u>232,629</u>	<u>(3,078)</u>	<u>(224,376)</u>	<u>(1,931)</u>	<u>3,244</u>

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

Fluence Corporation Limited
Statement of cash flows
For the half-year ended 30 June 2024



	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Cash flows from operating activities		
Receipt from customers	20,721	44,375
Payments to suppliers and employees	(33,214)	(54,744)
Interest received	160	150
Interest and other costs of finance paid	(1,056)	(2,403)
Income taxes paid	(214)	(259)
	<u>(13,603)</u>	<u>(12,881)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for property, plant and equipment	(681)	(858)
Proceeds from sale of property, plant and equipment	96	35
Proceeds from sale of Aeromix	1,837	-
(Transfers to)/proceeds from release of security deposits	(238)	2,119
	<u>1,014</u>	<u>1,296</u>
Net cash from investing activities		
Cash flows from financing activities		
Repayment of borrowings	(3,587)	(194)
Repayment of lease liabilities	(626)	(709)
	<u>(4,213)</u>	<u>(903)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(16,802)	(12,488)
Cash and cash equivalents at the beginning of the financial half-year	24,635	30,936
Effects of exchange rate changes on cash and cash equivalents	90	(319)
	<u>7,923</u>	<u>18,129</u>
Cash and cash equivalents at the end of the financial half-year		

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

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Note 1. General information and basis of preparation

These Interim Financial Statements (the Interim Financial Statements) of the Group are for the six months ended 30 June 2024 and are presented in United States Dollars, which is the Group's presentation currency. These general purpose Interim Financial Statements have been prepared in accordance with the requirements of AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. They do not include all of the information required in Annual Financial Statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2023 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The Interim Financial Statements have been approved and authorised for issue by the board of directors on 30 August 2024.

Note 2. Going concern

The financial statements have been prepared on the 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.

As at 30 June 2024 the Group had cash and cash equivalents of \$7,923,000. In addition to that the Company had \$7,750,000 in short-term and long-term liquid investments.

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 expects to have sufficient funds to support its ongoing operations for a period of at least 12 months from the date the financial report was authorised for issue.

As at 30 June 2024, the Group had a substantial contracted sales backlog of US\$96 million. Accordingly, the Group expects to earn significant revenue over the next 12 months and beyond. The resulting net cash flows associated with this revenue will provide further working capital to the consolidated entity.

Note 3. Significant accounting policy information

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the Group's last Annual Financial Statements for the year ended 31 December 2023, except for the policies stated below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these Interim Financial Statements. The principal accounting policies adopted are consistent with those of the previous accounting period and corresponding interim reporting period, unless stated otherwise.

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.

Rounding of amounts

The amounts contained in the Directors' Report and in the Financial Report have been rounded to the nearest \$1,000 or \$1,000,000 (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 to which the Legislative Instrument applies.

Note 4. Segment information

The Group identified six 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.

Note 4. Segment information (continued)

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 towards 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;
- Recurring Revenue, Build Own Operate ("**BOO**") projects, and Operation and Maintenance ("**O&M**") contracts for equipment sales; and
- Ivory Coast project ("**IVC**").

2024	MWW \$'000	IWB \$'000	IWR \$'000	SEA & China \$'000	BOO \$'000	IVC \$'000	Intersegment Elimination \$'000	Corporate \$'000	Fluence \$'000
Revenue									
Revenue from continuing operations	3,721	3,240	8,641	2,420	1,489	716	(159)	2	20,070
	3,721	3,240	8,641	2,420	1,489	716	(159)	2	20,070
Segment gross profit	1,427	701	3,047	648	164	(51)	118	2	6,056
Operating expenses	(1,777)	(1,037)	(1,715)	(1,520)	(193)	(152)	(118)	(5,391)	(11,903)
Less depreciation and amortization	161	116	149	144	-	37	-	281	888
Other EBITDA adjustments	-	-	-	-	211	-	-	1,171	1,382
Segment EBITDA	(189)	(220)	1,481	(728)	182	(166)	-	(3,937)	(3,577)
Share of profits of associates	-	-	-	-	-	-	-	-	-
Profit/loss from discontinued operations	165	-	-	-	(79)	-	-	-	86
Other losses, finance cost and income tax	(183)	(16)	(391)	(1,668)	81	2	-	(1,527)	(3,702)
Segment results	(368)	(352)	941	(2,540)	(27)	(201)	-	(6,916)	(9,463)

