

# **Fluence Corporation Limited**

ABN 52 127 734 196

## **Audited Financial Report for the year ended 31 December 2022**

**Fluence Corporation Limited** ABN 52 127 734 196  
**Audited Financial Report - 31 December 2022**

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**Fluence Corporation Limited  
Corporate Directory**

**Directors**

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

Mr Thomas Pokorsky (appointed 14 March 2022)  
*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*

Dr Rengarajan Ramesh  
*Non-Executive Director*

Ms Samantha Tough  
*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**

7135 Madison Ave. West  
Golden Valley MN 55427  
United States of America  
Phone: +1 212 572 5700

**Share Registry**

Boardroom Pty Ltd  
Level 12, 225 George Street,  
Sydney, New South Wales, 2000, Australia  
Phone: 1300 737 760 (local)  
Fax: +61 (0)2 9290 9600 (international)

**Auditors**

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

**Securities Quoted**

*Australian Securities Exchange*  
- Ordinary Fully Paid Shares (Code: FLC)

**Website**

<https://www.fluencecorp.com/investor-news/>

**Fluence Corporation Limited  
Directors' Report  
31 December 2022**

The Directors present their report, together with the financial statements for the year ended 31 December 2022 of Fluence Corporation Limited ("Fluence", the "Company" or the "Group").

**Directors**

The following persons held office as Directors of Fluence Corporation Limited during the financial year:

Mr Douglas Brown, Chairman (appointed 20 March 2023)  
Mr Thomas Pokorsky, CEO and Managing Director (appointed 14 March 2022)  
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  
Dr Rengarajan Ramesh, Non-Executive Director  
Ms Samantha Tough, Non-Executive Director

**Review of operations**

In 2022 the Company continued to execute its plan of transforming the organisation to focus on the sale of smart products and building recurring revenue. During the course of the year, Fluence continued to grow Smart Product Solutions (SPS) revenue in multiple geographies; in particular MABR wastewater treatment solutions in Southeast Asia (SEA), NIROBOX™ desalination solutions in the Middle East, and sales of both product lines in North America and the Caribbean. The SPS products from Argentina for industrial water treatment, as well as the industrial wastewater treatment products from Italy, also contributed to the SPS growth.

In 2022 significant operational and management changes were made to improve the growth, efficiency and profitability of Fluence. Most significantly, in March the Company appointed Thomas Pokorsky, a seasoned water industry veteran, as the Chief Executive Officer and Managing Director. On 3 January 2023, the Company appointed Ben Fash, also a water industry veteran, as the new Chief Financial Officer. In addition, Rick Cisterna who joined the company in Q4 2021 was named Chief Commercial Officer. These three executives, together with our Chief Legal Officer, Spencer Smith, now comprise an executive team with over 100 years' experience in the water industry.

In the second half of 2022, the new executive management team developed and executed a plan to restructure and reorganise the Company. This restructuring reduced the number of business units in half and aligned them by product market rather than geography. In addition to saving an estimated \$3-4 million in fixed costs, we were able to deploy additional resources in growing areas like North America and SEA. The new reporting areas are broken down into three major product groups: (1) Municipal Water & Wastewater; (2) Industrial Water Treatment; and (3) High Strength Industrial Wastewater. China and SEA were combined and remain the Company's only geographic division selling all Fluence products. The Ivory Coast project, Research, Development and Engineering (RD&E) and Build-Own-Operate (BOO) also remain as stand-alone divisions. Beginning on 1 January 2023, the Company will begin reporting results based on this new structure.

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Review of operations (continued)**

**FY 2022 in Summary**

During FY 2022 Fluence achieved underlying EBITDA of \$2.3 million, a significant increase over the prior year. The Company recorded revenue growth of 6% over 2021, highlighted by 40% growth in Recurring Revenue. The Company continued to successfully execute the Ivory Coast water treatment project, which contributed \$69.6 million in revenue. Key achievements included:

- Underlying EBITDA of \$2.3M versus adjusted guidance of \$2.0 million.
- Revenue from Continuing Operations of \$119.1 million in FY 2022, up 6% from \$111.9 million in FY 2021.
- SPS Revenues for FY 2022 of \$35.2 million, below adjusted guidance of \$38.0 million due in large part to the continued COVID-related business slowdown in China.
- Recurring Revenue in FY 2022 of \$9.7 million, up 40% from FY 2021.
- Repositioning and reorganisation announced in November 2022 with an expected reduction in annual costs of \$3-4 million.
- Cash position of \$30.9 million and \$13.6 million in short and long-term liquid investments provides adequate operating reserves.

	31 December 2022 \$'000
<b>Loss for the year</b>	<b>(16,292)</b>
Add:	
Depreciation and amortisation	2,404
Share-based compensation	1,679
Other losses from continuing operations	9,801
Finance costs - net from continuing operations	4,037
Income tax from continuing operations	(21)
Loss from discontinued operations	267
IFRIC 12 revenues	400
<b>Underlying EBITDA</b>	<b>2,275</b>

**Review of operations (continued)**

**1 Detailed review of key market segments**

***China and SEA***

Revenues generated from China were down in 2022, largely as a result of a near complete shutdown of China for most of the year due to COVID. While business operations in China were halted during most of the year, the Company was able to keep our production facility open to fulfill existing orders. However, meeting with customers and securing new projects was significantly halted. The pipeline of new projects in China remains strong and will facilitate renewed growth as restrictions are lifted and the overall economy in China rebounds, which we expect to happen in 2023.

While the China market was stalled, the Company pivoted and redirected our sales resources to other parts of the SEA region. As a result, during FY 2022, the Company developed a new pipeline of projects in SEA that was even larger than our current pipeline in China. These projects will provide additional growth for 2023 and beyond. There were also a few notable contracts secured and projects executed in 2022. We received our first MABR operating contract in China adding to our Recurring Revenue growth. We also received our first MABR project in Taiwan and a Nitro (MABR) project in South Korea.

With the additional pipeline in SEA and the anticipated opening up of China, we expect to get back on track with strong Chinese and SEA growth in 2023.

***Middle East***

NIROBOX™ and related desalination products are well established with over 30 plants (120 units) sold to date in the Middle East. Fluence continues to develop strong partnerships to accelerate sales and the pipeline for these products continues to grow. MABR sales have yet to gain significant traction in the region but interest is developing and our sales team are working on numerous projects.

Of particular interest in the region is that the large New Mansoura desalination plant was commissioned and went online in FY 2022. The plant is producing water while being operated by Fluence personnel and is expected to be turned over to the owner in late 2023. We continue to work on obtaining future phases of this project as well as a long-term operating contract.

***Ivory Coast***

Fluence continued to successfully execute the Ivory Coast project throughout FY 2022, achieving completion of milestones 6 through 8.

Commissioning of the 150,000 m3/day surface water treatment plant is anticipated in late 2023. Fluence's focus remains on delivering the project in late 2023, a few months later than originally planned due to weather, supply chain disruptions, and COVID-related delays but remains in line with the customer's expectations.

**Review of operations (continued)**

**1 Detailed review of key market segments (continued)**

***North America and the Caribbean***

North America is by far the single largest water treatment market in the world. With the allocation of billions of dollars in new government funding, this market is expected to grow faster than ever. North America has typically been an underserved market for Fluence. In 2022, we added significant sales and technical support staff to develop the market in North America and the Caribbean. The Company also added more independent sales representatives who typically cover the municipal market. Fluence has increased our pipeline for municipal MABR systems, waste to energy projects for the meat packing industry, industrial water pretreatment for the food and beverage industry as well as multiple BOO projects for MABR and desalination in the Caribbean.

In the second half of 2022, the Company started gaining traction as we secured a MABR BOO project for a resort in Jamaica, multiple wastewater treatment plants for disaster relief from FEMA as well as an MABR project in Iowa. We expect significant growth in this area in 2023.

***Other markets (South America and Europe)***

The South American market and team generated single digit revenue growth in FY 2022, mostly in the food and beverage and mining industries. Bookings, however, were high and the Company ended the year with a significant backlog of projects that will provide strong revenue growth for 2023. We have also seen growth in the Recurring Revenue side of the business as we have booked multi-year operating contracts. In addition, we are poised to export certain technology and knowledge from our South American team to North America where there is great growth potential.

Our only operations in Europe reside in Italy which specialises in high strength industrial wastewater treatment and waste to energy projects. Like South America, the team in Italy has developed a strong pipeline and backlog which is expected to grow faster in 2023 as they expand out of Italy to other parts of southern Europe. Like the team in South America, the Italian team expects to export their technology and expertise to the North American market where there is a very significant opportunity for waste to energy projects.

***Sustainability***

Fluence's innovative solutions contribute to resource conservation, energy savings, and enabling water reuse.

Fluence's MABR and NIROBOX™ installations around the world collectively save an estimated 32 GWh of energy (23,100 tons of CO<sub>2</sub>) annually compared to conventional technologies. Even more importantly, many wastewater treatment technologies emit Nitrous Oxide (N<sub>2</sub>O): 300 times worse than CO<sub>2</sub> from an atmospheric warming perspective. Fluence MABR systems currently save 306 tons/year of N<sub>2</sub>O emissions, equivalent to a further 91,800 tons of CO<sub>2</sub>. Treated wastewater from Fluence's MABR installations collectively removes 2,100 tons of nutrients that would otherwise damage the environment.

Fluence is committed to ESG and currently delivers on 10 of the 17 United Nations Sustainable Development Goals.

**Review of operations (continued)**

**1 Detailed review of key market segments (continued)**

**Outlook for FY 2023**

Fluence is providing annual guidance of total revenue of \$95-100 million for FY 2023, including SPS and Recurring Revenue of \$75-80 million, together representing meaningful growth over FY 2022. The Underlying EBITDA of \$4 million is expected, representing growth of more than 70% over FY 2022. Additional highlights include:

- SPS and Recurring Revenue are expected to grow significantly in FY2023, driven by:
  - Growth in North America, particularly from investment in our sales team in FY 2022;
  - Executing O&M and BOO opportunities from our pipeline;
  - Capitalising on the recently repositioned business and the ability to cross-sell all Fluence products across all the geographies in which the Company operates;
  - Rapidly expanding waste-to-energy opportunities in the US; and
  - Growth in SEA and expected recovery in China.
- The Ivory Coast project main works are expected to be completed in FY2023.
- Gross margins are expected to see expansion due to lower CES revenues and greater contribution from SPS and Recurring Revenue.
- The restructuring and reorganisation plan is expected to deliver \$3 - \$4 million in fixed costs savings.

**Significant events after balance date**

On 3 January 2023, the Group appointed Benjamin Fash as Chief Financial Officer.

On 20 March 2023, the Group appointed Douglas Brown as Chairman of the Board. The outgoing Chairman, Richard Irving, will remain a Non-Executive Director.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.



**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Information on directors**

<b>Richard Irving</b> <i>Chairman and Chief Executive Officer (retired as CEO on 13 March 2022 and as Chairman on 20 March 2023)</i>	
<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 the Chairman 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).
<b>Other current public company directorships</b>	None
<b>Former public company directorships in last 3 years</b>	None
<b>Special responsibilities</b>	Chairman
<b>Interest 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>Interest in options</b>	Direct interest in: 1,500,000 Director options with an exercise price of A\$0.29; 1,000,000 Director options with an exercise price of A\$0.23; and 500,000 Director options with an exercise price of A\$0.22.
<b>Contractual rights to shares</b>	None

Fluence Corporation Limited  
 Directors' Report  
 31 December 2022  
 (continued)

Information on directors (continued)

<b>Thomas Pokorsky</b> <i>Chief Executive Officer and Managing Director (appointed 14 March 2022)</i>	
<b>Qualifications</b>	BSCe in Civil Engineering, Marquette University
<b>Experience and expertise</b>	<p>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.</p> <p>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.</p>
<b>Other current public company directorships</b>	None
<b>Former public company directorships in last 3 years</b>	None
<b>Special responsibilities</b>	<i>Chief Executive Officer and Managing Director</i>
<b>Interest in shares</b>	None
<b>Interest in options</b>	<p>Direct interest in:</p> <p>6,250,000 Director options with an exercise price of A\$0.22;          3,125,000 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;          3,125,000 Director options with an exercise price of A\$0.28; and          12,500,000 Director options with an exercise price of A\$0.22.</p>
<b>Contractual rights to shares</b>	None

Information on directors (continued)

<b>Paul Donnelly</b> <i>Lead Independent Director and Non-Executive Director</i>	
<b>Qualifications</b>	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
<b>Experience and expertise</b>	<p>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.</p> <p>Mr Donnelly is Chief Executive Officer of Flagstaff Partners, an independent corporate advisory firm.</p> <p>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.</p> <p>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.</p>
<b>Other current public company directorships</b>	None
<b>Former public company directorships in last 3 years</b>	None
<b>Special responsibilities</b>	Lead Independent Director, Non-Executive Director Chair of the Audit and Risk Committee
<b>Interest in shares</b>	Indirect interest in 500,000 shares held by Tres Petitbijou Pty Ltd ATF <Tres Petitbijou Superannuation Fund>
<b>Interest in options</b>	Indirect interest through Tres Petitbijou Pty Ltd ATF <Tres Petitbijou Superannuation Fund> in: 250,000 Director options with an exercise price of A\$0.60; 250,000 Director options with an exercise price of A\$0.80; 1,000,000 Director options with an exercise price of A\$0.23; and 500,000 Director options with an exercise price of A\$0.22.
<b>Contractual rights to shares</b>	None

Information on directors (continued)

<b>Ross Haghighat</b> <i>Non-Executive Director</i>	
<b>Qualifications</b>	BSc and a Masters in Material Science in Organometallic Chemistry, Rutgers University. MBA, Boston College - Carroll School of Management
<b>Experience and expertise</b>	<p>Ross Haghighat 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.</p> <p>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. Haghighat has been a Non-Executive Director of Fluence Corporation Limited and its predecessor (Emefcy Group Limited) since 2015.</p> <p>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.</p>
<b>Other current public company directorships</b>	NASDAQ: BIOS; NASDAQ: KDNY; TSX: FRX
<b>Former public company directorships in last 3 years</b>	NYSE listed CITIC Acquisition Corp; NASDAQ listed Aduro Biotech
<b>Special responsibilities</b>	Chair of the Remuneration and Nomination Committee
<b>Interest in shares</b>	Direct interest in 600,000 shares
<b>Interest in options</b>	Direct interest in: 1,000,000 Director options with an exercise price of A\$0.23; and 500,000 Director options with an exercise price of A\$0.22.
<b>Contractual rights to shares</b>	None

