



Fluence Corporation Limited (ASX: FLC)

Business Update and Half Year Financial Results

August 31, 2017

Melbourne, Australia & New York, USA: Fluence Corporation Limited (ASX: FLC) (“Fluence” or the “Company”), a global leader in fast-to-deploy decentralized water, wastewater, and wastewater-to-energy treatment solutions, today announced its financial results for the six (6) months ended June 30, 2017 and provided an update on operations and post-merger progress.

Fluence Strategy To Sustain Growth and Achieve Profitability

Henry Charrabé, Managing Director and CEO of Fluence commented:

- The Fluence merger is proving to be successful through the efficient integration of former Emefcy and RWL Water teams into one major, global, water, wastewater and reuse company with a complete suite of treatment solutions focused on the decentralized market segment; an estimated US\$22B market by 2021.
- All critical success factors are now under the Fluence banner: a proven global management team, breakthrough technology, Smart Packaged Plant solutions, global reference customer base, global manufacturing, and regional market segment leadership which we seek to globalize.
- Key proof points already in place: China demo plants in successful operation, China commercial contracts being deployed and under negotiation, manufacturing plant on track for initial production within a month, and expanded manufacturing in Argentina underway to tap the huge Latin America opportunity.
- The group is targeting sales of US\$90 million for CY2017, including an increase in revenue from Smart Packaged Plant sales of 300% year on year.
- We are pleased to report that the prestigious Wuxi Municipal Design Institute has now formally confirmed the quality of MABR treated water as meeting Class 1A effluent standards in its certification report.
- Post-merger, Fluence’s combined teams have fully designed fast-to-deploy MABR Smart Packaged Plant solutions, which are now offered to the market in several key sizes for the rural wastewater treatment segment in China.
- China is adopting a phased roll out of wastewater treatment systems to rural villages. We expect our strategic partners to initially install a small number of MABR plants to fully assess their capabilities across different water quality spectrums, climatic conditions and water quantities, before an expected significant take-off in the next eighteen months. This rate of adoption benefits Fluence, as our strategic partners, Smart Packaged Plants, and expanding manufacturing capacity help to position the Fluence solution as a viable standard and enhance the company’s market position.



Current and Pending Achievements

	Key Milestones	Why This Matters
Overall business	Record year-on-year bookings and strong sustained revenue growth, targeting US\$90 M for CY2017	Key steps in cementing a <u>global market leadership</u> position
	Attractive gross margin growth: 16% in 2016, expected 20%+ range in 2017	Sustained gross margin growth is key to <u>achieving 2019 profitability</u>
	MABR operating as expected in multiple China locations, plus Caribbean, Israel & Ethiopia	<u>Proven ability to deliver</u> disruptive, higher margin innovation with consistent, compliant operation regardless of geography - another key metric to anticipated 2019 profitability
	Introduction of MABR systems outside of China and introduction of Fluence suite of products inside of China	Opportunity to <u>vastly increase pipeline</u> and benefit from one, larger, fully-integrated Fluence team
	300% growth in Nirobox sales year on year	Proven adoption of Smart Packaged Plant solutions <u>generate revenue faster</u> (6 months versus 18-24 months from order to revenue) and <u>captures more margin</u> – key to anticipated 2019 profitability by driving Smart Packaged Plant success formula across our product lines
	Fluence-waste-to-energy solutions dominate Italian poultry processing, continues to gain traction by winning contract in LatAm with a global meat processing leader (1 st of up to 50 plants)	<u>Leverages proven local success into much larger global markets</u> including major China industrial market – broadly applicable in food processing industries
	Signed \$44 million San Quintin BOT project in Mexico – and awaiting financial close	Starts to <u>drive recurring revenue</u> to improve revenue visibility



Current and Pending Achievements (cont.)