2023	MWW \$'000	IWB \$'000	IWR \$'000	SEA & China \$'000	BOO \$'000	IVC \$'000	Intersegment Elimination \$'000	Corporate \$'000	Fluence \$'000
Revenue									
Revenue from continuing operations	5,271	3,366	5,698	2,168	1,109	13,233	(334)	16	30,527
	5,271	3,366	5,698	2,168	1,109	13,233	(334)	16	30,527
Segment gross profit	1,045	857	1,666	569	242	1,878	266	19	6,542
Operating expenses	(1,714)	(1,028)	(1,893)	(2,245)	(216)	(457)	(266)	(2,548)	(10,367)
Less depreciation and amortization	262	107	150	154	-	82	-	282	1,037
Other EBITDA adjustments	-	-	-	-	194	-	-	889	1,083
Segment EBITDA	(407)	(64)	(77)	(1,522)	220	1,503	-	(1,358)	(1,705)
Share of profits of associates	83	-	-	-	-	-	-	-	83
Profit/loss from discontinued operations	(885)	-	-	-	(9)	-	-	-	(894)
Other losses, finance cost and income tax	(782)	(339)	46	(225)	(88)	527	-	(3,491)	(4,352)
Segment results	(2,253)	(510)	(181)	(1,901)	(71)	1,948	-	(6,020)	(8,988)

Intersegment transactions

Intersegment transactions are made at market rates and are eliminated on consolidation.

Note 4. Segment information (continued)

Balance sheet disclosures for each reporting segment have not been included as they are not reviewed by the CODM.

Note 5. Revenue

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
From continuing operations		
<u>Contract revenue</u>		
Smart Product Solutions	12,631	13,267
Customer Engineering Solutions	977	13,548
	<u>13,608</u>	<u>26,815</u>
<u>Service revenue</u>		
Revenues on services	3,855	2,323
Revenue on parts	1,118	280
Recurring revenue from concession assets	1,489	1,109
	<u>6,462</u>	<u>3,712</u>
	<u>20,070</u>	<u>30,527</u>

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 4 for disaggregation of revenue by operating segments.

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
<u>Timing of revenue recognition</u>		
Goods transferred at a point in time	8,325	6,818
Services transferred over time	11,745	23,709
	<u>20,070</u>	<u>30,527</u>

Note 6. Other gains/(losses) - net

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Other gains/(losses) - net		
Write off of trade receivables and contract assets	(1,496)	(157)
Withholding taxes	(582)	(186)
Fees on foreign currency transactions	(341)	-
Non-operating expenses	(99)	(1)
Onerous contract provisions	(74)	(46)
Foreign exchange loss	(15)	(1,156)
Inventory write-off	27	(557)
Gain/loss on disposal of PPE	66	15
Gain from investments accounted for using the equity method	-	83
Other	(77)	(29)
	<u>(2,591)</u>	<u>(2,034)</u>

Note 6. Other gains/(losses) - net (continued)

As a result of the continued slowdown in China and an ongoing review of the collectability of accounts receivables, the Group has made the determination that several projects booked between 2021 to 2023 are at risk of cancellation or have been delayed indefinitely and, therefore, the Group has decided to write off \$1,496,000 in trade receivables and contract assets.