Information on directors (continued)

<b>Dr Rengarajan Ramesh</b> <i>Non-Executive Director</i>	
<b>Qualifications</b>	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)
<b>Experience and expertise</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<b>Other public company current directorships</b>	None
<b>Former public company directorships in last 3 years</b>	Liqtech - (NYSE:LIQT)
<b>Special responsibilities</b>	Member of the Audit and Risk Committee Member of the Remuneration and Nomination Committee
<b>Interest in shares</b>	None
<b>Interest in options</b>	Direct interest in 1,000,000 Director options with an exercise price of A\$0.23; and 500,000 Director options with an exercise price of A\$0.22.
<b>Contractual rights to shares</b>	None

Information on directors (continued)

<b>Samantha Tough</b> <i>Non-Executive Director</i>	
<b>Qualifications</b>	B Juris; LLB; Fellow AICD
<b>Experience and expertise</b>	<p>Samantha Tough was appointed as the Non-Executive Director of Fluence Corporation on 1 June 2021.</p> <p>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.</p> <p>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.</p>
<b>Other current public company directorships</b>	None
<b>Former public company directorships in last 3 years</b>	3D Metalforge Ltd. (ASX: 3MF)
<b>Special responsibilities</b>	Member of the Audit and Risk Committee
<b>Interest in shares</b>	None
<b>Interest in options</b>	Direct interest in: 1,000,000 Director options with an exercise price of A\$0.23; and 500,000 Director options with an exercise price of A\$0.22.
<b>Contractual rights to shares</b>	None

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Company Secretary**

Melanie Leydin is the Company Secretary. Melanie was appointed to this position on 1 January 2021. Melanie is a Director and co-founder of Leydin Freyer, a professional company secretarial and accounting firm. Melanie earned a Bachelor of Business degree in Accounting and Corporate Law from Swinburne University (AU). She is also a Fellow of the Governance Institute of Australia.

**Meetings of directors**

The number of meetings of the Group's Board of Directors (the "Board") and of each Board Committee held during the year ended 31 December 2022, and the number of meetings attended by each Director were:

Fluence - for the year ended 31 December 2021	Full Board		Meetings of committees			
			Audit and Risk		Remuneration and Nomination	
	A	B	A	B	A	B
Mr Richard Irving	10	10	-	-	-	-
Mr Thomas Pokorsky (1)	8	8	-	-	-	-
Mr Paul Donnelly	9	10	9	9	-	-
Mr Ross Haghightat	10	10	-	-	3	3
Dr Rengarajan Ramesh	9	10	9	9	3	3
Ms Samantha Tough	10	10	9	9	-	-
Mr Phillip Hains						

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

1 = Mr Thomas Pokorsky was appointed Chief Executive Officer and Managing Director on 14 March 2022.

**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.

**Remuneration report (Audited)**

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

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;
- Focusing the executives on key financial and non-financial drivers of value; and
- Attracts and retains high caliber 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.

In response to the COVID-19 pandemic, the Board has determined that there will be no increase in base Non-Executive Director fees from prior year levels for 2021. 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. Richard Irving retired from CEO position on 13 March 2022 and from the Chairman position on 20 March 2023. Mr. Paul Donnelly continued to hold the role of Lead Independent Director.



**Remuneration report (Audited) (continued)**

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

**Directors remuneration (continued)**

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.

Executive remuneration levels are referenced to a detailed benchmarking review of peer companies undertaken by Mercer Consulting in mid-2017 updated for subsequent increases for cost of living adjustments and any changes in the scope of responsibilities.

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 2022 comprised 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 relate to specific transactions.

**Remuneration report (Audited) (continued)**

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

***Executive remuneration (continued)***

The LTI program comprised 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. The performance-based element requires KPIs set annually to be achieved for these options to vest.

***Business performance in 2022 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 caliber 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 2022, executive STI bonuses for 2022 were generally towards the mid-range of the available bonus quantum.

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

The Remuneration and Nomination Committee 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 the year 2023 will be considered by the Remuneration and Nomination Committee 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 2022 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 for the current and previous financial year measured in accordance with the requirements of the accounting standards.

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

**(b) Details of remuneration (continued)**

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

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)

Directors and other key management personnel for 2021 consisted of:

- Richard Irving - Chairman and Chief Executive Officer
- Paul Donnelly - Lead Independent Director, Non-Executive Director
- Ross Haghghat - Non-Executive Director
- Dr Rengarajan Ramesh - Non-Executive Director
- Samantha Tough - Non-Executive Director (appointed on 1 June 2021)
- Francesco Fragasso - Chief Financial Officer
- Anthony Hargrave - Chief Operating Officer
- Spencer Smith - Chief Legal Officer
- Richard Cisterna - Chief Strategy Officer (appointed on 13 December 2021)
- Erik Arfalk - Chief Marketing Officer (retired on 31 March 2021)

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.

Fluence Corporation Limited  
 Directors' Report  
 31 December 2022  
 (continued)

Remuneration report (Audited) (continued)

(b) Details of remuneration (continued)

Amounts of remuneration (shown in USD) (continued)

	Short-term benefits					Post-employment benefits		Long-term benefits	Share-based payment	
2022	Cash salary and fees					Superannuation	Long service leave	Equity settled shares	Equity settled options	Total
	Base salary	Deferred compensation	Total salary and fees	Bonus	Allowance*					
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive directors:</b>										
Richard Irving	267,214	-	267,214	-	-	-	-	-	27,296	294,510
Thomas Pokorsky	370,708		370,708	52,500	-	-	-	-	975,507	1,398,715
<b>Total</b>	<b>637,922</b>	<b>-</b>	<b>637,922</b>	<b>52,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,002,803</b>	<b>1,693,225</b>
<b>Non-executive directors:</b>										
Paul Donnelly	84,322	-	84,322	-	-	-	-	-	27,296	111,618
Ross Haghighat	77,665	-	77,665	-	-	-	-	-	27,296	104,961
Rengarajan Ramesh	83,213	-	83,213	-	-	-	-	-	27,296	110,509
Samantha Tough	74,891	-	74,891	-	-	-	-	-	18,144	93,035
<b>Total</b>	<b>320,091</b>	<b>-</b>	<b>320,091</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,032</b>	<b>420,123</b>

Fluence Corporation Limited  
 Directors' Report  
 31 December 2022  
 (continued)

Remuneration report (Audited) (continued)

(b) Details of remuneration (continued)

Amounts of remuneration (shown in USD) (continued)

	Short-term benefits					Post-employment benefits		Long-term benefits	Share-based payment	
2022	Cash salary and fees					Superannuation	Long service leave	Equity settled shares	Equity settled options	Total
	Base salary	Deferred compensation	Total salary and fees	Bonus	Allowance*					
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Other key management personnel:</b>										
Francesco Fragasso (a)	204,676	-	204,676	-	-	-	-	-	(25,567) (b)	179,109
Anthony Hargrave	343,800	-	343,800	51,914	-	-	-	-	42,001	437,715
Spencer Smith	338,140	-	338,140	51,059	-	-	-	-	27,806	417,005
Richard Cisterna	258,333	-	258,333	72,480	-	-	-	-	70,528	401,341
<b>Total</b>	<b>1,144,950</b>	<b>-</b>	<b>1,144,950</b>	<b>175,453</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114,767</b>	<b>1,435,170</b>
<b>Grand total</b>	<b>2,102,963</b>	<b>-</b>	<b>2,102,963</b>	<b>227,953</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,217,602</b>	<b>3,548,518</b>

(a) Mr Fragasso retired as Chief Financial Officer on 31 August 2022.

(b) Mr Fargasso forfeited his equity settled options upon retirement. Under AASB2 Share-based Payments, this is treated as a reversal of the expense.

Fluence Corporation Limited  
 Directors' Report  
 31 December 2022  
 (continued)

Remuneration report (Audited) (continued)

(b) Details of remuneration (continued)

Amounts of remuneration (shown in USD) (continued)

2021	Short-term benefits					Post-employment benefits		Long-term benefits	Share-based payment	Total
	Cash salary and fees					Superannuation	Long service leave	Equity settled shares	Equity settled options	
	Base salary	Deferred compensation	Total salary and fees	Bonus	Allowance*					
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive directors:</b>										
Richard Irving	410,417	-	410,417	75,000	-	-	-	-	71,058	556,475
<b>Total</b>	<b>410,417</b>	<b>-</b>	<b>410,417</b>	<b>75,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,058</b>	<b>556,475</b>
<b>Non-executive directors:</b>										
Paul Donnelly	91,345	-	91,345	-	-	-	-	-	27,743	119,088
Ross Haghghat	84,133	-	84,133	-	-	-	-	-	37,978	122,111
Rengarajan Ramesh	90,143	-	90,143	-	-	-	-	-	58,173	148,316
Samantha Tough (a)	47,325	-	47,325	-	-	-	-	-	40,627	87,952
<b>Total</b>	<b>312,946</b>	<b>-</b>	<b>312,946</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164,521</b>	<b>477,467</b>

Fluence Corporation Limited  
 Directors' Report  
 31 December 2022  
 (continued)

Remuneration report (Audited) (continued)

(b) Details of remuneration (continued)

Amounts of remuneration (shown in USD) (continued)

	Short-term benefits					Post-employment benefits		Long-term benefits	Share-based payment	
2021	Cash salary and fees					Superannuation	Long service leave	Equity settled shares	Equity settled options	Total
	Base salary	Deferred compensation	Total salary and fees	Bonus	Allowance*					
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Other key management personnel:</b>										
Francesco Fragasso	289,636	-	289,636	70,613	-	-	-	-	17,898	378,147
Anthony Hargrave	325,000	-	325,000	59,426	-	-	-	-	43,527	427,953
Spencer Smith	319,000	-	319,000	48,607	59,613	-	-	-	26,411	453,631
Richard Cisterna (b)	12,500	-	12,500	-	-	-	-	-	-	-
Erik Arfalk (c)	58,350	-	58,350	-	26,977	-	-	-	-	85,327
<b>Total</b>	<b>1,004,486</b>	<b>-</b>	<b>1,004,486</b>	<b>178,646</b>	<b>86,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,836</b>	<b>1,357,558</b>
<b>Grand total</b>	<b>1,727,849</b>	<b>-</b>	<b>1,727,849</b>	<b>253,646</b>	<b>86,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>323,415</b>	<b>2,391,500</b>

\* Mr Smith's and Mr Arfalk's allowance includes a portion of unused vacation allowance paid during the year 2021.

(a) Ms Tough was appointed as Non-Executive Director on 1 June 2021.

(b) Mr Cisterna was appointed as the Chief Strategy Officer on 13 December 2021.

(c) Mr Arfalk resigned from the position of the Chief Marketing Officer on 31 March 2021.

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

**(b) Details of remuneration (continued)**

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

Remuneration subject to performance in 2022:

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.

<b>Name</b>	<b>Maximum potential compensation</b>	<b>Maximum potential compensation subject to performance</b>	<b>Percentage of compensation subject to performance</b>
Richard Irving (1)	267,214	-	-
Thomas Pokorsky	445,708	75,000	16.8%
Francesco Fragasso (2)	204,676	-	-
Anthony Hargrave	446,940	103,140	23.1%
Spencer Smith	422,675	84,535	20.0%
Richard Cisterna	378,333	120,000	31.7%

<b>Name</b>	<b>Compensation subject to performance paid/payable 2022</b>	<b>Compensation subject to performance not earned 2022</b>
Richard Irving (1)	0.0%	0.0%
Thomas Pokorsky	70.0%	30.0%
Francesco Fragasso (2)	0.0%	0.0%
Anthony Hargrave	50.3%	49.7%
Spencer Smith	60.4%	39.6%
Richard Cisterna	60.4%	39.6%

(1) Mr Irving retired as CEO on 13 March 2022 and transitioned to the role of Chairman, hence not subject to performance based bonus in 2022.

(2) Mr Fragasso retired as Chief Financial officer on 31 August 2022, hence not subject to performance based bonus in 2022.



**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

**(b) Details of remuneration (continued)**

*Issue of shares*

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

<b>2022</b>	<b>Balance at the start of the year</b>	<b>Received as compensation</b>	<b>Options exercised</b>	<b>Net change exercised / purchased</b>	<b>Total</b>
<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 Haghghat	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>

Fluence Corporation Limited  
 Directors' Report  
 31 December 2022  
 (continued)

Remuneration report (Audited) (continued)

(b) Details of remuneration (continued)

Issue of shares (continued)

2021	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
	<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	-	-	-	-	-
Erik Arfalk	-	-	-	-	-
	-	-	-	-	-
<b>Total</b>	<b>38,364,579</b>	-	-	-	<b>38,364,579</b>

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

**(b) Details of remuneration (continued)**

*Issue of options*

The number of options over ordinary shares in the Group held during the period by each Director and other Key Management Personnel, including their personally related parties, are set out below. An Employee Option Plan was approved by shareholders on 17 November 2015. Refer to description of Long-Term Incentives under executive remuneration for details.

<b>2022</b>	<b>Balance at the start of the year</b>	<b>Granted as compensation</b>	<b>Option expired / exercised</b>	<b>Net change other</b>	<b>Balance at end of year</b>	<b>Vested &amp; Exercisable</b>	<b>Escrowed / Unvested</b>
<b>Executive Directors</b>							
Richard Irving	2,500,000	500,000	(1,500,000)	-	1,500,000	250,000	<b>1,250,000</b>
Thomas Pokorsky	-	31,250,000	-	-	31,250,000	-	<b>31,250,000</b>
	<b>2,500,000</b>	<b>31,750,000</b>	<b>(1,500,000)</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>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>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>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.

