PRESS RELEASE
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H_2O Innovation Reports Record FY2020 Fourth Quarter Results

Key Financial Highlights

- Revenues reached $133.6 M for fiscal year 2020, representing a $15.6 M growth, or 13.3 %, compared to $118.0 M for the previous fiscal year;
- Gross profit margin before depreciation and amortization expenses represented 26.9 % of the Corporation's total revenues for fiscal year 2020, compared to 23.0 % for the previous fiscal year;
- Net earnings of $0.8 M for the fourth quarter of fiscal year 2020, compared to a net loss of ($1.2 M) for the comparable quarter of the previous fiscal year;
- Adjusted EBITDA[1] reached $12.5 M, or 9.4 % of revenues, for this fiscal year compared to $7.2 M, or 6.1 % of revenues, for the previous fiscal year;
- Adjusted EBITDA[1] reached $4.8 M, or 13.4 % of revenues, for the fourth quarter of fiscal year 2020 compared to $2.4 M, or 7.4 % of revenues, for the comparable quarter of the previous fiscal year;
- Earnings before impairment and restructuring costs[1] of $0.9 M for this fiscal year, compared to a loss before impairment and restructuring costs of ($2.2 M) for the previous fiscal year;
- Cash flows from operating activities generated $12.3 M in cash for this fiscal year, compared to $5.8 M of cash flows from operating activities generated during the previous fiscal year.

All amounts in Canadian dollars unless otherwise stated.

Quebec City, September 24, 2020 – (TSXV: HEO) – H_2O Innovation Inc. ("H_2O Innovation" or the "Corporation") announces its financial results for the fourth quarter and fiscal year ended June 30, 2020.

"The fourth quarter and year-end financial results of fiscal year 2020 are solid and representative of all the improvements implemented by the Corporation. The sustained net earnings shown in the fourth quarter and the continuous EBITDA improvement testify to the success of our strategy to focus on building a business relying on recurring sales, which represented 86.2 % of our revenues. The revenue growth was notably driven by the acquisition of Genesys, completed in the second quarter of this fiscal year. This acquisition has enabled us to double our distribution network, expand our chemical manufacturing capabilities in the United Kingdom and complement our specialty chemical product line. Organic growth was also driven by Piedmont which successfully secured and delivered major coupling and filter housing orders, including one for the largest desalination plant in the world (Tawelaah, UAE - 900,000 m^3/d). From these new client relationships in the Middle East, the Corporation expects to generate more synergies through the selling of its specialty chemicals. The strong cash flow from operating activities of $12.3 M generated during the year, allowed us to reimburse a portion of our bank loans and minimize risks associated to market uncertainties. Thanks to our O&M business pillar that represents 48.0 % of the consolidated revenues, we have been able to maintain continuous free cash flow. This strong performance allowed us to complete the acquisition of Gulf Utility Service right after our year-end, adding more

[1] These non-IFRS measures are presented as additional information and should be used in conjunction with the IFRS financial measurements presented in this report. Definition of all non-IFRS measures and additional IFRS measures are provided at the end of this press release to give the reader a better understanding of the indicators used by management. Comparative figures have not been adjusted to reflect the adoption of IFRS 16 – Leases as set out in the accounting policy.

revenues, opportunities, and operational synergies in the State of Texas. Despite a slowdown in our Water Technology and Services ("WTS") business pillar in the last fiscal year, the strategic orientation to focus on industrial and higher margin projects is starting to pay off. Indeed, our backlog is growing with the addition of 6 new industrial and municipal projects, worth $17.8 M, as announced on August 24, 2020. In light of the COVID-19 pandemic, we came to realize even more that the water sector is in good position and that we have a resilient and robust business model. Our consolidated backlog stands at $125.4 M, our financial situation is strong, and our balance sheet is not highly leveraged, positioning us positively to navigate through a possible extended COVID-19 crisis with multiple opportunities ahead of us. Finally, it is with honor and humility that we have seen H_2O Innovation nominated earlier in March, along with 3 other large water companies, as Water Company of the Year by the Global Water Intelligence", **stated Frédéric Dugré, President and Chief Executive Officer of H_2O Innovation.**