Note 7. Discontinued operations and assets classified as held for sale

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

(i) Description

On 2 February 2024, the Company entered into an Asset Purchase Agreement with Newterra Inc. for the sale of the Aeration and Mixing assets ("**Aeromix**") for cash proceeds of \$1,987,000, net of transaction costs and escrow amounts. 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. The Aeromix net assets on the date of disposal were \$1,792,000. The company recognised a gain from the sale of Aeromix business of \$195,000.

During the half-year ended 30 June 2024, the Company continued to classify its operations in Mexico ("Fluence Mexico") as discontinued operations.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the half-year ended 30 June 2024.

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Aeromix		
Revenue	176	882
Cost of sales	(113)	(745)
Sales and Marketing Expenses	(33)	(260)
General and administrative expenses	(58)	(738)
Finance Costs - Net	(2)	(24)
Loss before income tax	<u>(30)</u>	<u>(885)</u>
Gain from Aeromix sale	<u>195</u>	<u>-</u>
Profit/(loss) after income tax from held for sale operations	<u>165</u>	<u>(885)</u>
Cash flow from operating activities	(28)	(861)
Cash flow from financing activities	<u>(2)</u>	<u>(24)</u>
Net (decrease) in cash and cash equivalents from held for sale operations	<u>(30)</u>	<u>(885)</u>

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Note 7. Discontinued operations and assets classified as held for sale (continued)

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Fluence Mexico		
Cost of sales	(1)	(24)
Sales and Marketing Expenses	(33)	-
General and administrative expenses	(47)	(21)
Other Gains/(Losses) - Net	-	67
Finance Costs - Net	2	3
Loss before income tax	<u>(79)</u>	<u>25</u>
Income tax expense	-	(34)
Loss after income tax from discontinued operations	<u>(79)</u>	<u>(9)</u>

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Cash flow from operating activities	(70)	(75)
Changes in cash funds effects of exchange-rate changes	94	91
Net increase in cash and cash equivalents from discontinued operations	<u>24</u>	<u>16</u>

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
Gain/(loss) after income tax expense from discontinued and held for sale operations		
Aeromix-held for sale	165	(885)
Mexico-discontinued	(79)	(9)
	<u>86</u>	<u>(894)</u>

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

	Consolidated	
	30 June 2024	31 December 2023
	\$'000	\$'000
Aeromix		
Carrying amounts of assets and liabilities held for sale		
Trade and other receivables	-	530
Inventories	-	1,031
Property, plant and equipment	-	278
Total assets held for sale	<u>-</u>	<u>1,839</u>
Trade and other payables and other liabilities	-	606
Lease liabilities	-	368
Provisions	-	18
Contract liabilities	-	135
Total liabilities held for sale	<u>-</u>	<u>1,127</u>
Net assets	<u>-</u>	<u>712</u>

Note 7. Discontinued operations and assets classified as held for sale (continued)

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

	Consolidated	
	30 June 2024	31 December 2023
	\$'000	\$'000
Fluence Mexico		
Carrying amounts of assets and liabilities discontinued		
Cash and cash equivalents	115	90
Trade and other receivables	88	77
Prepayments	1	1
Other current assets	2	14
Property, plant and equipment	2	3
Total assets discontinued	<u>208</u>	<u>185</u>
Trade and other payables	381	472
Other non-current liabilities	3	(5)
Total liabilities discontinued	<u>384</u>	<u>467</u>
Net liabilities	<u>(176)</u>	<u>(282)</u>

Note 8. Earnings per share

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax	(9,549)	(8,094)
Non-controlling interest	(53)	252
Loss after income tax attributable to the Owners of Fluence Corporation Limited	<u>(9,602)</u>	<u>(7,842)</u>
	Cents	Cents
Basic earnings per share	(0.89)	(1.21)
Diluted earnings per share	(0.89)	(1.21)

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
<i>Earnings per share for profit/(loss) from discontinued operations</i>		
Profit/(loss) after income tax	86	(894)
Non-controlling interest	18	17
Profit/(loss) after income tax attributable to the Owners of Fluence Corporation Limited	<u>104</u>	<u>(877)</u>
	Cents	Cents
Basic earnings per share	0.01	(0.13)
Diluted earnings per share	0.01	(0.13)