Fluence Corporation Limited  
 Directors' Report  
 31 December 2022  
 (continued)

Remuneration report (Audited) (continued)

(b) Details of remuneration (continued)

Issue of options (continued)

2021	Balance at the start of the year	Granted as compensation	Option expired / exercised	Net change other	Balance at end of year	Vested & Exercisable	Escrowed / Unvested
<b>Executive Directors</b>							
Richard Irving	1,900,000	2,500,000	(1,900,000)	-	2,500,000	-	2,500,000
	<b>1,900,000</b>	<b>2,500,000</b>	<b>(1,900,000)</b>	-	<b>2,500,000</b>	-	<b>2,500,000</b>
<b>Non-Executive Directors</b>							
Paul Donnelly	500,000	1,000,000	-	-	1,500,000	500,000	1,000,000
Ross Haghghat	1,400,000	1,000,000	(1,400,000)	-	1,000,000	-	1,000,000
Rengarajan Ramesh	1,500,000	1,000,000	(1,500,000)	-	1,000,000	-	1,000,000
Samantha Tough	-	1,000,000	-	-	1,000,000	500,000	500,000
	<b>3,400,000</b>	<b>4,000,000</b>	<b>(2,900,000)</b>	-	<b>4,500,000</b>	<b>1,000,000</b>	<b>3,500,000</b>
<b>Key Management Personnel</b>							
Francesco Fragasso	1,005,000	700,000	(50,000)	-	1,655,000	656,875	998,125
Anthony Hargrave	793,594	750,000	(31,250)	-	1,512,344	606,719	905,625
Spencer Smith	865,000	700,000	(140,000)	-	1,425,000	593,750	831,250
Richard Cisterna	-	-	-	-	-	-	-
	<b>2,663,594</b>	<b>2,150,000</b>	<b>(221,250)</b>	-	<b>4,592,344</b>	<b>1,857,344</b>	<b>2,735,000</b>
<b>Total</b>	<b>7,963,594</b>	<b>8,650,000</b>	<b>(5,021,250)</b>	-	<b>11,592,344</b>	<b>2,857,344</b>	<b>8,735,000</b>

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

***(b) Details of remuneration (continued)***

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

For the period, options were issued to certain Key Management Personnel 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 2022. Options issued to Key Management Personnel 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.

Details of options granted to directors and other key management personnel as compensation during the reporting period are as follows:

Fluence Corporation Limited  
 Directors' Report  
 31 December 2022  
 (continued)

Remuneration report (Audited) (continued)

(b) Details of remuneration (continued)

Share-based payments granted as compensation during the year (continued)

2022	Grant date	No. of options granted	No. of options vested	Fair value per option at grant date	Exercise price	Expiry date	Value of options at grant date
				US\$			AU\$
<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 Haghghat	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	0.1080	0.18	01 January 2027	93,573

Fluence Corporation Limited  
 Directors' Report  
 31 December 2022  
 (continued)

Remuneration report (Audited) (continued)

(b) Details of remuneration (continued)

Share-based payments granted as compensation during the year (continued)

2021	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	25 June 2021	1,500,000	-	0.0171	0.29	30 June 2022	25,628
	25 June 2021	1,000,000	-	0.0601	0.23	25 August 2025	60,096
<b>Non-Executive Directors</b>							
Paul Donnelly	25 June 2021	1,000,000	-	0.0601	0.23	25 August 2025	60,096
Ross Haghghat	25 June 2021	1,000,000	-	0.0601	0.23	25 August 2025	60,096
Rengarajan Ramesh	25 June 2021	1,000,000	-	0.0601	0.23	25 August 2025	60,096
Samantha Tough	25 June 2021	1,000,000	500,000	0.0534	0.23	25 June 2025	53,404
<b>Key Management Personnel</b>							
Francesco Fragasso	6 April 2021	12,500	-	0.0751	0.23	1 October 2024	938
	6 April 2021	187,500	25,000	0.0863	0.23	31 May 2025	16,189
	16 August 2021	500,000	-	0.0849	0.21	18 August 2025	42,442
Anthony Hargrave	6 April 2021	46,875	-	0.0751	0.23	1 October 2024	3,519
	6 April 2021	703,125	93,750	0.0863	0.23	31 May 2025	60,710
Spencer Smith	6 April 2021	12,500	-	0.0751	0.23	1 October 2024	938
	6 April 2021	187,500	25,000	0.0863	0.23	31 May 2025	16,189
	16 August 2021	500,000	-	0.0849	0.21	18 August 2025	42,442
Richard Cisterna	-	-	-	-	-	-	-

**Remuneration report (Audited) (continued)**

**Service agreements**

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

**Name:** Richard Irving  
**Title:** Chairman and CEO  
**Agreement commenced:** 13 November 2020  
**Term of agreement:** Open  
**Details:** In the role of Chairman and CEO, Mr Irving received base salary of US\$450,500 per annum. On 13 March 2022 Mr Irving retired as CEO. As of 14 March 2022 Mr Irvings fee as Chairman of Group is AU\$250,000 (US\$173,360).

**Name:** Ross Haghghat  
**Title:** Non-Executive Director  
**Agreement commenced:** 18 December 2015  
**Term of agreement:** Open  
**Details:** Non-Executive Director fees of AU\$96,000 (US\$66,570) per annum plus Chair of Remuneration and Nomination Committee fees of AU\$16,000 (US\$11,095) per annum. Remuneration is reviewed annually by the Remuneration and Nomination Committee.

**Name:** Dr. Rengarajan Ramesh  
**Title:** Non-Executive Director  
**Agreement commenced:** 14 July 2017  
**Term of agreement:** Open  
**Details:** Non-Executive Director fees of AU\$96,000 (US\$66,570) per annum plus Member of the Audit and Risk Committee fees of AU\$12,000 (US\$8,321) per annum and Member of the Remuneration and Nomination Committee fees of AU\$12,000 (US\$8,321) per annum. 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:** Open  
**Details:** Non-Executive Director fees of AU\$96,000 (US\$66,570) per annum plus Chair of the Audit and Risk Committee fees of AU\$16,000 (US\$11,095) per annum and Lead Independent Director fee amounting to AU\$9,600 (US\$6,657) per annum. Remuneration is reviewed annually by the Remuneration and Nomination Committee.

**Name:** Samantha Tough  
**Title:** Non-Executive Director  
**Agreement commenced:** 01 July 2021  
**Term of agreement:** Open  
**Details:** Non-Executive Director fees of AU\$96,000 per annum (US\$66,570) plus Member of Audit and Risk Committee fees of AU\$12,000 (US\$8,321) per annum. Remuneration is reviewed annually by the Remuneration and Nomination Committee.



**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

**Service agreements (continued)**

**Name:** Richard Irving  
**Title:** Chairman and Chief Executive Officer  
**Agreement commenced:** 13 November 2020  
**Term of agreement:** The engagement term is not fixed

**Details of remuneration:**

**Cash salary and fees:** US\$450,500 per annum up to 13 March 2022 and US\$173,360 per annum from 14 March 2022 as Chairman.

**Bonuses and deferred remuneration:**

**Other Benefits:** Health insurance for Mr. Irving and his family up to 13 March 2022.

**Employment Based Option Remuneration:**

Number of Options Granted	Grant Date	Exercise Price	Vesting Period
1,000,000	25 June 2021	AU\$0.23	Options are exercisable in equal annual installments at the end of each consecutive twelve (12) months period over four (4) years period, commencing on 25 July 2021.
500,000	30 June 2022	AU\$0.22	Options vest on the 3rd anniversary following the grant date on 29 June 2025.

Number of Options Granted	Grant Date	Exercise Price	Vesting Period
1,500,000	25 June 2021	AU\$0.29	Vesting is subject to meeting performance milestones set by the Board and is accelerated upon a "change of control event". The options expiry date is 30 June 2022. The Options has not been exercised hence expired.

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

**Service agreements (continued)**

**Name:** Thomas Pokorsky  
**Title:** Chief Executive Officer and Managing Director  
**Agreement commenced:** 14 March 2022  
**Term 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:** Performance based bonus of up to US\$75,000  
**Other Benefits:** Health insurance for Mr Pokorsky and his family

**Employment Based Option Remuneration:**

Number of Options Granted	Grant Date	Exercise Price	Vesting Period
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 Granted	Grant Date	Exercise Price	Vesting Period
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 2025 subject to meeting performance criteria.
3,125,000	30 June 2022	AU\$0.28	Options vest and become exercisable on 15 January 2026 subject to meeting performance criteria.

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

*Service agreements (continued)*

<b>Number of Options Granted</b>	<b>Grant Date</b>	<b>Exercise Price</b>	<b>Vesting Period</b>
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.

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

**Service agreements (continued)**

**Name:** Francesco Fragasso  
**Title:** Chief Financial Officer  
**Agreement commenced:** 2 April 2018  
**Term of agreement:** At will with 60 days' notice by either party

**Details of remuneration:**

**Cash salary and fees:** US\$289,636 (base salary)  
**Bonuses and deferred remuneration:** Performance based bonus of up to 40% of base salary  
**Other Benefits:** Health insurance for Mr Fragasso and his family

**Employment Based Option Remuneration:**

<b>Number of Options Granted</b>	<b>Grant Date</b>	<b>Exercise Price</b>	<b>Vesting Period</b>
400,000	26 March 2018	AU\$0.48	Options vest and become exercisable in equal installments at the end of each consecutive three (3) months period over four (4) years, commencing on 26 March 2018. (a)
330,000	26 February 2020	AU\$0.44	Options vest and become exercisable in equal installments at the end of each consecutive three (3) months period over four (4) years, commencing on 26 February 2020. (a)
200,000	6 April 2021	AU\$0.23	Options vest and become exercisable in equal installments at the end of each consecutive three (3) months period over four (4) years, commencing on 6 April 2021. (a)
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. (a)

**Remuneration report (Audited) (continued)**

*Service agreements (continued)*

**Performance Based Option Remuneration:**

<b>Number of Options Granted</b>	<b>Grant Date</b>	<b>Exercise Price</b>	<b>Vesting Period</b>
400,000	26 March 2018	AU\$0.48	Options are exercisable in equal annual installments at the end of each consecutive twelve (12) months period over four (4) years period, commencing on 26 March 2018. Vesting of these options is subject to meeting performance criteria established by the Board. (a)

**Trigger Event Based Option Remuneration:**

<b>Number of Options Granted</b>	<b>Grant Date</b>	<b>Exercise Price</b>	<b>Vesting Period</b>
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. (a)

(a) Mr Fragasso retired on 31 August 2022. All Options issued to Mr Fragasso have been forfeited and as of 31 December 2022 there are no outstanding Options.

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

**Service agreements (continued)**

**Name:** Anthony Hargrave  
**Title:** Chief Operating Officer  
**Agreement commenced:** Mr Hargrave joined Fluence Corporation Limited on 16 May 2018  
**Term of agreement:** At will with 60 days' notice by either party

**Details of remuneration:**

**Cash salary and fees:** US\$343,800 (base salary)  
**Bonuses and deferred remuneration:** Performance based bonus of up to 30% of based salary  
**Other Benefits:** Health insurance for Mr Hargrave and his family

**Employment Based Option Remuneration:**

Number of Options Granted	Grant Date	Exercise Price	Vesting Period
250,000	28 June 2018	AU\$0.46	Options vest and become exercisable in equal installments at the end of each consecutive three (3) months period over four (4) years, commencing on 28 June 2018.
360,000	26 February 2020	AU\$0.44	Options vest and become exercisable in equal installments at the end of each consecutive three (3) months period over four (4) years, commencing on 26 February 2020.
750,000	6 April 2021	AU\$0.23	Options vest and become exercisable in equal installments at the end of each consecutive three (3) months 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.

**Performance Based Option Remuneration:**

Number of Options Granted	Grant Date	Exercise Price	Vesting Period
250,000	28 June 2018	AU\$0.46	Options are exercisable as follows: 12.5% on 31 January 2019, 75% in 3 equal installments on 31 January 2020, 31 January 2021 and 31 January 2022 with the remaining 12.5% on 31 July 2022. Vesting is subject to meeting performance criteria established by the Board.

**Remuneration report (Audited) (continued)**

**Service agreements (continued)**

**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.  
**Term 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\$338,140 (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.

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

***Service agreements (continued)***

**Trigger Event Based Option Remuneration:**

<b>Number of Options Granted</b>	<b>Grant Date</b>	<b>Exercise Price</b>	<b>Vesting Period</b>
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.



**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

*Service agreements (continued)*

**Name:** Richard Cisterna  
**Title:** Chief Strategy Officer  
**Agreement commenced:** 13 December 2021  
**Term of agreement:** At will with 60 days' notice by either party

**Details of remuneration:**

**Cash salary and fees:** US\$250,000 (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:**

<b>Number of Options Granted</b>	<b>Grant Date</b>	<b>Exercise Price</b>	<b>Vesting Period</b>
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

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**Remuneration report (Audited) (continued)**

**Financial performance**

The earnings of the consolidated entity for the five years to 31 December 2022 are summarised below:

	2022	2021	2020	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial results			(*)	(*)	
Revenue	119,098	111,986	97,139	59,848	101,123
Loss before income tax from continuing operations	(16,046)	(10,982)	(8,378)	(29,355)	(62,360)
Loss from discontinued operations	(267)	(3,868)	(12,419)	(238)	-
Loss for the year	(16,292)	(15,083)	(19,859)	(31,585)	(62,802)

\* The results for 2020 and 2019 have been adjusted to conform with AASB 5: "Assets held for sale and discontinued operations" presentation requirements.

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

	31 December 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Market factors					
Share price	AU\$0.17	AU\$0.15	AU\$0.23	AU\$0.43	AU\$0.31
	2022	2021	2020	2019	2018
	\$	\$	\$	\$	\$
Financial factors					
Loss per share from continuing operations	(0.03)	(0.02)	(0.01)	(0.06)	(0.14)

**[This concludes the Remuneration Report, which has been audited]**

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**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 (AU\$)</b>	<b>Number under option</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	30 May 2023	\$0.60	250,000
28 June 2018	30 May 2023	\$0.80	250,000
30 May 2019	14 July 2025	\$0.39	1,470,000
10 March 2020	1 March 2023	\$0.44	12,000
10 March 2020	30 May 2023	\$0.44	102,000
10 March 2020	29 August 2023	\$0.44	164,000
10 March 2020	29 November 2023	\$0.44	25,000
10 March 2020	1 March 2024	\$0.44	48,250
19 March 2020	1 March 2024	\$0.44	860,000
24 September 2020	30 May 2024	\$0.23	3,750
24 September 2020	31 May 2024	\$0.23	250
24 September 2020	29 August 2024	\$0.23	12,000
7 December 2020	29 August 2024	\$0.26	170,500
6 April 2021	31 May 2025	\$0.23	2,490,000
25 June 2021	25 June 2025	\$0.23	1,000,000
25 June 2021	25 August 2025	\$0.23	4,000,000
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	1,250,000
21 March 2022	1 January 2027	\$0.22	25,000
21 March 2022	22 March 2027	\$0.17	1,000,000
23 May 2022	31 March 2027	\$0.22	12,500,000
30 June 2022	30 June 2026	\$0.22	2,500,000
30 June 2022	14 March 2027	\$0.22	21,875,000
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
			<b>69,575,688</b>

### **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 insure 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.