(In thousands of Canadian dollars)	Three-month periods ended June 30, 2020		2019 [(b)]		Twelve-month periods ended June 30, 2020		2019 [(b)]	
	$	**%** [(a)]	$	% [(a)]	**$**	**%** [(a)]	$	% [(a)]
Revenues per business pillar								
WTS	**6,982**	**19.4**	9,162	28.7	**29,298**	**21.9**	40,245	34.1
Specialty Products	**11,716**	**32.6**	6,832	21.4	**40,175**	**30.1**	24,943	21.1
O&M	**17,281**	**48.0**	15,890	49.9	**64,124**	**48.0**	52,770	44.8
Total revenues	**35,979**	**100.0**	31,884	100.0	**133,597**	**100.0**	117,958	100.0
Gross profit margin before depreciation and amortization	**10,598**	**29.5**	7,824	24.5	**35,908**	**26.9**	27,118	23.0
SG&A expenses[(c)]	**6,016**	**16.7**	5,641	17.7	**23,748**	**17.8**	20,425	17.3
Net earnings (loss)	**813**	**2.3**	(1,177)	(3.7)	**(4,227)**	**(3.2)**	(2,180)	(1.8)
Earnings (loss) before impairment and restructuring costs[1]	**1,219**	**3.4**	(1,177)	(3.7)	**906**	**0.7**	(2,180)	(1.8)
EBITDA[1]	**3,954**	**11.0**	1,688	5.3	**4,690**	**3.5**	5,638	4.8
Adjusted EBITDA[1]	**4,832**	**13.4**	2,374	7.4	**12,524**	**9.4**	7,213	6.1
Recurring revenues[1]	**31,379**	**87.2**	25,526	80.1	**115,110**	**86.2**	89,486	75.9

(a) % of revenues.
(b) Comparative figures have not been adjusted to reflect the adoption of IFRS 16 – *Leases* as set out in the accounting policy.
(c) Selling, general operating and administrative expenses ("SG&A").

Financial results for the fiscal year 2020

Consolidated revenues from our three business pillars, for the year ended on June 30, 2020, increased by $15.6 M, or 13.3 %, to reach $133.6 M compared to $118.0 M for the previous fiscal year. This overall increase is fueled by the acquisition of Genesys during the second quarter of fiscal year 2020, which generated $7.2 M in revenues during this fiscal year. The growth is also explained by the increase of $8.0 M coming from the organic growth of the Specialty Products business pillar and $11.3 M coming from O&M, partly offset by the decrease in revenues of $10.9 M from the WTS business pillar. Such increase is in line with our business plan to grow first the Specialty Products and O&M business pillars, as well as to prioritize projects in the WTS business pillar with higher profit margins, fueling opportunities for the other business pillars.

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The net loss amounted to ($4.2 M) or ($0.061) per share for the year ended June 30, 2020 compared to a net loss of ($2.2 M) or ($0.044) per share for the fiscal year 2019. The net loss variation is mostly due to the impairment of $5.3 M taken in the WTS business pillar to reduce the value of the goodwill and intangible assets, with related deferred tax impact of ($0.6 M) and restructuring costs of $0.4 M triggered by the restructuring of the WTS business pillar. Without the impact of the impairment and restructuring costs, the Corporation would present net earnings of $0.9 M for the year ended June 30, 2020. The net loss is also due to acquisition and integration costs in the amount of $1.9 M and to the increased level of depreciation and amortization. The increased level of depreciation and amortization is mainly coming from the increased level of intangible assets acquired through Genesys during the second quarter of the fiscal year 2020 and the adoption of IFRS 16 – *Leases*, which resulted in a depreciation charge for the right-of-use assets.

The Corporation's gross profit margin before depreciation and amortization stood at $35.9 M, or 26.9 %, for the year ended June 30, 2020, compared to $27.1 M, or 23.0 % for the previous fiscal year, representing an increase of $8.8 M, or 32.4 %. The adoption of IFRS 16 – *Leases* resulted in a decrease of the cost of goods sold ("COGS") expenses of $0.5 M for the year ended June 30, 2020. The increase of gross profit margin before depreciation and amortization in % is explained by the business mix, with more sales coming from the Specialty Products business pillar, which are characterized with higher margins' products.