Note 8. Earnings per share (continued)

	Consolidated	
	30 June 2024	30 June 2023
	\$'000	\$'000
<i>Earnings per share for loss</i>		
Loss after income tax	(9,463)	(8,988)
Non-controlling interest	(35)	269
	<u>(9,498)</u>	<u>(8,719)</u>
Loss after income tax attributable to the Owners of Fluence Corporation Limited	<u>(9,498)</u>	<u>(8,719)</u>
	Cents	Cents
Basic earnings per share	(0.88)	(1.34)
Diluted earnings per share	(0.88)	(1.34)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,076,317,541</u>	<u>650,554,034</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,076,317,541</u>	<u>650,554,034</u>

Note 9. People cost

Set out below are summaries of options granted to Directors, Consultants, and Employees under the Company's employee share option plan:

30 June 2024

Grant / change date	Expiry date	Exercise price (AU\$)	Granted	Exercised	Cancelled/ Lapsed/ Forfeited	Balance at 30 June 2024
Opening balance			141,555,282	(4,634,104)	(49,682,556)	87,238,622
31 January 2024	31 January 2031	0.10	16,500,000	-	-	16,500,000
29 February 2024	14 March 2027	0.24	-	-	(1,015,625)	(1,015,625)
29 February 2024	1 January 2027	0.18	-	-	(37,074)	(37,074)
29 February 2024	15 January 2028	0.23	-	-	(228,126)	(228,126)
1 March 2024	1 March 2024	0.44	-	-	(540,000)	(540,000)
28 March 2024	31 May 2025	0.23	-	-	(90,000)	(90,000)
30 May 2024	30 May 2024	0.23	-	-	(3,750)	(3,750)
30 May 2024	31 May 2024	0.23	-	-	(250)	(250)
26 June 2024	20 December 2030	0.10	22,500,000	-	-	22,500,000
Closing balance			180,555,282	(4,634,104)	(51,597,381)	124,323,797

Note 9. People cost (continued)

As of 30 June 2024, 34,121,333 of the options out of the outstanding total of 124,323,797 under the Company's employee share option plan have vested.

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.

(i) Fair value of options granted

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date are outlined below:

30 June 2024

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\$)
31 January 2024	31 January 2031	0.160	0.10	Nil	3.816%	0.0651
26 June 2024	20 December 2030	0.120	0.10	Nil	4.002%	0.0424

The weighted average remaining contractual life of options outstanding at year-end was 3.82 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 \$0.0791. These values were calculated using the binomial lattice, based on the Cox, Ross Rubinstein (1979) method applying the following inputs:

Weighted average exercise price: \$0.16
Expected share price volatility: 70%

Expenses arising from share-based payment transactions

	Consolidated	
	30 June 2024 \$'000	30 June 2023 \$'000
Share based payment expense		
Employee share based payments	630	643
Director share based payments	382	22
Consultants share based payments	117	226
	<u>1,129</u>	<u>891</u>

Note 10. Cash and cash equivalents

	Consolidated	
	30 June 2024 \$'000	31 December 2023 \$'000
Cash and cash equivalents	<u>7,923</u>	<u>24,635</u>

Note 11. Trade and other receivables

	Consolidated	
	30 June 2024	31 December 2023
	\$'000	\$'000
Trade receivables	13,823	17,547
Less: Allowance for expected credit losses	(2,034)	(2,224)
	<u>11,789</u>	<u>15,323</u>
Contract assets (unbilled receivables)	21,094	18,381
GST and other taxes receivable	1,260	1,312
Income tax receivable	276	124
Other receivables	259	156
	<u>22,889</u>	<u>19,973</u>
Other receivables	1,134	1,171
Less: Allowance for expected credit losses	(1,134)	(1,171)
	<u>-</u>	<u>-</u>
	<u>34,678</u>	<u>35,296</u>