#### **(b) 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 26 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*.

### **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 on page 44.

### **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.

**Fluence Corporation Limited**  
**Directors' Report**  
**31 December 2022**  
(continued)

**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/>.

For and on behalf of the Directors

A handwritten signature in blue ink, appearing to read 'Thomas Pokorsky', with a stylized flourish at the end.

Thomas Pokorsky  
Chief Executive Officer and Managing Director  
30 March 2023  
Minnesota



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

As lead auditor of Fluence Corporation Limited the year ended 31 December 2022, 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 period.

**Katherine Robertson**  
Director

**BDO Audit Pty Ltd**

Melbourne, 30 March 2023

**Fluence Corporation Limited**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2022**

		<b>Consolidated entity</b>	
		31 December 2022	31 December 2021
	Notes	\$'000	\$'000
<b>Revenues</b>			
Operating revenue	4	119,088	111,853
Other income		10	133
		<b>119,098</b>	<b>111,986</b>
<b>Expenses</b>			
Cost of sales		(91,071)	(88,855)
Research and development expenses	4	(3,779)	(3,802)
Sales and marketing expenses	4	(6,320)	(5,982)
General and administration expenses	4	(20,136)	(16,575)
Other losses	4	(9,801)	(5,034)
Finance costs - net	4	(4,037)	(2,720)
<b>Loss before income tax</b>		<b>(16,046)</b>	<b>(10,982)</b>
Income tax benefit/(expense)	6	21	(233)
<b>Loss from continuing operations after tax</b>		<b>(16,025)</b>	<b>(11,215)</b>
<b>Loss from discontinued operations</b>	<b>3</b>	<b>(267)</b>	<b>(3,868)</b>
<b>Loss for the year</b>		<b>(16,292)</b>	<b>(15,083)</b>
<b>Loss for the year is attributable to:</b>			
Owners of Fluence Corporation Limited		(16,193)	(14,702)
Non-controlling interests		(99)	(381)
		<b>(16,292)</b>	<b>(15,083)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Exchange differences on translation of foreign operations, net of tax		(2,176)	217
<b>Total comprehensive income for the year</b>		<b>(18,468)</b>	<b>(14,866)</b>
<b>Total comprehensive income for the year is attributable to:</b>			
Continuing operations		(18,094)	(10,816)
Discontinued operations		(275)	(3,669)
<b>Owners of Fluence Corporation Limited</b>		<b>(18,369)</b>	<b>(14,485)</b>
Continuing operations		(57)	(194)
Discontinued operations		(42)	(187)
<b>Non-controlling interests</b>		<b>(99)</b>	<b>(381)</b>
		<b>(18,468)</b>	<b>(14,866)</b>

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. All amounts are presented in US dollars.*

**Fluence Corporation Limited**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2022**  
(continued)

		<b>Consolidated entity</b>	
		31 December 2022	31 December 2021
	Notes	\$	\$
<b>Losses per share from continuing operations attributable to the ordinary equity holders of the Group:</b>			
Basic and diluted loss per share	7	(0.025)	(0.018)
<b>Losses per share from discontinued operations attributable to the ordinary equity holders of the Group:</b>			
Basic and diluted loss per share	7	0.000	(0.006)
<b>Losses per share attributable to the ordinary equity holders of the Group:</b>			
Basic and diluted loss per share	7	(0.025)	(0.024)

In accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", the 31 December 2021 comparatives within the 2022 annual report have been re-presented to consolidate the Italian operations into the consolidated entity.

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. All amounts are presented in US dollars.*



**Fluence Corporation Limited**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2022**

	Notes	<b>Consolidated entity</b>	
		31 December 2022 \$'000	31 December 2021 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	30,936	41,363
Other financial assets		4,128	11,502
Trade and other receivables	9	49,026	36,984
Inventories	10	9,290	13,883
Prepayments		6,065	10,094
Concession arrangement assets	11	246	231
Other assets	13	151	188
Assets directly associated with assets classified as held for sale	3	-	562
<b>Total current assets</b>		<b>99,842</b>	<b>114,807</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	14	348	547
Deferred tax assets	6	-	163
Property, plant and equipment	15	9,663	12,583
Intangible assets	16	1,339	1,709
Concession arrangement assets	11	2,619	2,881
Long-term deposits	12	9,532	14,287
Other assets	13	277	2,159
<b>Total non-current assets</b>		<b>23,778</b>	<b>34,329</b>
<b>Total assets</b>		<b>123,620</b>	<b>149,136</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	51,494	49,186
Borrowings and lease liability	18	2,368	3,469
Current tax liabilities		118	35
Provisions	19	6,172	4,527
Contract liabilities	20	24,977	34,756
<b>Total current liabilities</b>		<b>85,129</b>	<b>91,973</b>
<b>Non-current liabilities</b>			
Other liabilities	17	1,779	1,964
Borrowings and lease liability	18	32,937	34,564
Deferred tax liabilities	6	334	895
Provisions	19	525	912
Contract liabilities	20	-	2,838
<b>Total non-current liabilities</b>		<b>35,575</b>	<b>41,173</b>
<b>Total liabilities</b>		<b>120,704</b>	<b>133,146</b>
<b>Net assets</b>		<b>2,916</b>	<b>15,990</b>
<b>EQUITY</b>			
Contributed equity	21	217,673	212,279
Foreign currency translation reserve	23	(13,897)	(11,721)
Accumulated losses		(198,866)	(182,673)
		4,910	17,885
Non-controlling interests	22	(1,994)	(1,895)
<b>Total equity</b>		<b>2,916</b>	<b>15,990</b>

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.  
All amounts are presented in US dollars.*

**Fluence Corporation Limited**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2022**

Consolidated entity	Contributed equity \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
<b>Balance at 1 January 2021</b>	<b>212,161</b>	<b>(11,938)</b>	<b>(167,971)</b>	<b>32,252</b>	<b>(1,780)</b>	<b>30,472</b>
Loss for the period	-	-	(14,702)	(14,702)	(381)	(15,083)
Other comprehensive income	-	217	-	217	-	217
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>217</b>	<b>(14,702)</b>	<b>(14,485)</b>	<b>(381)</b>	<b>(14,866)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Issue of options	446	-	-	446	-	446
Transactions with non-controlling interests	(328)	-	-	(328)	266	(62)
<b>Balance at 31 December 2021</b>	<b>212,279</b>	<b>(11,721)</b>	<b>(182,673)</b>	<b>17,885</b>	<b>(1,895)</b>	<b>15,990</b>
<b>Balance at 1 January 2022</b>	<b>212,279</b>	<b>(11,721)</b>	<b>(182,673)</b>	<b>17,885</b>	<b>(1,895)</b>	<b>15,990</b>
Loss for the period	-	-	(16,193)	(16,193)	(99)	(16,292)
Other comprehensive income	-	(2,176)	-	(2,176)	-	(2,176)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(2,176)</b>	<b>(16,193)</b>	<b>(18,369)</b>	<b>(99)</b>	<b>(18,468)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Issue of ordinary shares, net of transaction costs	21 3,715	-	-	3,715	-	3,715
Issue of options	5 1,679	-	-	1,679	-	1,679
<b>Balance at 31 December 2022</b>	<b>217,673</b>	<b>(13,897)</b>	<b>(198,866)</b>	<b>4,910</b>	<b>(1,994)</b>	<b>2,916</b>

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes. All amounts are presented in US dollars.*

**Fluence Corporation Limited**  
**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2022**

	<b>Consolidated entity</b>	
	31 December 2022	31 December 2021
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipt from customers	91,307	110,542
Payments to suppliers and employees	(107,949)	(112,544)
Income from equity accounted investments	136	-
Receipt from restricted cash	-	108
Interest received	78	91
Interest and other costs of finance paid	(3,947)	(2,773)
Income taxes paid	(110)	(263)
<b>Net cash outflow from operating activities</b>	<b>8</b> <u>(20,485)</u>	<b>(4,839)</b>
<b>Cash flows from investing activities</b>		
Payment for purchases of plant and equipment	(445)	(1,419)
Funds transferred from term deposit, net	10,861	8,737
Proceeds from sale of property, plant and equipment	253	36
<b>Net cash inflow from investing activities</b>	<b>10,669</b>	<b>7,354</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of ordinary shares	3,715	-
(Repayment)/proceeds of borrowings	(365)	10,709
Lease payments	(1,588)	(1,815)
<b>Net cash inflow from financing activities</b>	<b>1,762</b>	<b>8,894</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(8,054)</b>	<b>11,409</b>
Cash and cash equivalents at the beginning of the financial year	41,363	31,038
Effects of exchange rate changes on cash and cash equivalents	(2,373)	(1,084)
<b>Cash and cash equivalents at end of year</b>	<b>8</b> <u>30,936</u>	<b>41,363</b>

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes. All amounts are presented in US dollars.*

## **1 Summary of significant accounting policies**

### **(a) Corporate information**

The Financial Report of Fluence Corporation Limited and its controlled entities (the “Group”) for the year ended 31 December 2022 was authorised for issue in accordance with a resolution of the Directors on the 31<sup>st</sup> March 2023.

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.

### **(b) 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, in the relevant notes to the financial statements (refer to Note 1 (aa)).

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 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.

For the year ended 31 December 2022, the consolidated entity incurred an operating loss after tax of \$16,292,000 (2021: \$15,083,000) and had cash outflow from operating activities of \$20,485,000 (2021: cash outflow of \$4,839,000), and total net cash outflows of \$8,054,000 (2021: cash inflow of \$11,409,000). The Group had cash and cash equivalents of \$30,936,000 and other financial assets of \$4,128,000 at 31 December 2022 (2021: \$41,363,000 and \$11,502,000 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.

## **1 Summary of significant accounting policies (continued)**

### **(b) Basis of preparation (continued)**

#### **(i) Going concern (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 substantial contracted sales backlog of \$47.7 million, which includes the Ivory Coast Project and other projects. Contracted revenues from the Ivory Coast Project are \$15.9 million for financial year 2023.
- 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.

Management continue to strategise to manage and mitigate the ongoing impact of COVID-19 and have taken steps to monitor projects performance, cash flows and operations accordingly.

#### **(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 2021.

### **(c) 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.

### **(d) 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 30.

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.

## **1 Summary of significant accounting policies (continued)**

### **(e) 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.

### **(f) 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.

### **(g) 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 17 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.

### **(h) Leases**

The Group recognises assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Group recognises a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Right-in-use assets and lease liabilities are measured initially on a present value basis. The Group recognises depreciation of the right-of-use asset and interest on the lease liability. Depreciation is on a straight-line basis.

### **(i) 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 included in the current provision for employee benefits.

## 1 Summary of significant accounting policies (continued)

### (i) Employee benefits (continued)

#### (i) Wages and salaries (continued)

- 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).

#### **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 5.

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.

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.

### (j) 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.

## **1 Summary of significant accounting policies (continued)**

### **(j) Investment in associates and joint ventures (continued)**

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 on the face of the Statement of Profit or Loss outside operating profit 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.

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.

### **(k) 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 investment that will enhance the performance of the assets of the Cash Generating Unit (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.



## **1 Summary of significant accounting policies (continued)**

### **(l) Cash and cash equivalents**

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

### **(m) Other financial assets**

Restricted cash is invested in highly liquid deposits, which are used mainly as security for guarantees provided to lessors of office and production premises, bid bonds and performance guarantees.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### **(n) 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.

### **(o) 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 or revalued amounts, net of their residual values, 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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.

## **1 Summary of significant accounting policies (continued)**

### **(p) 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.

### **(q) 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.

### **(r) Income tax**

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting loss nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting loss nor taxable profit or loss.

## **1 Summary of significant accounting policies (continued)**

### **(r) Income tax (continued)**

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

### **(s) 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.

### **(t) 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.

#### **(i) Research and development**

Research costs are expensed as incurred.

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

## **1 Summary of significant accounting policies (continued)**

### **(t) Intangible assets (continued)**

#### **(i) Research and development (continued)**

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not available for use, or more frequently when an indication of impairment arises during the reporting period.

Amortisation commences when the assets are ready for use.

#### **(u) Impairment**

The carrying values of non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

#### **(v) Trade and other payables**

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

#### **(w) 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.

#### **(x) 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.

#### **(y) 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.

## **1 Summary of significant accounting policies (continued)**

### **(z) 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.

### **(aa) Significant accounting estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### **(i) 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 17 Trade and other payables and other liabilities.

#### **(ii) 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.

#### **(iii) 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 5 - People costs.

## **1 Summary of significant accounting policies (continued)**

### **(aa) Significant accounting estimates and assumptions (continued)**

#### **(iv) 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.

#### **(v) 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.

#### **(vi) 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.

#### **(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 (PDVSA contract), 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.

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 plant named "Portuguesa", at a project value of \$45 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, and to date no claims have been brought in response to the issue.

## 1 Summary of significant accounting policies (continued)

### (aa) Significant accounting estimates and assumptions (continued)

#### (viii) San Quintin project

The Group has classified the operations in Mexico as a discontinued operation. Following the decision not to proceed with the contract in 2020, project-related assets in Mexico have been written down to a carrying value of nil.

The cash supporting a bond of \$3.1 million, deposited with a third party under the terms of the original contract, was returned to the Group in July 2022.

A mutual termination agreement is in the process of being finalised with the customer and management are confident of a formal resolution within the next 12 months.