The Corporation's SG&A stood at $23.7 M for the year ended June 30, 2020, compared to $20.4 M for the previous fiscal year, representing an increase of $3.3 M, or 16.3 %, while the revenues of the Corporation increased by 13.3 %. The general increase of SG&A grew faster than the general level of revenues, mainly due to the WTS business pillar, as the level of revenue decreased while the cost structure remained the same. The acquisition of Genesys in the second quarter also contributed $1.7 M of this increase. The cancellation of marketing activities combined to a reduction in travel, meals and entertainment costs for resources in SG&A expenses generated savings of $0.2 M as a result of the COVID-19 pandemic. The adoption of IFRS 16 – *Leases* resulted in a decrease of the SG&A expenses of $0.8 M for the year ended June 30, 2020. Overall, the percentage of SG&A over revenues is maintained below 18.0 %.

The Corporation's adjusted EBITDA increased by $5.3 M, or 73.6 %, to reach $12.5 M for the year ended June 30, 2020, compared to $7.2 M for the previous fiscal year. The adjusted EBITDA % improved and reached 9.4 % for the years ended June 30, 2020, compared to 6.1 % for the same period of last fiscal year. The adoption on July 1, 2019 of IFRS 16 - *Leases* contributed to reduce by $1.3 M the operating lease expenses for fiscal year 2020. Excluding the adjustment from IFRS 16 - *Leases*, the adjusted EBITDA would have been 8.4 %.

In the third quarter of fiscal year 2020, with the COVID-19 pandemic creating uncertainty over the world economic future, the Corporation performed an impairment test for its goodwill and intangible assets. The COVID-19 pandemic forced management to review the forecast of its business pillars with new growth assumptions, notably for its first business pillar, WTS – mostly impacted by projects being delayed or cancelled. As a result of this analysis, management recognized an impairment charge of $5.3 M against goodwill and intangible assets pertaining to the WTS business pillar. The decision to review to a lower percentage its growth perspective for the WTS pillar, is in line with our strategic decision to further grow the Specialty Products and O&M first, then WTS, due to its unpredictability, challenging execution schedule and lower gross profit margins.

On August 24, 2020, the Corporation announced a strategic change in its business alignment. The Water & Wastewater Treatment Projects and Aftermarket Services business lines are now combined into a single business called WTS. The Corporation's strategy is the change in focus of this business pillar towards customers which will value the long-term services and consumables and create financial sustainability from a more stable revenue stream. The restructuring of this business pillar combined with the notice of cancellation for a major project announced on May 5, 2020, led unfortunately to layoffs. The restructuring costs recognized for the year ended June 30, 2020 were mainly severances and termination costs amounting to $0.4 M.

Management maintains its objective of improving the Corporation's profitability and will remain selective on the WTS projects on which it intends to bid. Management also maintains its strategy, which aims at growing the Specialty Products and O&M business pillars to continue to grow recurring revenues, in particular Specialty Products revenues, which are characterized by higher gross profit margins.

Cash flows from operating activities generated $12.3 M for the year ended June 30, 2020, compared to $5.8 M of cash flows generated from operating activities during the previous fiscal year. The increase in the cash flows from operating activities is driven by the increase in revenues as well as by the improvement of the gross profit margins and the change in working capital items.

Financial results for the fourth quarter of fiscal year 2020

Corporation's consolidated revenues for the fourth quarter of fiscal year 2020 were up by 12.8 %, or $4.1 M, to $36.0 M from $31.9 M for the same period of the previous fiscal year. This increase is partially fueled by the acquisition of Genesys, adding $2.5 M of revenues, as well as the sustained organic growth from the Specialty Products and O&M business pillars, while revenues coming from the business pillar WTS decreased.

The Corporation's gross profit margin before depreciation and amortization stood at $10.6 M, or 29.5 %, during the fourth quarter of fiscal year 2020, compared to $7.8 M, or 24.5 % for the previous fiscal year, representing an increase of $2.8 M, or 35.5 %. The increase in consolidated gross profit margin is mainly explained by the increase in revenues coming from the Specialty Products business pillar, characterized with higher gross profit margins. These higher-margin sales, positively affected by the acquisition of Genesys and the strong growth in Piedmont business line, contributed significantly to increase the gross profit margin before depreciation and amortization in the fourth quarter of fiscal year 2020. The adoption of IFRS 16 – *Leases* resulted in a decrease of the COGS expenses of $0.1 M for the fourth quarter of fiscal year 2020.

