
April 7, 2020

To My Fellow Shareholders,

As we enter the fourth week of California's "shelter-in-place" order, I write to provide you a brief update on Energy Recovery's activities during these unprecedented times. First, I am happy to report that the Energy Recovery team is healthy and well. Our team has displayed a remarkable calm and determination that has allowed us to navigate the confusing first few weeks of this ordeal, and for that I am rightfully proud.

Our goal moving forward is to conduct our business as fully as possible in this challenging environment, while maintaining the health and wellness of our employees and complying with all federal, state and local rules, orders and guidance. To that end, with the exception of manufacturing, nearly all of our functional business areas continue to operate fully, albeit remotely, in most cases. On the manufacturing side, we have commenced limited manufacturing activities in our San Leandro and Katy facilities in accordance with government guidance. As a critical supplier to the domestic and global water treatment industry, we are happy to report that we have not missed a single contractual PX delivery since the introduction of the Bay Area orders. In addition, we are continuing to take new orders for all of our products, including a large order from China, which gives me a glimmer of hope that there may be a light at the end of this tunnel. This is not to say we have not experienced or expect future disruptions, but we are taking steps to mitigate the disruptive impact to the maximum extent we can.

We are working in parallel to protect the company and, by extension, the livelihoods of each of our employees, our shareholders' investments, and our relationships with our customers and supply chain. While we are reducing costs to manage cash outflows during this uncertain period, we must also avoid damaging our long-term business. To date, we have not needed to furlough employees. Furthermore, we are maintaining our focus on incubating new products and businesses from VorTeq to initiatives beyond the water and oil & gas verticals. Energy Recovery is blessed with a dedicated workforce, a superior and highly reputable flagship product, a solid backlog of orders and ample inventory reserves. Additionally, we are in a strong financial position with an unlevered balance sheet and good cash flow, which provides flexibility. We must cherish these blessings and capture potential opportunities to the fullest.

We are, of course, acutely aware that the situation worldwide is vulnerable. COVID-19's larger health and economic impacts are likely to get worse before they get better. While we look forward to the eventual lessening of this global crisis, we also recognize that some changes introduced today may become part of our new normal for the foreseeable future and are planning accordingly. We will continue to do everything in our power to protect the lives and livelihoods of the Energy Recovery team while creating value for our customers and shareholders. With diligence, vigilance, dedication and perseverance, I believe we can weather this tumultuous time safe and whole.

Stay safe and healthy everyone.



Sincerely,

A handwritten signature in black ink that reads 'Robert Mao'.

Robert Mao, Chairman and Interim President and CEO

****Note: Prior COVID-19 updates may be found under the News & Events tab above***