## 2 Segment information

Segment disclosure replicates the manner in which the Chief Operating Decision Maker (CODM) monitors the business performance.

The Group's operating segments are:

- Operating Units (OUs) - These are defined as the operating entities of the Group that earn revenues and incur expenses that are reviewed by the CODM and their discrete financial information is available. The OUs are aggregated into a single operating segment on the basis that the OUs are similar in each of the following respects:
  - nature of the products and services;
  - nature of the production processes;
  - type or class of customer for their products and services;
  - methods used to distribute their products or provide their services; and
  - nature of the regulatory environment
- Product and Innovation Group (P&I) - Defined as the Research and Development segment of the Group.

2022	Operating Units \$'000	Product and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
<b>Segment revenue</b>				
Contract revenue	109,357	-	-	109,357
Service revenue	9,681	292	(242)	9,731
Other income	10	-	-	10
	<b>119,048</b>	<b>292</b>	<b>(242)</b>	<b>119,098</b>
<b>Segment expense</b>				
Segment depreciation and amortisation	(1,789)	(583)	-	(2,372)
Write off of inventories	(877)	-	-	(877)
Loss after tax from discontinued operations	(293)	-	-	(293)
Segment expense	(115,101)	(3,401)	242	(118,260)
Unallocated expenses - corporate	-	-	-	(13,588)
	<b>(118,060)</b>	<b>(3,984)</b>	<b>242</b>	<b>(135,390)</b>
<b>Segment results</b>	<b>988</b>	<b>(3,692)</b>	<b>-</b>	<b>(16,292)</b>

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(continued)

**2 Segment information (continued)**

2022	Operating Units \$'000	Product and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
<b>Assets</b>				
Investments in associates	348	-	-	348
Segment assets	117,925	3,296	(663)	120,558
Unallocated assets - corporate	-	-	-	2,714
	<b>118,273</b>	<b>3,296</b>	<b>(663)</b>	<b>123,620</b>
<b>Liabilities</b>				
Segment liabilities	(83,893)	(5,187)	663	(88,417)
Unallocated liabilities - corporate	-	-	-	(32,287)
	<b>(83,893)</b>	<b>(5,187)</b>	<b>663</b>	<b>(120,704)</b>
Acquisitions of non-current assets	445	-	-	445
Contract revenue from Operating Units segment includes Ivory Coast revenue of \$69.6 million for FY 2022 (FY 2021: \$56.3 million).				
2021	Operating Units \$'000	Product and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
<b>Segment revenue</b>				
Contract revenue	104,882	-	-	104,882
Service revenue	6,930	640	(599)	6,971
Other income	133	-	-	133
	<b>111,945</b>	<b>640</b>	<b>(599)</b>	<b>111,986</b>
<b>Segment expense</b>				
Segment depreciation and amortisation	(1,590)	(694)	-	(2,284)
Share of profits of associates	83	-	-	83
Write off of inventories	(148)	-	-	(148)
Loss from discontinued operations	(3,868)	-	-	(3,868)
Segment expense	(109,625)	(2,661)	599	(111,687)
Unallocated expenses - corporate	-	-	-	(9,165)
	<b>(115,148)</b>	<b>(3,355)</b>	<b>599</b>	<b>(127,069)</b>
<b>Segment result</b>	<b>(3,203)</b>	<b>(2,715)</b>	<b>-</b>	<b>(15,083)</b>
<b>Assets</b>				
Investments in associates	547	-	-	547
Segment assets	124,117	5,075	(1,433)	127,759
Unallocated assets - corporate	-	-	-	20,268
Assets directly associated with assets classified as held for sale	562	-	-	562
	<b>125,226</b>	<b>5,075</b>	<b>(1,433)</b>	<b>149,136</b>



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**2 Segment information (continued)**

2021	Operating Units \$'000	Product and Innovation \$'000	Intersegment Elimination \$'000	Total \$'000
<b>Liabilities</b>				
Segment liabilities	(96,368)	(5,971)	1,433	(100,906)
Unallocated liabilities - corporate	-	-	-	(32,240)
	<b>(96,368)</b>	<b>(5,971)</b>	<b>1,433</b>	<b>(133,146)</b>
Acquisitions of non-current assets	1,164	38	-	1,202
<b>Unallocated expenses</b>				
			<b>Consolidated entity</b>	
			31 December 2022 \$'000	31 December 2021 \$'000
Other corporate expenses			(13,588)	(9,165)
<b>Unallocated assets</b>				
			<b>Consolidated entity</b>	
			31 December 2022 \$'000	31 December 2021 \$'000
Cash and cash equivalents			1,284	14,779
Other assets			1,430	5,489
			<b>2,714</b>	<b>20,268</b>
<b>Unallocated liabilities</b>				
			<b>Consolidated entity</b>	
			31 December 2022 \$'000	31 December 2021 \$'000
Trade and other payables			(1,097)	(748)
Borrowings			(30,424)	(30,459)
Other liabilities			(766)	(1,033)
			<b>(32,287)</b>	<b>(32,240)</b>

**Intersegment transactions**

Intersegment transactions are made on an arm's-length basis and are eliminated on consolidation.

### 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 2022, the Company classified its operations in Peru as Held for Sale and operations in Mexico ("Fluence Mexico") as discontinued operations.

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.

The Fluence Italian operations were classified as a held for sale within the 2021 annual report. Following a strategic review of the Fluence Italian operations in 2022, the Board determined that the Italian operations would be retained and therefore no longer classified as held for sale. As a consequence, in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations", the 31 December 2021 comparatives within the 2022 annual report have been re-presented to consolidate the Italian operations into the consolidated entity.

##### (ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 31 December 2022 and the year ended 31 December 2021.

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>GCM Peru</b>		
Revenue	-	40
Cost of sales	-	(40)
General and administrative expenses	(7)	(72)
Impairment expense	-	(3,274)
Other gains - net	-	(196)
Loss from Peru disposal	(207)	-
<b>Loss before income tax</b>	<b>(214)</b>	<b>(3,542)</b>
Income tax benefit	-	11
<b>Loss after income tax from discontinued operations</b>	<b>(214)</b>	<b>(3,531)</b>
Net cash inflow/(outflow) from operating activities	4	(47)
Net cash outflow from investing activities	-	(42)
Net cash inflow from financing activities	-	80
Effects of exchange rate changes on cash and cash equivalents	(4)	(12)
<b>Net decrease in cash and cash equivalents from discontinued operations</b>	<b>-</b>	<b>(21)</b>



### 3 Discontinued operations and assets classified as held for sale (continued)

#### (b) Carrying amounts of assets and liabilities discontinued

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
	<b>Fluence Mexico</b>	
<b>Carrying amounts of assets and liabilities discontinued</b>		
Cash and cash equivalents	127	166
Trade receivables	34	12
Prepayments	8	9
Other current assets	7	6
Property, plant and equipment	3	4
<b>Total assets discontinued</b>	<b>179</b>	<b>197</b>
Trade and other payables	366	361
Current tax liabilities	5	33
Contract liabilities	1	1
Other non-current liabilities	347	322
<b>Total liabilities discontinued</b>	<b>719</b>	<b>717</b>
<b>Net liabilities</b>	<b>(540)</b>	<b>(520)</b>

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

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
	<b>GCM Peru</b>	
<b>Disposal group held for sale</b>		
Trade receivables	-	67
Deferred tax assets	-	44
Property, plant and equipment	-	99
Concession arrangement assets - Long-term	-	352
<b>Total assets directly associated with assets classified as held for sale</b>	<b>-</b>	<b>562</b>
<b>Net assets</b>	<b>-</b>	<b>562</b>

#### 4 Operating revenue and other gains/(loss)

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Operating revenue</b>		
<b>Contract revenue</b>		
Smart product solutions	35,202	42,667
Customer engineering solutions	74,155	62,215
	<b>109,357</b>	<b>104,882</b>
<b>Service revenue</b>		
Revenues on services	7,158	2,512
Revenue on parts	506	3,088
Recurring revenue from concession assets	2,067	1,371
	<b>9,731</b>	<b>6,971</b>
	<b>119,088</b>	<b>111,853</b>

Revenue has been disaggregated based on contract revenue (inclusive of smart product solutions and customer engineering solutions) and service revenue. They comprise distinct revenue streams and margins. Refer to Note 2 for disaggregation of revenue by operating segments.

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Research and development</b>		
Salaries and other employee related expenses	(2,422)	(2,350)
Depreciation	(558)	(643)
Materials	(450)	(317)
Professional fees	(158)	(225)
Travel and entertainment	(55)	(44)
Other	(136)	(223)
	<b>(3,779)</b>	<b>(3,802)</b>

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(continued)

**4 Operating revenue and other gains/(loss) (continued)**

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Sales and marketing</b>		
Salaries and other employee related expenses	(4,479)	(3,955)
Professional fees	(352)	(541)
Marketing activities	(575)	(447)
Travel and entertainment	(428)	(410)
Depreciation	(44)	(49)
Other	(442)	(580)
	<b>(6,320)</b>	<b>(5,982)</b>
	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>General and administration</b>		
Salaries and other employee related expenses	(11,532)	(9,191)
Professional fees	(3,296)	(2,224)
Depreciation	(1,365)	(1,717)
Insurance	(767)	(1,196)
Director expense	(773)	(506)
Office expenses	(587)	(379)
Bank charges	(262)	(318)
Travel and entertainment	(473)	(233)
Maintenance	(180)	(148)
IT expenses	(719)	(515)
Other	(182)	(148)
	<b>(20,136)</b>	<b>(16,575)</b>

#### 4 Operating revenue and other gains/(loss) (continued)

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Other gains/(loss) - net</b>		
Restructuring provision	(3,455)	-
Foreign exchange loss	(2,234)	(4,868)
Onerous contracts provision	(1,911)	(404)
Inventory reserve	(877)	(148)
Non-operating expenses	(793)	-
Bad debts	(506)	(287)
Withholding taxes	(186)	(248)
COVID-19 relief	417	785
Gain on disposal of property, plant and equipment	108	31
Gain from investments accounted for using the equity method	9	83
Other gains/(loss)	(373)	22
	<b>(9,801)</b>	<b>(5,034)</b>

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Finance income/(costs) - net</b>		
Interest income	224	253
Interest expense	(4,142)	(2,910)
Project financing and other	(119)	(63)
	<b>(4,037)</b>	<b>(2,720)</b>

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Aggregate expenses</b>		
Aggregate depreciation and amortisation expenses	2,404	3,562
Aggregate employee benefits expense	25,939	27,752

#### 5 People costs

##### (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, grant options over ordinary shares in the Group to employees, consultants and directors of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration and Nomination Committee.

**5 People costs (continued)**

**(a) Share-based payments (continued)**

**Employee Option Plan (continued)**

Set out below are summaries of the movement in options granted under the plan during the year ended 31 December 2022:



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**5 People costs (continued)**

**(a) Share-based payments (continued)**

**Employee Option Plan (continued)**

Grant/change date	Expiry Date	Exercise Price (AU\$)	Granted	Exercised	Vested	Cancelled / Reversed	Balance at year end
<b>Opening balance</b>			<b>89,556,872</b>	<b>(13,773,161)</b>	<b>49,304,599</b>	<b>(48,834,554)</b>	<b>26,949,157</b>
Options vested during the year					4,392,988		
4 January 2022	3 June 2022	0.46	-	-	-	(375)	(375)
4 January 2022	3 June 2022	0.44	-	-	-	(375)	(375)
4 January 2022	29 August 2023	0.44	-	-	-	(750)	(750)
14 January 2022	25 May 2022	0.48	-	-	-	(78,125)	(78,125)
14 January 2022	1 March 2024	0.44	-	-	-	(150,000)	(150,000)
20 January 2022	29 August 2023	0.44	-	-	-	(4,500)	(4,500)
27 February 2022	29 November 2023	0.44	-	-	-	(6,000)	(6,000)
28 February 2022	3 June 2022	0.46	-	-	-	(625)	(625)
28 February 2022	3 June 2022	0.44	-	-	-	(625)	(625)
28 February 2022	31 May 2025	0.23	-	-	-	(73,125)	(73,125)
16 March 2022	25 May 2022	0.48	-	-	-	(312,500)	(312,500)
16 March 2022	1 March 2024	0.44	-	-	-	(150,000)	(150,000)
18 March 2022	3 June 2022	0.44	-	-	-	(750)	(750)
21 March 2022	1 January 2026	0.18	100,000	-	-	-	100,000
21 March 2022	1 July 2026	0.22	250,000	-	-	-	250,000
21 March 2022	1 January 2027	0.18	1,250,000	-	-	-	1,250,000
21 March 2022	1 January 2027	0.22	25,000	-	-	-	25,000
21 March 2022	22 March 2027	0.17	1,500,000	-	-	-	1,500,000
4 April 2022	3 June 2022	0.46	-	-	-	(375)	(375)
4 April 2022	3 June 2022	0.44	-	-	-	(625)	(625)
29 April 2022	3 June 2022	0.46	-	-	-	(9,375)	(9,375)
29 April 2022	3 June 2022	0.44	-	-	-	(8,750)	(8,750)
29 April 2022	31 May 2025	0.23	-	-	-	(16,875)	(16,875)
17 May 2022	3 June 2022	0.46	-	-	-	(5,250)	(5,250)
17 May 2022	3 June 2022	0.44	-	-	-	(4,875)	(4,875)
23 May 2022	31 March 2027	0.22	12,500,000	-	-	-	12,500,000

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**5 People costs (continued)**