The Corporation's adjusted EBITDA increased by $2.4 M, or 103.5 %, to reach $4.8 M during the fourth quarter of fiscal year 2020, compared to $2.4 M for the comparable period of fiscal year 2019. The adjusted EBITDA % improved and reached 13.4 % for the fourth quarter of fiscal year 2020, compared to 7.4 % for the same quarter of last fiscal year. Improvement of the adjusted EBITDA was driven by the increase in the Corporation's consolidated revenues and by the improvement in gross profit margins, partly offset by the increase in SG&A. Furthermore, the adoption on July 1, 2019 of IFRS 16 - *Leases* contributed to reduce by $0.3 M the operating lease expenses for the quarter. Excluding the adjustment from IFRS 16 - *Leases*, the adjusted EBITDA would have been 12.5 %.

Subsequent events

On July 2, 2020, the Corporation announced the acquisition of Gulf Utility Service, Inc. ("GUS"), a company offering complete operation, maintenance and management services to water and wastewater infrastructures for different type of clients such as municipalities, municipal utility districts (commonly known as MUD) and public water systems in the State of Texas (United States). The total purchase price amounts to $3.7 M (US$2.8 M) and is subject to certain adjustments. The Corporation secured an additional long-term debt of $2.1 M in order to complete this acquisition. The remaining portion of the purchase price is financed from the working capital of the Corporation.

With over 20 years of experience in the operation and maintenance sector of water and wastewater treatment systems, GUS offers its services to approximately 40 municipal and private customers, servicing more than 10,000 users. These additional clients and users are added to the Corporation's O&M customer base in Texas, totaling now 85 customers. On a combined basis, the Corporation can now count on 110 employees based in Texas to support its operations and future growth.

Reconciliation of net earnings (loss) to EBITDA and to adjusted EBITDA

The definition of adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") does not take into account the Corporation's finance costs – net, stock-based compensation costs, unrealized exchange (gains) / losses, change in fair value of contingent consideration, acquisition and integration costs, restructuring costs and impairment of intangible assets and goodwill. The reader can establish the link between adjusted EBITDA and net earnings (loss) by looking at the reconciliation presented below. The definition of adjusted EBITDA used by the Corporation may differ from those used by other companies.

Even though EBITDA and adjusted EBITDA are non-IFRS measures, it is used by management to make operational and strategic decisions. Providing this information to the stakeholders, in addition to the GAAP measures, allows them to see the Corporation's results through the eyes of the management, and to better understand the financial performance, notwithstanding the impact of GAAP measures.

(In thousands of Canadian dollars)	**Three-month periods ended June 30, 2020**	2019	**Twelve-month periods ended June 30, 2020**	2019
	$	$	**$**	$
Net earnings (loss) for the period	**813**	(1,177)	**(4,227)**	(2,180)
Finance costs – net	**529**	219	**2,037**	2,071
Income taxes	**618**	651	**(319)**	422
Depreciation of property, plant and equipment	**798**	482	**2,880**	1,349
Amortization of intangible assets	**1,196**	1,513	**4,319**	3,976
EBITDA	**3,954**	1,688	**4,690**	5,638
Impairment of intangible assets and goodwill	**-**	-	**5,308**	-
Unrealized exchange (gain) loss	**272**	131	**(344)**	222
Stock-based compensation costs	**54**	75	**223**	308
Changes in fair value of the contingent consideration	**61**	248	**329**	248
Acquisition and integration costs	**85**	232	**1,912**	797
Restructuring costs	**406**	-	**406**	-
Adjusted EBITDA	**4,832**	2,374	**12,524**	7,213

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Recurring revenues
Recurring revenue by nature is a non-IFRS measure and is defined by management as the portion of the Corporation's revenue coming from customers with whom the Corporation has established a long-term relationship and/or has a recurring sales pattern. However, there is no guarantee that recurring revenues will last indefinitely. The Corporation’s recurring revenues are coming from the Specialty Products and O&M business pillars as well as the service activities of the WTS business pillar. This non-IFRS measure is used by management to evaluate the stability of revenues from one year to the other.

