

ENERGY RECOVERY, INC.
2021 Annual General Meeting
Bob Mao's Prepared Remarks

I would like to begin my remarks by thanking OP Lorentzen, who is retiring from the Board of Directors effective today. OP has spent much of the past decade as our single largest shareholder and Board member. OP's long-standing presence on the Board will be missed. We wish OP well and look forward to communicating with him in the future in his capacity as a shareholder.

When I spoke to you at our last AGM, we were adjusting to our new normal in this pandemic. We then proceeded to set a new annual revenue record in 2020 in our desal business, launched our inaugural ESG report which led to an A rating with MSCI and ultimately inclusion into the MSCI ESG Small Cap Leaders Index. Additionally, we were recognized by Forbes, IR Magazine and the Corporate Register Reporting Awards for our efforts in a variety of areas, and we more than doubled our valuation to over a billion dollars.

We also instilled new discipline into our R&D efforts, successfully launched our Ultra PX for the industrial wastewater market, made tremendous progress with the VorTeq, and expanded the PX technology platform with the successful validation of our PX G1300 for refrigeration and the processing of CO₂ gas.

I would say that we adjusted to the new normal quite well.

So, as we look forward, what are we trying to achieve at Energy Recovery? Our desalination business is strong today, but it is important that we diversify and grow ERI in new ways. We are targeting significant growth throughout this decade from our base business while adding to this base with the introduction of new sustainable technologies based on our pressure exchanger platform technology. First, increasing global water demand due to climate change, combined with a technological conversion, is driving a secular shift in seawater reverse osmosis desalination demand. Second, industrial wastewater, where we recently received our third purchase order in yet a third industry, offers the potential to provide additional material revenue stream within the next few years. Third, we made significant progress with the VorTeq, proving our technology at multiple live well tests. And, finally, we believe our new PX G1300 can make existing CO2 refrigeration solutions vastly more efficient as this industry transition away from refrigerants harmful to our climate due to increased regulation.

All of these new markets hold great potential. And, frankly, our PX can be applied to many more industries. Our versatile and sustainable technology can play a critical role in reducing the carbon footprint of industries globally at this critical time for our world. With a technology as valuable and unique as the PX, the question we must answer is: how can we best leverage our IP to create value for our stakeholders in the least amount of time; and in a disciplined manner? As a small company, we know we cannot go it alone in every industry. In some industries we will find partners, explore joint ventures, or perhaps we may simply look to license our PX IP. As we look to the future, we must settle on a strategy

that accelerates our growth, increases ERI's value and offers more industries the opportunity to avail themselves of our PX.

As we accelerate growth, we are committed to doing so in a disciplined manner, while still providing our new businesses the support they need to be successful. Our gross margins are such that we should be able to invest in the right people and activities to grow our businesses, while also reducing our OPEX as a percentage of revenue. We must focus on financial hurdles and margins, but also adhere to strict timing in terms of technical viability and commerciality. This too is part of our evolution as a company.

We have much value yet to uncover at Energy Recovery. It is an exciting time to be here, and exactly the potential I saw when I accepted the permanent CEO position last Spring. As I said last year, we are not a water company nor an oil & gas company – we are a PX company. Our PX platform offers our shareholders a disciplined growth platform from which we can provide benefits to both the environment and the wallet. I am proud of what we accomplished this past year, but also laser-focused on continuing our evolution and delivering the results that you, our shareholders, should expect from Energy Recovery.

Let me now turn to VorTeq.

Last year, we committed to making and communicating our decision to commercialize or shut down VorTeq by mid-2021. Since then, we faced challenges live testing the VorTeq due to the pandemic, but regardless we made significant progress along the way. We have proven the technology works.

Today, the final gating factor to commercialization is the cartridge life itself, which drives our profitability as a firm. While we have not cleared our hurdle on cartridge life as of this call, we optimistically believe that we will be able to do so and that there is a path to commercializing the VorTeq. We have also received positive commentary from the market as to the strong ESG aspects of our technology, its ability to increase safety in operations, and reduce considerable waste – all of which drive value above and beyond that of reducing repairs and maintenance which had solely defined our value proposition in prior years.

We are at another frac site as we speak and have another scheduled in July to test cartridge life enhancements. In parallel, we are in discussions with our partners on how to effectively scale commercialization efforts through a variety of models. We will be in a better position at our next earnings call in early August to discuss our go-to-market strategy and timing.