**(a) Share-based payments (continued)**

**Employee Option Plan (continued)**

<b>Grant/change date</b>	<b>Expiry Date</b>	<b>Exercise Price (AU\$)</b>	<b>Granted</b>	<b>Exercised</b>	<b>Vested</b>	<b>Cancelled / Reversed</b>	<b>Balance at year end</b>
25 May 2022	25 May 2022	0.48	-	-	-	(700,000)	(700,000)
3 June 2022	3 June 2022	0.46	-	-	-	(56,000)	(56,000)
3 June 2022	3 June 2022	0.44	-	-	-	(54,000)	(54,000)
30 June 2022	30 June 2026	0.22	2,500,000	-	-	-	2,500,000
30 June 2022	14 March 2027	0.22	21,875,000	-	-	-	21,875,000
30 June 2022	14 March 2027	0.24	3,125,000	-	-	-	3,125,000
30 June 2022	14 March 2027	0.26	3,125,000	-	-	-	3,125,000
30 June 2022	14 March 2027	0.28	3,125,000	-	-	-	3,125,000
30 June 2022	30 June 2022	0.29	-	-	-	(1,500,000)	(1,500,000)
30 June 2022	29 August 2024	0.23	-	-	-	(12,000)	(12,000)
15 July 2022	1 March 2024	0.44	-	-	-	(1,500)	(1,500)
31 July 2022	31 July 2022	1.20	-	-	-	(750,000)	(750,000)
31 July 2022	31 July 2022	1.50	-	-	-	(750,000)	(750,000)
26 August 2022	29 August 2024	0.23	-	-	-	(10,000)	(10,000)
27 August 2022	27 August 2022	0.46	-	-	-	(402,344)	(402,344)
31 August 2022	1 March 2024	0.44	-	-	-	(123,750)	(123,750)
31 August 2022	31 May 2025	0.23	-	-	-	(125,000)	(125,000)
31 August 2022	18 August 2025	0.21	-	-	-	(500,000)	(500,000)
31 August 2022	22 March 2027	0.17	-	-	-	(500,000)	(500,000)
13 September 2022	1 March 2024	0.44	-	-	-	(2,500)	(2,500)
26 October 2022	29 August 2024	0.23	-	-	-	(10,000)	(10,000)
28 October 2022	1 March 2024	0.44	-	-	-	(206,250)	(206,250)
28 October 2022	31 May 2025	0.23	-	-	-	(75,000)	(75,000)
15 November 2022	1 March 2024	0.44	-	-	-	(3,750)	(3,750)
16 November 2022	29 November 2023	0.44	-	-	-	(3,000)	(3,000)
30 November 2022	30 May 2023	0.44	-	-	-	(10,000)	(10,000)
3 December 2022	3 December 2022	0.46	-	-	-	(50,625)	(50,625)
3 December 2022	3 December 2022	0.46	-	-	-	(3,375)	(3,375)

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(continued)

**5 People costs (continued)**

**(a) Share-based payments (continued)**

**Employee Option Plan (continued)**

<b>Grant/change date</b>	<b>Expiry Date</b>	<b>Exercise Price (AU\$)</b>	<b>Granted</b>	<b>Exercised</b>	<b>Vested</b>	<b>Cancelled / Reversed</b>	<b>Balance at year end</b>
3 December 2022	3 December 2022	0.44				(74,000)	(74,000)
29 December 2022	29 August 2024	0.26				(1,500)	(1,500)
<b>Closing 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>

## 5 People costs (continued)

### (a) Share-based payments (continued)

#### Employee Option Plan (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, \$
21 March 2022	22 March 2027	0.22	0.17	Nil	2.249	0.0856
21 March 2022	1 July 2026	0.22	0.22	Nil	2.085	0.0783
21 March 2022	1 January 2027	0.22	0.22	Nil	2.199	0.0756
21 March 2022	1 January 2026	0.22	0.18	Nil	1.972	0.0790
21 March 2022	1 January 2027	0.22	0.18	Nil	2.199	0.0749
23 May 2022	31 March 2027	0.26	0.22	Nil	3.003	0.0968
30 June 2022	30 June 2026	0.20	0.22	Nil	3.231	0.0690
30 June 2022	14 March 2027	0.20	0.22	Nil	3.309	0.0640
30 June 2022	14 March 2027	0.20	0.24	Nil	3.309	0.0625
30 June 2022	14 March 2027	0.20	0.26	Nil	3.309	0.0651
30 June 2022	14 March 2027	0.20	0.28	Nil	3.309	0.0663

The weighted average remaining contractual life of options outstanding at year-end 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 \$0.0838. These values were calculated using the binomial lattice, based on the Cox, Ross Rubinstein (1979) method applying the following inputs:

Weighted average exercise price: \$0.44

Expected share price volatility: 60%

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 entity	
	31 December 2022	31 December 2021
Share based payment expense	\$'000	\$'000
Consultant share based payments	500	29
Employee share based payments	84	159
Director share based payments	1,095	258
	<b>1,679</b>	<b>446</b>

## 5 People costs (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 entity</b>	
	31 December 2022	31 December 2021
	\$	\$
Short-term employee benefits	2,330,916	2,068,085
Share based payments	1,217,602	323,415
	<b>3,548,518</b>	<b>2,391,500</b>

The above Key Management Personnel disclosures represent the remuneration of Key Management Personnel defined in the Remuneration Report and paid or payable for the 12 months ended 31 December 2022 and 31 December 2021.

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.

## 6 Income tax

### (a) Income tax expense

The components of tax expense comprise:

	<b>Consolidated entity</b>	
	31 December 2022	31 December 2021
Notes	\$'000	\$'000
<b>Current tax</b>		
Current tax	209	213
Adjustments for current tax of prior periods	195	-
<b>Adjustments for current tax of prior periods</b>		
Increase/(decrease) in deferred tax assets	207	(403)
(Increase)/decrease in deferred tax liabilities	(561)	33
	<b>50</b>	<b>(157)</b>
<b>Income tax expense is attributable to:</b>		
Loss from continuing operations	21	(233)
Loss from discontinued operations	3 29	76
<b>Aggregate income tax expense</b>	<b>50</b>	<b>(157)</b>

## 6 Income tax (continued)

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

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
Loss from continuing operations before income tax	(16,046)	(10,982)
Loss from discontinued operations before income tax	(296)	(3,838)
	<b>(16,342)</b>	<b>(14,820)</b>
Prima facie tax on profit from ordinary activities	(4,903)	(4,466)
Tax losses carried forward	4,903	4,466
Tax expense - Fluence Italy S.R.L.	190	(38)
Tax expense - Fluence Israel Ltd	196	(57)
Tax expense - Fluence Argentina	(579)	(38)
Tax expense - other	243	(24)
<b>Income tax expense</b>	<b>50</b>	<b>(157)</b>

### (c) Deferred tax balances

The components of deferred tax asset and liability comprise:

#### (i) Deferred tax assets

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Tax losses	-	110
Other	-	53
	<b>-</b>	<b>163</b>

## 6 Income tax (continued)

### (c) Deferred tax balances (continued)

#### (ii) Deferred tax liabilities

<b>Consolidated entity</b>	
31 December 2022 \$'000	31 December 2021 \$'000

The balance comprises temporary differences attributable to:

WIP	126	87
Other	208	808
	<b>334</b>	<b>895</b>

<b>Consolidated entity</b>	
31 December 2022 \$'000	31 December 2021 \$'000

**Deferred tax asset is attributable to:**

Deferred tax asset	-	163
<b>Aggregate deferred tax asset</b>	<b>-</b>	<b>163</b>

**Deferred tax liability is attributable to:**

Deferred tax liability	334	895
<b>Aggregate deferred tax liability</b>	<b>334</b>	<b>895</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 2022 was \$49,668,000 (2021: \$47,277,000).

## 7 Loss per share

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

<b>Consolidated entity</b>	
31 December 2022 \$'000	31 December 2021 \$'000

**Loss per share from continuing operations**

Loss after income tax	(16,025)	(11,215)
Non-controlling interest	57	194
<b>Loss after income tax from continuing operations attributable to the ordinary equity holders of the Group</b>	<b>(15,968)</b>	<b>(11,021)</b>

## 7 Loss per share (continued)

### (a) Loss per share from continuing operations (continued)

	<b>Consolidated entity</b>	
	31 December 2022	31 December 2021
	\$	\$
Basic loss per share	(0.025)	(0.018)
Diluted loss per share	(0.025)	(0.018)

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

	<b>Consolidated entity</b>	
	31 December 2022	31 December 2021
	\$'000	\$'000
<b>Loss per share from discontinued operations</b>		
Loss after income tax	(267)	(3,868)
Non-controlling interest	42	187
<b>Loss after income tax from discontinued operations attributable to the ordinary equity holders of the Group</b>	<b>(225)</b>	<b>(3,681)</b>

	<b>Consolidated entity</b>	
	31 December 2022	31 December 2021
	\$	\$
Basic loss per share	0.000	(0.006)
Diluted loss per share	0.000	(0.006)

### (c) Loss per share

	<b>Consolidated entity</b>	
	31 December 2022	31 December 2021
	\$'000	\$'000
<b>Loss per share</b>		
Loss after income tax	(16,292)	(15,083)
Non-controlling interest	99	381
<b>Loss after income tax attributable to the ordinary equity holders of the Group</b>	<b>(16,193)</b>	<b>(14,702)</b>

	<b>Consolidated entity</b>	
	31 December 2022	31 December 2021
	\$	\$
Basic loss per share	(0.025)	(0.024)
Diluted loss per share	(0.025)	(0.024)



## 7 Loss per share (continued)

### (d) Weighted average number of shares

	Consolidated entity	
	2022 Number	2021 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings/(loss) per share	640,485,267	624,854,034

## 8 Cash and cash equivalents

### (a) Cash and cash equivalents

	Consolidated entity	
	31 December 2022 \$'000	31 December 2021 \$'000
Cash and cash equivalents	30,936	41,363
	<b>30,936</b>	<b>41,363</b>

### (b) Other financial assets

	Consolidated entity	
	31 December 2022 \$'000	31 December 2021 \$'000
Restricted cash	90	106
Short term deposits	4,038	11,396
	<b>4,128</b>	<b>11,502</b>

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

### (c) Cash flow information

	Consolidated entity	
	31 December 2022 \$'000	31 December 2021 \$'000
Loss after income tax	(16,292)	(15,083)
<b>Adjustment for:</b>		
Depreciation and amortisation expenses	2,404	2,495
Share based payments expense	1,679	446
Loss from discontinued operations	267	5,926
Increase /(decrease) in restructuring provision	3,455	(568)
Provision for losses	1,911	-
Inventory reserve	877	148

## 8 Cash and cash equivalents (continued)

### (c) Cash flow information (continued)

	<b>Consolidated entity</b>	
	31 December	31 December
	2022	2021
	\$'000	\$'000
Warranty provision	685	170
Bad debt provision	506	247
Increase/(decrease) in employee benefits provision	100	(2)
Gain on disposal of property, plant and equipment	(108)	(31)
Share of profits of associates and joint ventures	(9)	(83)
Finance costs - net	(3,869)	(2,690)
Foreign exchange differences	2,234	4,866
Increase in trade and other receivables	(22,199)	(6,720)
(Increase)/decrease in inventory	3,534	(1,212)
(Increase)/decrease in prepaid expenses	4,996	(4,106)
Decrease in net tax asset	425	408
(Increase)/decrease in other current and non-current assets	66	(60)
Increase in trade and other payables	5,724	7,817
Increase/(decrease) in contract liabilities	(6,871)	3,193
<b>Cash used in operations</b>	<b>(20,485)</b>	<b>(4,839)</b>

## 9 Trade and other receivables

	<b>Consolidated entity</b>	
	31 December	31 December
	2022	2021
	\$'000	\$'000
<b>Current receivables</b>		
Trade receivables	21,191	21,385
Provision for impairment - trade receivables	(1,775)	(2,118)
	<b>19,416</b>	<b>19,267</b>
<b>Other current receivables</b>		
Contract assets (unbilled receivables)	27,423	14,638
GST and other taxes receivable	965	1,684
Income tax receivable	826	859
Other receivables	396	536
	<b>29,610</b>	<b>17,717</b>
<b>Total current receivables</b>	<b>49,026</b>	<b>36,984</b>
<b>Non-current receivables</b>		
Long-term receivables	1,131	1,200
Provision for impairment - long-term receivables	(1,131)	(1,200)
<b>Total non-current receivables</b>	<b>-</b>	<b>-</b>

## 9 Trade and other receivables (continued)

<b>Consolidated entity</b>		
	31 December 2022	31 December 2021
Notes	\$'000	\$'000

### Additional information on contract assets and liabilities

Total contract assets		27,423	14,638
Total contract liabilities	20	(24,977)	(37,594)
		<b>2,446</b>	<b>(22,956)</b>

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.

## 10 Inventories

<b>Consolidated entity</b>		
	31 December 2022	31 December 2021
	\$'000	\$'000

Raw materials - at cost	4,910	5,990
Work in progress - at cost	2,412	4,301
Finished goods - at lower of cost or net realisable value	1,968	3,592
	<b>9,290</b>	<b>13,883</b>

## 11 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 2022, the Group has recognised revenue of \$2.1 million on the desalination plant.

## 11 Concession asset (continued)

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Concession assets</b>		
Current concession asset	246	231
Non-current concession asset	2,619	2,881
	<b>2,865</b>	<b>3,112</b>

## 12 Long-term deposits

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Long-term deposits</b>		
Collections from customers deposited for a period of more than twelve months	9,532	14,287
	<b>9,532</b>	<b>14,287</b>

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

## 13 Other assets

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Current assets</b>		
Other current assets	151	188
	<b>151</b>	<b>188</b>

	<b>Consolidated entity</b>	
	31 December 2021 \$'000	31 December 2020 \$'000
<b>Non-current assets</b>		
Prepaid contract costs	-	1,731
Debt issuance costs	178	291
Other	99	137
	<b>277</b>	<b>2,159</b>

## 14 Investments accounted for using the equity method

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of relationship	Measurement method	Carrying Amount	
					31 December 2022 \$'000	31 December 2021 \$'000
E.T.G.R Water Infrastructure Management	Israel	50%	Associate	Equity method	348	547

The Group holds 50% interest in E.T.G.R Water Infrastructure Management partnership. This investment contributed a gain of \$9,000 to Fluence Corporation Limited (2021: \$83,000), which is included in 'Other gains/(losses)' in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Summarised below is the financial information of E.T.G.R Water Infrastructure Management as of 31 December 2022 and 31 December 2021.