Note 12. Inventories

	Consolidated	
	30 June 2024	31 December 2023
	\$'000	\$'000
Raw materials - at cost	5,562	3,996
Work in progress - at cost	37	899
Finished goods - at lower of cost or net realisable value	923	795
	<u>6,522</u>	<u>5,690</u>

Note 13. Concession asset

In July 2018 the Group entered into a service concession arrangement in the Bahamas to build a seawater desalination potable water 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 an expected 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 six months ended 30 June 2024, the Group has recognised revenue of \$1.5 million on the desalination plant.

	Consolidated	
	30 June 2024	31 December 2023
	\$'000	\$'000
Concession assets		
Current concession asset	271	271
Non-current concession asset	2,636	2,770
	<u>2,907</u>	<u>3,041</u>

Note 14. Intangible assets

	Consolidated	
	30 June 2024	31 December 2023
	\$'000	\$'000
Opening net book amount	1,140	1,339
Amortisation charge	(97)	(159)
Currency translation differences	(22)	(40)
	<u>1,021</u>	<u>1,140</u>

Note 15. Long-term deposits

	Consolidated	
	30 June 2024	31 December 2023
	\$'000	\$'000
Collections from customers deposited for a period of more than twelve months	<u>4,344</u>	<u>4,340</u>

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

Note 16. Trade and other payables and other liabilities

	Consolidated	
	30 June 2024	31 December 2023
	\$'000	\$'000
Current		
Trade payables	7,823	8,159
Accrued payroll liabilities	1,790	3,509
Accrued project expenses	15,836	18,494
Government grants (i)	398	398
Other accruals	1,687	1,803
	<u>27,534</u>	<u>32,363</u>

(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 30 June 2024 and 31 December 2023, 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 the estimate of the liability, 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 as an off-set within the Research and development expense.

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Note 17. Borrowings

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

In Q4 2023, the Company entered into an amendment with Upwell 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 was in compliance with the minimum unrestricted cash and cash equivalents covenant throughout the reporting period. The Company was out of compliance with the consolidated DSCR during the reporting period and received a waiver from Upwell on 16 May 2024. Fluence continued to make all principal and interest payments on time in 2024.

On 29 July 2024, the Company fully repaid the Upwell Facility. In addition to repayment of the balance of the Upwell Facility term loan, the Company has also fully repaid the balance of the Bimini Project Loan for a total repayment of \$14.25 million across both loans. As a result of the repayment, the Upwell Facility has been terminated and all collateral underlying the loan will be fully released. Upwell will continue to have the option to provide project debt financing on future Build-Own-Operate projects presented by Fluence.

The Company replaced the Upwell Facility with a new revolving credit facility for up to \$15.0 million on more favorable terms for the Company than the Upwell Facility. The Revolving Facility will initially be used to pay off the Upwell Facility and for working capital and projects going forward. The interest rate on the Revolving Facility is variable and will equal to the US Prime Rate, which is currently 8.5%. The initial term will be 21 months with a Company option to extend for up to three (3) months at Prime Rate plus 5%. Security in respect of the Revolving Facility will initially be limited to no more than five percent (5%) of the equity interests of the Company, unless shareholder approval is obtained under ASX Listing Rule 10.1. The Revolving Facility has been provided by Nikolaus Oldendorff and Doug Brown, each of whom currently sit on the Company's Board of Directors and are long-term supporters of the business.

The repayment of the Upwell Facility and securing the Revolving Facility provides the Company considerable interest savings, operating flexibility and will support our continued growth.