Reconciliation of net earnings (loss) to earnings (loss) before impairment and restructuring costs
Earnings (loss) before impairment and restructuring costs is defined as the net earnings (loss) before the impairment charges and related deferred tax impact, following the impairment test performed during the third quarter of fiscal year 2020, and restructuring costs. This non-IFRS measure is used by management to evaluate the results of the Corporation before this non-recurring item.

	Three-month periods ended June 30,		**Twelve-month periods ended June 30,**	
(In thousands of Canadian dollars)	**2020**	2019[1]	**2020**	2019[1]
	$	$	**$**	$
Net earnings (loss) for the period	**813**	(1,177)	**(4,227)**	(2,180)
Impairment of intangible assets and goodwill	**-**	-	**5,308**	-
Restructuring costs	**406**	-	**406**	-
Deferred tax impact on impairment	**-**	-	**(581)**	-
Earnings (loss) before impairment and restructuring costs	**1,219**	(1,177)	**906**	(2,180)

[1] Comparative figures have not been adjusted to reflect the adoption of IFRS 16 – *Leases* as set out in the accounting policy.

H_2O Innovation Conference Call
Frédéric Dugré, President and Chief Executive Officer and Marc Blanchet, Chief Financial Officer, will hold an investor conference call to discuss the fourth quarter and full fiscal year 2020 financial results in further details at 10:00 a.m. Eastern Time on Thursday, September 24, 2020.

To access the call, please call 1 (877) 223-4471 or 1 (647) 788-4922, five to ten minutes prior to the start time. Presentation slides for the conference call will be made available on the Corporate Presentations page of the Investors section of the Corporation’s website.

The annual financial report is available on www.h2oinnovation.com and on the NYSE Euronext Growth Paris website. Additional information on the Corporation is also available on SEDAR (www.sedar.com).

Prospective Disclosures
Certain statements set forth in this press release regarding the operations and the activities of H_2O Innovation as well as other communications by the Corporation to the public that describe more generally management objectives, projections, estimates, expectations or forecasts may constitute forward-looking statements within the meaning of securities legislation. Forward-looking statements concern analysis and other information based on forecast future results and the estimate of amounts that cannot yet be determined. Forward-looking statements include the use of the words such as “anticipate”, “if”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “should” or “will” and other similar terms as well as those usually used in the future and the conditional. Those forward-looking statements involve a number of risks and uncertainties, which may result in actual and future results of the Corporation to be materially different than those indicated. Information about the risk factors to which the Corporation is exposed is provided in the Annual Information Form dated September 23, 2020 available on SEDAR (www.sedar.com). Unless required to do so pursuant to applicable securities legislation, H_2O Innovation assumes no obligation to update or revise forward-looking statements contained in this press release or in other communications as a result of new information, future events and other changes.

About H_2O Innovation
H_2O Innovation designs and provides state-of-the-art, custom-built and integrated water treatment solutions based on membrane filtration technology for municipal, industrial, energy and natural resources end-users. The Corporation’s activities rely on three main pillars. The first one is ***Water Technologies and Services*** and includes all types of projects as well as digital solutions (Intelogx™ and Clearlogx®) to monitor and optimize water treatment plants. H_2O Innovation’s second pillar, ***Specialty Products***, includes a complete line of maple equipment and products, specialty chemicals, consumables and specialized products for the water industry, through H_2O Innovation Maple, PWT, Genesys and Piedmont. The Corporation is now exporting his specialty products in more than 70 countries. Finally, H_2O Innovation operates, maintains, and repairs water and wastewater treatment systems, distribution equipment and associated assets for all of its clients and ensures that water quality meets regulatory requirements, through the third pillar – ***Operation and Maintenance*** – under the names Utility Partners, Hays Utility South Corporation and Gulf Utility Service. Together, they employ nearly 470 employees for the operation of more than 200 utilities in two Canadian provinces and twelve US states, mainly on the US Gulf coast, Southeast, Northeast (New England) and the West Coast. For more information, visit www.h2oinnovation.com.

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