	31 December 2022 \$'000	31 December 2021 \$'000
Cash and cash equivalents	532	502
Trade and other receivables	118	161
Other assets	237	466
<b>Total assets</b>	<b>887</b>	<b>1,129</b>
Trade and other payables	191	35
<b>Total liabilities</b>	<b>191</b>	<b>35</b>
<b>Net assets</b>	<b>696</b>	<b>1,094</b>
	31 December 2022 \$'000	31 December 2021 \$'000
Revenues	448	452
Cost of sales	(352)	(271)
Other expenses	(79)	(15)
<b>Net income for the year</b>	<b>17</b>	<b>166</b>

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**15 Property, plant and equipment**

Consolidated entity	Land \$'000	Buildings and Leasehold improvements \$'000	Production 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
Disposals	(15)	(345)	(11)	(48)	274	-	(677)	(822)
Additions	-	-	13	-	418	14	411	856
Depreciation charge	-	(91)	(389)	(71)	(274)	(121)	(1,333)	(2,279)
Exchange differences	-	18	(90)	(52)	(65)	(44)	(442)	(675)
<b>Closing net 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>3,524</b>	<b>9,663</b>
<b>At 31 December 2022</b>								
Cost	7	4,119	5,284	1,267	4,706	1,123	9,753	26,259
Accumulation depreciation	-	(1,136)	(4,150)	(1,106)	(3,131)	(844)	(6,229)	(16,596)
<b>Net 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>3,524</b>	<b>9,663</b>

Fluence Corporation Limited  
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(continued)

**15 Property, plant and equipment (continued)**

Consolidated entity	Land \$'000	Buildings and Leasehold improvements \$'000	Production 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 2021</b>								
Cost or fair value	120	3,723	5,693	1,395	3,812	883	10,958	26,584
Accumulated depreciation	-	(1,005)	(3,696)	(993)	(2,699)	(645)	(4,565)	(13,603)
<b>Net book amount</b>	<b>120</b>	<b>2,718</b>	<b>1,997</b>	<b>402</b>	<b>1,113</b>	<b>238</b>	<b>6,393</b>	<b>12,981</b>
<b>Year ended 31 December 2021</b>								
Opening net book amount	120	2,718	1,997	402	1,113	238	6,393	12,981
Disposals	-	-	-	-	-	(5)	-	(5)
Additions	-	721	30	19	412	288	504	1,974
Assets included in a disposal group classified as held for sale and other disposals	(98)	-	-	-	(15)	-	-	(113)
Depreciation charge	-	(128)	(454)	(103)	(290)	(137)	(1,597)	(2,709)
Exchange differences	-	90	38	14	2	46	265	455
<b>Closing 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>At 31 December 2021</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>

## 16 Intangible assets

<b>Consolidated entity</b>	<b>Capitalised development costs \$'000</b>
<b>Year ended 31 December 2022</b>	
Opening net book amount	1,709
Amortisation charge	(175)
Currency translation differences	(195)
<b>Closing net book amount</b>	<b>1,339</b>
<b>Year ended 31 December 2021</b>	
Opening net book amount	1,834
Amortisation charge	(183)
Currency translation differences	58
<b>Closing net book amount</b>	<b>1,709</b>

## 17 Trade and other payables and other liabilities

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Current</b>		
Trade payables	17,609	11,740
Accrued payroll liabilities	3,576	1,980
Accrued project expenses	23,085	26,138
Government grants	1,927	1,906
Other accruals	5,297	7,422
	<b>51,494</b>	<b>49,186</b>
<b>Non-current</b>		
Government grants	1,779	1,927
Other liabilities	-	37
	<b>1,779</b>	<b>1,964</b>

### (i) Government Grant Liability

The Group participates in programs sponsored by the Israel Innovation Authority ("IIA") (formerly the Office of the Chief Scientist ("OCS")), for the support of research and development projects. In exchange for the IIA's participation in the programs, the Group is required to pay royalties to the IIA at a rate between 3% and 4% of sales to end customers of products developed with funds provided by the IIA, if and when such sales are recognised. As of 31 December 2022 and 31 December 2021, the Group recognised a liability to the IIA in the amount of \$3,589,000 and \$3,722,000 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. The discount rate used by the Group in determining the liability is 18.2% (2021:18.2%).



## 17 Trade and other payables and other liabilities (continued)

### (i) Government Grant Liability (continued)

The Group has also participated in programs sponsored by the Ministry of National Infrastructures ("MNI") of Israel, for the support of research and development projects. As of 31 December 2022 and 31 December 2021, the Group recognised a liability to the MNI in the amount of \$117,000 and \$111,000 respectively. In January 2023 the Group reached final agreement with MNI to settle the liability at its current value. The discount rate used by the Group in determining the liability in 2021 was 18.2%.

## 18 Borrowings and lease liability

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Borrowings and lease liability</b>		
Current borrowings and interest payable	1,265	1,940
Current lease liability	1,103	1,529
	<b>2,368</b>	<b>3,469</b>
Non-current borrowings	30,003	30,085
Non-current lease liability	2,934	4,479
	<b>32,937</b>	<b>34,564</b>

On 29 July 2020, the Company entered into a loan agreement with an affiliate of Upwell LLC to provide an initial US\$20 million finance facility. In December 2021 the facility was increased by US\$10.3 million. The facility can be increased up to US\$50 million at the Company's request and at Upwell's discretion. The facility is available to fund the Build, Own, Operate and Transfer ("BOOT") projects and the Company's working capital. Refer to Note 24 (d)(i) for information in relation to covenants and restrictions.

## 19 Provisions

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Current</b>		
Employee benefits	1,355	1,371
Warranty provision	2,529	1,948
Provision for onerous contracts	56	260
Restructuring provision	1,883	-
Other provisions	349	948
	<b>6,172</b>	<b>4,527</b>
<b>Non-current</b>		
Employee benefits	525	912
	<b>525</b>	<b>912</b>

## 19 Provisions (continued)

Consolidated entity	Employee benefits \$'000	Warranty \$'000	Onerous contracts \$'000	Restructuring provision \$'000	Other \$'000	Total \$'000
<b>Current</b>						
At 1 January 2022	1,371	1,948	260	-	948	4,527
Additions	660	745	1,911	3,455	342	7,113
Utilised	(560)	(60)	(2,109)	(1,546)	(941)	(5,216)
Currency translation differences	(116)	(104)	(6)	(26)	-	(252)
<b>Total</b>	<b>1,355</b>	<b>2,529</b>	<b>56</b>	<b>1,883</b>	<b>349</b>	<b>6,172</b>
<b>Non-current</b>						
At 1 January 2022	912	-	-	-	-	912
Additions	100	-	-	-	-	100
Reversal	-	-	-	-	-	-
Utilised	(447)	-	-	-	-	(447)
Currency translation differences	(40)	-	-	-	-	(40)
<b>Total</b>	<b>525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>525</b>

## 20 Contract liabilities

	Consolidated entity	
	31 December 2022 \$'000	31 December 2021 \$'000
Current contract liabilities	24,977	34,756
Non-current contract liabilities	-	2,838
	<b>24,977</b>	<b>37,594</b>

Current contract liabilities represent remaining pre-payments made by PDVSA upon entering into a multi-year contract with the Group in 2015 and classified as a current liability. The performance obligation in relation to PDVSA will only be satisfied after the sanctions are lifted in Venezuela. For more information regarding the PDVSA project refer to note 1(aa)(vii). In addition, the balances relate to pre-payments obtained from the Ivory Coast project that will be released according to the payment schedule in the next 12 months.

Non-current contract liabilities represent payments obtained from the Ivory Coast project and will be released according to the payment schedule in greater than 12 months.

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**20 Contract liabilities (continued)**

	<b>Consolidated entity</b>	
	31 December 2022 \$'000	31 December 2021 \$'000
<b>Current contract liabilities</b>		
Current contract liabilities opening balance	34,756	32,045
Payments received in advance	8,563	10,709
Transfer from long-term	2,820	10,101
Transfer to Revenue	(18,123)	(22,976)
Currency translation differences	(3,039)	4,877
<b>Current contract liabilities closing balance</b>	<b>24,977</b>	<b>34,756</b>
<b>Long-term contract liabilities</b>		
Long-term contract liabilities opening balance	2,838	13,127
Transfer to current	(2,820)	(10,101)
Currency translation differences	(18)	(188)
<b>Long-term contract liabilities closing balance</b>	<b>-</b>	<b>2,838</b>
<b>Total contract liabilities</b>	<b>24,977</b>	<b>37,594</b>

**21 Contributed equity**

	31 December 2022 No.	31 December 2021 No.	31 December 2022 \$'000	31 December 2021 \$'000
Ordinary shares	650,554,034	624,854,034	207,443	203,728
Options	69,575,688	26,949,157	10,318	8,551
<b>Share capital</b>	<b>720,129,722</b>	<b>651,803,191</b>	<b>217,761</b>	<b>212,279</b>
<b>(a) Ordinary Shares - Fully Paid</b>			<b>Number of shares</b>	<b>\$'000</b>
			<b>Notes</b>	
<b>Opening balance 1 January 2021</b>			624,854,034	204,056
Non-controlling interest buyout			-	(328)
<b>Balance 31 December 2021</b>			<b>624,854,034</b>	<b>203,728</b>
			<b>Number of shares</b>	<b>\$'000</b>
<b>Opening balance 1 January 2022</b>			624,854,034	203,728
Private placement at AU\$0.21 per share issued at 23 May 2022			25,700,000	3,715
<b>Balance 31 December 2022</b>			<b>650,554,034</b>	<b>207,443</b>

**Transaction costs relating to share issues**

Under AASB 132, incremental costs that are directly attributable to issuing new shares should be deducted from equity. The share issue expense relates to costs directly attributable to the issuing of new shares, costs associated with the listing have been deducted from equity.

## 21 Contributed equity (continued)

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of 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.

#### (b) Options

<b>2021</b>	<b>Number of options</b>
<b>Opening balance</b>	34,607,324
Unlisted options issued to employees	10,530,000
Cancelled, lapsed and forfeited options	(18,188,167)
<b>Balance at 31 December 2021</b>	<u>26,949,157</u>
<b>2022</b>	<b>Number of options</b>
<b>Opening balance</b>	26,949,157
Unlisted options issued to employees	49,375,000
Cancelled, lapsed and forfeited options	(6,748,469)
<b>Balance at 31 December 2022</b>	<u>69,575,688</u>

## 21 Contributed equity (continued)

### (c) Summary of all unlisted options in existence

Date options granted	Expiry date	Issue price of shares (AU\$)	Number under option
31 May 2017	25 May 2025	\$0.93	8,992,938
14 July 2017	25 May 2025	\$0.84	350,000
30 May 2019	30 May 2023	\$0.60	250,000
30 May 2019	30 May 2023	\$0.80	250,000
30 May 2019	14 July 2025	\$0.39	1,470,000
10 March 2020	1 March 2023	\$0.44	12,000
10 March 2020	30 May 2023	\$0.44	120,000
10 March 2020	29 August 2023	\$0.44	164,000
10 March 2020	29 November 2023	\$0.44	25,000
10 March 2020	1 March 2024	\$0.44	48,250
19 March 2020	1 March 2024	\$0.44	860,000
24 September 2020	30 May 2024	\$0.23	3,750
24 September 2020	31 May 2024	\$0.23	250
24 September 2020	29 August 2024	\$0.23	12,000
7 December 2020	29 August 2024	\$0.26	170,500
6 April 2021	31 May 2025	\$0.23	2,490,000
25 June 2021	25 June 2025	\$0.23	1,000,000
25 June 2021	25 August 2025	\$0.23	4,000,000
11 August 2021	18 August 2025	\$0.21	500,000
21 March 2022	01 January 2026	\$0.18	100,000
21 March 2022	01 July 2026	\$0.22	250,000
21 March 2022	01 January 2027	\$0.18	1,250,000
21 March 2022	01 January 2027	\$0.22	25,000
21 March 2022	22 March 2027	\$0.17	1,000,000
23 May 2022	31 March 2027	\$0.22	12,500,000
30 June 2022	30 June 2026	\$0.22	2,500,000
30 June 2022	14 March 2027	\$0.22	21,875,000
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
			<b>69,575,688</b>

On 6 April 2021, a tranche of 250,000 options was granted with an expiry date of 30 August 2024. These options were forfeited on 26 October 2021 (171,875 options) and 24 December 2021 (78,125 options), not included in the table above as they were forfeited in the same year as issued.

## 22 Non-controlling interests

	Consolidated entity 31 December 2022 \$'000
<b>Opening balance</b>	(1,895)
Contributed equity	-
Loss for the year attributable to non-controlling interests	(99)
<b>Closing balance</b>	<u>(1,994)</u>

## 22 Non-controlling interests (continued)

	<b>Consolidated entity</b>
	31 December
	2021
	\$'000
<b>Opening balance</b>	(1,780)
Loss for the year attributable to non-controlling interests	(381)
Transactions with NCI	266
<b>Closing balance</b>	<b>(1,895)</b>

The group has four subsidiaries with non-controlling interests.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

## 23 Foreign currency translation reserve

	<b>Consolidated entity</b>	
	31 December	31 December
	2022	2021
	\$'000	\$'000
Foreign currency translation reserve	(13,897)	(11,721)

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.

## 24 Financial risk management

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.

## 24 Financial risk management (continued)

### (a) Market risk

#### (i) Foreign exchange risk

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

Foreign exchange rate risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the Group's functional currency. The Group is also subject to foreign exchange risk from the capital and currency controls in Argentina.

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

	31 December 2022							
	ILS \$'000	EUR \$'000	AUD \$'000	ARS \$'000	CNY \$'000	BRL \$'000	AED \$'000	EGP \$'000
Assets	2,154	25,875	155	5,226	8,069	456	98	5,644
Liabilities	(9,251)	(19,814)	(368)	(1,027)	(6,908)	(925)	(205)	-
	<b>(7,097)</b>	<b>6,061</b>	<b>(213)</b>	<b>4,199</b>	<b>1,161</b>	<b>(469)</b>	<b>(107)</b>	<b>5,644</b>

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.

The use of 10% was determined based on the analysis of the above currencies change, on an absolute value basis, between 31 December 2022 and 31 December 2021.