	Consolidated	
	30 June 2024	31 December 2023
	\$'000	\$'000
Borrowings		
Current borrowings and interest payable	12,388	15,752
Non-current borrowings	1,869	2,085
	<u>14,257</u>	<u>17,837</u>

Note 18. Contributed equity

(a) Share capital

	Notes	30 June 2024 No. of Shares	31 December 2023 No. of Shares	30 June 2024 \$'000	31 December 2023 \$'000
Ordinary shares	note 18(b)	<u>1,080,966,412</u>	<u>1,076,184,716</u>	<u>232,629</u>	<u>232,313</u>

(b) Ordinary shares - fully paid

	Number of shares	USD \$'000
Opening balance 1 January 2023	650,554,034	207,443
Share issuance at AU\$0.12 per share issued at 8 November 2023	165,408,542	12,101
Share issuance at AU\$0.08 per share issued at 8 November 2023	144,617,556	7,054
Share issuance at AU\$0.08 per share issued at 4 December 2023	115,604,584	7,473
Total share issue	1,076,184,716	234,071
Transaction costs arising on share issue	-	(1,758)
Balance 31 December 2023	1,076,184,716	232,313
	Number of shares	\$'000
Opening balance 1 January 2024	1,076,184,716	232,313
Shares issued to settle a liability at AU\$0.10 per share on 25 June 2024	4,781,696	317
Total share issue	1,080,966,412	232,630
Transaction costs arising on share issue	-	(1)
Balance 30 June 2024	1,080,966,412	232,629

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.

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Note 19. 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 in 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 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2023				
<i>Financial liabilities</i>				
Government grant liability	-	-	398	398
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2024				
<i>Financial liabilities</i>				
Government grant liability	-	-	398	398

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

The fair value of the government grant liability is determined as the present value over the expected time that the grant liability is to be repaid from the royalty stream from future revenue discounted at an annual rate of 18.2% (2023: 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 grant \$'000
Opening balance at 1 January 2023	3,706
Adjustment to fair value of liability, included in "Research and development expense" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(2,662)
Currency translation differences, included in "Exchange differences on translation of foreign operations, net of tax" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	(34)
Payment	(612)
Closing balance at 31 December 2023	398
Closing balance at 30 June 2024	398

Note 20. Commitments and contingent liabilities

On 16 August 2024, a claim was filed by MST Financial Services Pty Limited (“**MST**”) against the Company for \$1.39 million in respect of a purported tail fee. MST had been engaged by the Company briefly early in 2023 to assist on a potential capital raise. The MST engagement was terminated upon MST indicating they were unable to fulfil their mandate. As a result the Company engaged Bell Potter Securities Ltd (“**Bell Potter**”) to assist on the A\$40.7 million capital raise that was successfully completed in Q4 2023 (the “**Capital Raise**”) and which was substantially different in structure and size than had been contemplated by MST. Bell Potter offered MST the opportunity to participate in the Capital Raise as a Co-Manager but MST ignored and then refused this role and now seeks a tail fee in respect of the Capital Raise. The Company will vigorously defend itself against MST’s claim.

There were no other material ongoing litigations at 30 June 2024.

Note 21. Events after the reporting period

On 29 July 2024, the Company repaid the Upwell Facility in full. In parallel with the repayment of the Upwell Facility, the Company entered into a new revolving credit facility for up to US \$15.0 million (the “Revolving Facility”) on more favourable terms for the Company than the Upwell Facility. See note 17 for detailed summary of the new revolving credit facility and repayment of the Upwell Facility.

On 16 August 2024, a claim was filed by MST against the Company for \$1.39 million in relation to an abandoned mandate and an alleged tail fee on the subsequent Capital Raise completed by the Company with assistance from Bell Potter. See note 20 for further disclosure

No other matter or circumstance has arisen since 30 June 2024 that has significant affected, or may significantly affect the consolidated entity’s operations, the results of those operations or the consolidated entity’s 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, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial half-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.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Thomas Pokorsky
Chief Executive Officer and Managing Director
30 August 2024
Plymouth, Minnesota

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Fluence Corporation Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Fluence Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, 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 half-year ended on that date, material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- i. Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the half-year ended on that date; and
- ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd



Katherine Roberston
Director

Melbourne, 30 August 2024