

ASX Announcement

31 March 2021

PET looks to improved outlook after posting disappointing full year result for FY20

Phoslock Environmental Technologies (ASX:PET) today released its full year results for the 12 months ending December 2020. The accounts released today include a restatement of FY19 results, due to the impacts of accounting irregularities identified in the Company's China operations last year.

FY20 revenues were \$6.9 million, well down on the restated \$19.8 million in revenues reported for FY19. Underlying EBIT¹ was a loss of \$7.4 million, compared to small operating profit of \$0.4 million in FY19 (restated), and Net Profit after Tax (NPAT²) was a loss of \$26 million, compared to a loss of \$1.1 million in the prior year (restated). The loss includes a significant component of one-off impairments relating to the write-down of various assets.

The Company's operations were negatively impacted by flooding in China; the cutbacks to government spending on water quality projects due to COVID-19 spending priorities; and the significant disruption and costs associated with the China fraud and related issues.

The FY20 period includes one-time adjustments to receivables, inventory, plant property and equipment and right of use assets. While write-downs associated with these items reflect a very conservative position, the Company has agreed with its auditors that it was appropriate to take a cautious approach given the events in China.

PET's CEO and Managing Director, Lachlan McKinnon, said the FY20 results represent a very disappointing outcome, but the Company is now focused on rebuilding its revenues based on the execution of a growth strategy that targets international markets.

FY20 revenues were generated from projects in China (47% of total); the Americas (42%); Europe (9%) and Australia/New Zealand (2%).

"We have taken extensive measures to address the issues that were uncovered in China in 2020 and we have restructured that business to ensure we see no repeat of those issues. While China remains an important opportunity for Phoslock, we are increasing our focus on expansion into other geographic markets and other potential applications of our technology."

"As concerns relating to the COVID-19 pandemic begin to ease, we expect to see a return to investment in the remediation of waterways around the world, which continue to be impacted by issues such as global warming and high levels of nutrient and other pollutant inflows. Our proven ability to address those issues places PET in a strong position to capitalise on that change."

Mr McKinnon said PET expects to return to profitability in FY21, with a range of projects underway or expected to commence in Europe, the Americas, China and other markets.



ASX Code: **PET**
Share Price: **A\$0.245**
52 Week High: **A\$0.59**
52 Week Low: **A\$0.19**
Issued Shares: **625.0m**
Market Cap: **A\$153m**

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¹ Underlying EBIT is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit or loss under AAS adjusted for the add back of income tax, finance costs and certain non-cash income and expense items that are deemed to not have an ongoing affect to the underlying performance of the business. The Company believes that presenting Underlying EBIT provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods

² Net Profit after Tax

“Along with ongoing projects in China, work has been undertaken or is underway in Germany, UK, Netherlands, Finland, Belgium, USA, Canada, Brazil, ANZ and in other Asian markets. We have made some key management appointments to support our international growth and we have bolstered our reporting systems and processes to ensure we meet the highest standards of professionalism and governance.”

PET will host a webinar to discuss the FY20 results, outlook and growth strategy at 2.00pm today. Details on how to participate in the webinar are available on the company website: www.phoslock.com.au. The business update and strategy presentation has also been posted on the website and released via the ASX.

This announcement has been approved by the Managing Director and Chairman

Matthew Parker
Company Secretary

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ABOUT PHOSLOCK ENVIRONMENTAL TECHNOLOGIES LIMITED (PET)

Phoslock Environmental Technologies Limited (ASX: PET) specialises in engineering solutions and water treatment products to remediate polluted lakes, rivers, canals and drinking water reservoirs.

Headquartered in Melbourne, PET has offices in Brisbane, Beijing, Bremen (Europe) and Manchester (UK). PET also has registered entities in Canada and the USA and manufacturing operations based in Changxing, China. PET is represented by licensees, distributors, and agents in ten other countries including SePRO Corporation in the United States and HydroScience in Brazil.

Phoslock® is a proprietary and unique water treatment product that permanently binds excess phosphorus in the water column and sediments.

Phoslock® is certified to be used in drinking water in North America, Europe, Brazil, Australia, and China. Along with Phoslock®, PET also supplies zeolites and specialised strains of bacteria that address water pollution issues.

For more information visit www.phoslock.com.au