	2022 +10%/ -10% \$'000
Israeli New Shekel (ISL)	710/(710)
Euro (EUR)	606/(606)
Australian Dollar (AUD)	21/(21)
Argentine Peso (ARS)	420/(420)
Chinese Yuan (CNY)	116/(116)
Brazilian Real (BRL)	47/(47)
United Arab Emirates Dirham (AED)	11/(11)
Egyptian Pound (EGP)	564/(564)

#### (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.

## 24 Financial risk management (continued)

### (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 2022 owed the Group \$19,340,000 (41% of trade and unbilled receivables) (2021: nil). This balance was within its terms of trade and no impairment was made as at 31 December 2022. Management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

### 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>Contractual maturities of financial assets</b>	<b>Less than 6 months</b>	<b>Greater than 6 months</b>	<b>Total contractual cash flows</b>
<b>At 31 December 2022</b>	\$'000	\$'000	\$'000
Trade receivables	18,870	546	19,416
Other receivables	352	44	396
	<b>19,222</b>	<b>590</b>	<b>19,812</b>

  

<b>Contractual maturities of financial assets</b>	<b>Less than 6 months</b>	<b>Greater than 6 months</b>	<b>Total contractual cash flows</b>
<b>At 31 December 2021</b>	\$'000	\$'000	\$'000
Trade receivables	16,265	3,002	19,267
Other receivables	95	441	536
	<b>16,360</b>	<b>3,443</b>	<b>19,803</b>

### Impairment of financial assets

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. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

AASB 9 allows a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables in certain circumstances.



## **24 Financial risk management (continued)**

### **(b) Credit risk (continued)**

#### **Impairment of financial assets (continued)**

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.

#### *Low credit risk financial instruments*

Some financial instruments are considered low credit risk due to contracts held with certain counterparties, including government organisations with strong capacity to meet contractual cash flow obligations in the near term and not expected to be affected by changes in economic and business conditions.

#### *Measuring movements in credit risk*

The Group has developed a sophisticated approach to periodically reviewing each contract. The Group measures its credit risk through credit assessment criteria and uses risk mitigation actions to manage credit risk.

The Group uses the following credit assessment criteria:

- **Exposure** - The magnitude of credit exposure indicates the extent to which the Group is exposed to the risk of loss in the event of the counterparty default. Credit exposure can be minimised through avoiding engagement with only several counterparties in the same geographical area, background checks on new customers, establishing credit limits, using credit and political risk insurance, etc.
- **Probability of default (PD)** - the likelihood of a default over a particular time horizon. It provides an estimate of the likelihood that a counterparty will be unable to meet its contractual obligations. PD can be minimised by developing a credit score for each counterparty by using historical information such as financial statements or use external rating agencies and developing a standard process to handle overdue accounts.

The Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

#### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- if there is a material breach of financial covenants by the counterparty and this is not expected to be remedied in the foreseeable future; or
- information developed internally or obtained from external sources indicates that the counterparty is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).
- Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is significantly past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a breach of contract, such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

## 24 Financial risk management (continued)

### (b) Credit risk (continued)

#### Impairment of financial assets (continued)

- the disappearance of an active market for that financial asset because of financial difficulties.

#### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

### (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.

Contractual maturities of financial liabilities	Total contractual cash flows		
	Less than 6 months \$'000	Greater than 6 months \$'000	\$'000
<b>At 31 December 2022</b>			
Trade and other payables and other liabilities	41,690	12,919	54,609
Borrowings	781	30,483	31,264
Lease liabilities	551	3,486	4,037
	<b>43,022</b>	<b>46,888</b>	<b>89,910</b>
<b>At 31 December 2021</b>			
Trade and other payables and other liabilities	30,750	14,392	45,142
Borrowings	192	31,833	32,025
Lease liabilities	765	5,243	6,008
	<b>31,707</b>	<b>51,468</b>	<b>83,175</b>

#### Long-term debt facility

On 29 July 2020, The Company entered into a loan agreement with an affiliate of Upwell LLC to provide an initial US\$20 million finance facility. In 2021 the finance facility increased to US\$30 million. The facility can be increased up to \$50 million at the Company's request and at Upwell's discretion. The facility is available to fund the Build, Own, Operate and Transfer ("BOOT") projects and the Company's working capital.

## 24 Financial risk management (continued)

### (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.

#### (i) Loan covenants

Under the terms of the debt facility with Upwell, the Company is required to comply with a minimum debt service ratio, minimum unrestricted cash and cash equivalents and collection requirements for Ivory Coast Project Receivable. The debt service ratio and minimum unrestricted cash and cash equivalents are determined on a consolidated basis.

The Company was in compliance with the minimum unrestricted cash and cash equivalents covenant throughout the reporting period. For the month ending 31 December 2022, the Company was out of compliance with the minimum debt service ratio and received a waiver from Upwell before the end of the financial year.

## 25 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).

2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
Government grant liability	-	-	3,706	3,706
	-	-	<b>3,706</b>	<b>3,706</b>
<b>2021</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Recurring fair value measurements</b>				
Government grant liability	-	-	3,833	3,833
	-	-	<b>3,833</b>	<b>3,833</b>

### Disclosed fair values

The group also has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes to the financial statements.

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.

## 25 Recognised fair value measurements (continued)

### 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 by the expected time period that the grant liability is to be repaid from the royalty stream from future revenue discounted over time at a rate of 18.2% (2021: 18.2%)

### Reconciliation of Level 3 fair value movements

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

	<b>Government grant \$'000</b>
<b>Opening Balance at 1 January 2021</b>	<b>3,686</b>
Adjustment to fair value of liability	20
Currency translation differences	127
<b>Closing Balance at 31 December 2021</b>	<b>3,833</b>
Adjustment to fair value of liability	(478)
Currency translation differences	351
<b>Closing Balance at 31 December 2022</b>	<b>3,706</b>

## 26 Remuneration of auditors

	<b>Consolidated entity</b>	
	2022	2021
	\$	\$
<b>Audit and other assurance services</b>		
Audit and review of financial statements - BDO Audit Pty Ltd	172,500	180,500
Audit and review of financial statements - BDO related practices	201,387	193,425
	<b>373,887</b>	<b>373,925</b>
<b>Other services</b>		
BDO - Non-assurance services (i)	39,672	35,600
	<b>39,672</b>	<b>35,600</b>

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

## 27 Commitments and Contingent Liabilities

The Group was party to several claims during the year. With respect to claims brought against the Company, Fluence will vigorously defend itself and is confident they will be successfully defended. There is significant uncertainty as to whether a future liability will arise in respect of these claims. The amount of liability, if any, is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The directors are of the opinion that the claims can be successfully resisted by the company.

## 28 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 30.

## 28 Related party transactions (continued)

### *Key management personnel*

Disclosures relating to key management personnel are set out in Note 5 and the remuneration report 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 2022 and 2021.

## 29 Parent entity financial information

### Summary 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:

	31 December 2022 \$'000 AUD	31 December 2021 \$'000 AUD
Current assets	768	615
<b>Total assets</b>	<b>5,349</b>	<b>22,674</b>
Current liabilities	543	235
<b>Total liabilities</b>	<b>1,059</b>	<b>629</b>
Issued capital	261,281	255,099
Reserves	21,360	6,610
Accumulated losses	(278,351)	(239,664)
<b>Total Equity</b>	<b>4,290</b>	<b>22,045</b>
Loss for the period	(38,687)	(31,052)
<b>Total comprehensive loss</b>	<b>(38,687)</b>	<b>(31,052)</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.

### **Contractual commitments and Contingent Liabilities**

At 31 December 2022 Fluence Corporation Limited had no contractual commitment and contingent liabilities.

**Fluence Corporation Limited**  
**Notes to the Financial Report**  
**31 December 2022**  
(continued)

**30 Subsidiaries**

<b>Name</b>	<b>Place of incorporation</b>	<b>Ownership interest 2022</b>	<b>Ownership interest 2021</b>
<i>Parent Entity</i>			
Fluence Corporation Limited	Australia	N/A	N/A
<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 Limited</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>			
VIC Water Systems S.R.L	Italy	100%	100%
Nirosoft Industries Limited - Sucursal Colombia	Colombia	100%	100%
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	Mexico	51%	51%
Fluence Water Singapore PTE Ltd.	Singapore	100%	100%
Fluence Philippines, Inc.	Philippines	100%	100%
<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 Italia S.R.L</i>			
Fluence France SAS	France	100%	100%
<i>Subsidiaries of Fluence Corporation LLC</i>			
Fluence Investments LLC	USA	100%	100%
<i>Subsidiaries of Fluence Investments LLC</i>			
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 Fluence Boot Finance LLC</i>			
FLC Generate GCM SA de CV	Mexico	100%	100%

### **30 Subsidiaries (continued)**

<b>Name</b>	<b>Place of incorporation</b>	<b>Ownership interest 2022</b>	<b>Ownership interest 2021</b>
Bimini Water Services Ltd.	Bahamas	60%	60%
FLC Water Bahamas Limited	Bahamas	100%	100%

### **31 Events occurring after the reporting period**

On 3 January 2023, the Group appointed Benjamin Fash as Chief Financial Officer.

On 20 March 2023, the Group appointed Douglas Brown as Chairman of the Board. The outgoing Chairman, Richard Irving, will remain a Non-Executive Director.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

**Fluence Corporation Limited  
Directors' Declaration  
31 December 2022**

In the Directors' opinion:

- (a) the attached Financial Statements and notes set out on pages 45 to 101 comply with the *Corporations Act 2001*, the *Accounting Standards*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- (b) 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;
- (c) the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial year ended on that date;
- (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

A handwritten signature in blue ink, appearing to read 'Tom Pokorsky', is written over a light blue horizontal line.

Tom Pokorsky  
Chief Executive Officer and Managing Director  
30 March 2023  
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 2022, 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 2022 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.

## Recognition of revenue - AASB 15 Revenue from Contracts with Customers and AASB 1059 Service Concession Arrangements

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group is a project driven business and enters into contracts in different geographies.</p> <p>Under AASB 15 <i>Revenue from Contracts with Customers</i> revenues are 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 B.O.T (‘Build, Operate, Transfer’) contracts.</p> <p>Contract revenue is recorded after assessing all factors relevant to each individual contract including:</p> <ul style="list-style-type: none"> <li>• For revenue recognised over time: The determination of stage of completion and measurement of progress towards satisfaction of performance obligations; including estimation of total contract revenue and costs</li> <li>• For revenue recognised at a point in time: When the performance obligation is satisfied</li> <li>• Determination of transaction price</li> <li>• Estimation of project completion date.</li> </ul> <p>Revenue 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</li> <li>• Judgement involved to assess the probability of recovery of contract assets and receivables.</li> </ul> <p><i>The accounting policy for revenue is described in Note 1(f), ‘Revenue recognition’, and details of the key accounting estimates and assumptions associated with revenue are disclosed in Note 1(aa)(vi).</i></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</li> <li>• Selecting a sample of contracts for testing based on a number of quantitative and qualitative factors which may indicate that a greater level of judgement is required in recognising revenue, 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>• Travelling to Côte d’Ivoire to perform a site visit of material Ivory Coast project.</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 B.O.T. 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>• Assessing the forecast costs to complete through discussion and challenging the project managers and finance personnel.</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>



### **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 2022, 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 14 to 40 of the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Fluence Corporation Limited, for the year ended 31 December 2022, 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

A handwritten signature in blue ink. The signature consists of the letters 'BDO' in a simple, blocky font, followed by a cursive signature that appears to read 'Katherine Robertson'.

Katherine Robertson  
Director

Melbourne, 30 March 2023

**Fluence Corporation Limited**  
**Shareholder information**  
**31 December 2022**

Following is a summary of shareholder information as at 28 February 2023.

**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	531	119,374	0.020	-	-	-
1,001-5,000	972	2,795,968	0.430	3	12,000	0.014%
5,001-10,000	533	4,258,656	0.650	-	-	-
10,001-100,000	1,284	46,145,646	7.090	20	681,000	0.769%
100,001-999,999,999	298	597,234,390	91.800	18	87,868,622	99.217%
<b>Totals</b>	<b>3,618</b>	<b>650,554,034</b>	<b>100.000</b>	<b>41</b>	<b>88,561,622</b>	<b>100.000</b>

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

Based on the Fluence closing share price on February 28, 2023 of A\$0.185, there were 1,057 holders of less than a marketable parcel of ordinary shares, holding 1,128,646 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	30,312,500

***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 28 February 2023</b>	<b>%</b>
RSL INVESTMENTS CORPORATION	131,037,848	20.143%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	80,514,067	12.376%
POND VENTURES NOMINEES 111 LIMITED	36,264,579	5.574%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	35,981,419	5.531%
CITICORP NOMINEES PTY LIMITED	34,072,570	5.237%
RSL CAPITAL LLC	31,046,683	4.772%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	22,994,574	3.535%
PLAN B VENTURES I LLC	20,007,151	3.075%
NATIONAL NOMINEES LIMITED <DB A/C>	18,569,369	2.854%
EMPLOYEE EQUITY ADMINISTRATION PTY LTD	14,166,593	2.178%
JAGEN PTY LTD	11,644,393	1.790%
PYXIS HOLDINGS PTY LTD <THE MAPLETREE A/C>	10,250,000	1.576%
MR HAO JING	9,100,000	1.399%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,007,010	1.385%
DEBORAH L BROWN <2020 IRREVOCABLE A/C>	6,500,000	0.999%

**Fluence Corporation Limited**  
**Shareholder information**  
**31 December 2022**

DOUGLAS R BROWN <2020 IRREVOCABLE A/C>	6,500,000	0.999%
DR STUART LLOYD PHILLIPS & MRS FIONA JANE PHILLIPS <SL & FJ PHILLIPS S/F A/C>	5,647,921	0.868%
NIKOLAUS OLDENDORFF	5,000,000	0.769%
HOSANDA CORPORATION PTY LIMITED	3,950,000	0.607%
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	3,373,160	0.519%
Total Securities of Top 20 Holdings	495,627,337	76.185%
Total Securities of remaining shareholders	154,926,697	23.815%
<b>Total of Securities</b>	<b>650,554,034</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>
RSL Investments Corporation and its associate and controlling person	165,408,542	26.71%
Pond Venture Partners Limited, Pond Ventures Nominees III Limited and Richard Irving	37,264,579	6.02%

**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.

**Fluence Corporation Limited**  
**Shareholder information**  
**31 December 2022**

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

Shareholders wishing to move to uncertified holdings under the Australian Securities Exchange CHESS 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 2023 Annual General Meeting on 25 May 2023. 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 3 April 2023 ('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.