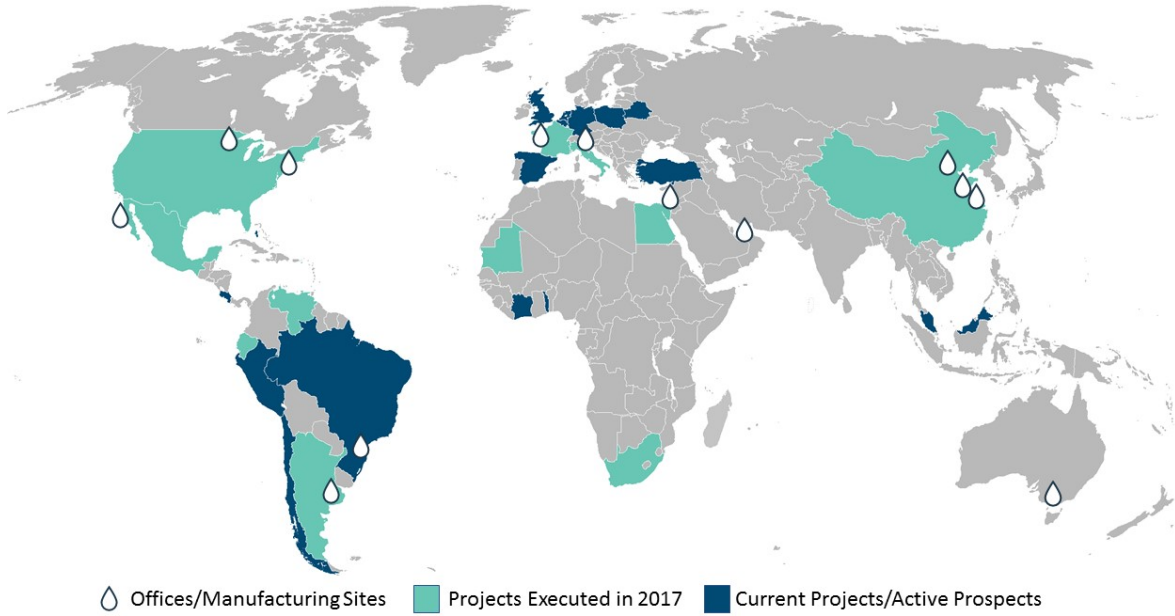
	Key Milestones	Why This Matters
China	Wuxi Design Institute demonstration unit is successful, resulting in <u>certification report</u> from Wuxi that MABR is compliant with Class 1A effluent standards	Wuxi has national influence and certification helps <u>accelerate commercial rollout</u> ; proves we meet Class 1A and operate cost-efficiently
	CGGC, Jinzi, Sinorichen demo plants successfully installed; Remaining 3 demo plants to be commissioned within next 2 months	Further local proof of performance and aids <u>commercial adoption</u>
	First commercial contract will be commissioned by Nov 2017	<u>Proves commercial viability</u> at a flagship account (VOSS China) and with an important partner (Shanghai Winner)
	Multiple larger plants in negotiation in 3 provinces	Begins <u>broader commercial deployment</u> at scale and helps drive broader strategic engagement with partners
	Changzhou manufacturing plant on track to start production in September	Local source of supply
Latin America	Continued expansion into municipal and industrial market segments with new contracts signed in Argentina, Brazil, Chile & Peru	Continued increase of Fluence's <u>prime market position</u> in Latin America and increased potential pipeline for MABR roll-out
Other geographies	Additional projects under execution and development in Africa & Asia	Fluence grows its strategic position as <u>the global, decentralized player</u> , which can offer fast-to-deploy, smart packaged systems anywhere and at any time.



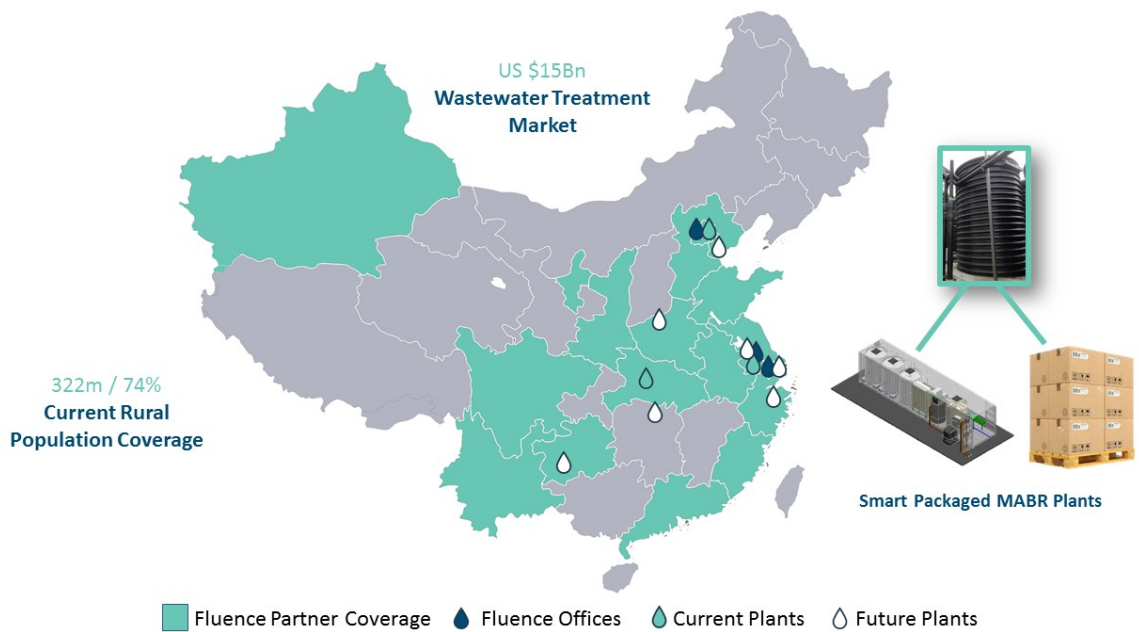
Key Next Steps	
China	Smart Packaged MABR plant contracts supplied by local Fluence China production – <u>accelerates deployment</u> , revenue and margin growth with next generation MABR modules
	First Fluence <u>non-MABR wins</u> in China
	Stronger and deeper commercial engagement with partners to <u>drive China revenue ramp</u>
Latin America	Expand Argentina manufacturing to enable <u>faster local delivery</u> of Smart Packaged Plant solutions
	Continue to grow sales opportunities and introduce MABR systems to <u>new market</u>
Globally	<u>Target 25%+ revenue growth rate</u> in 2018 with continued improvement in gross margins and EBITDA towards 2019 EBITDA-positive
	<u>Continue strong growth (over 50%)</u> year-on-year for Nirobox revenues
	<u>Broader global ramp</u> of waste-to-energy solutions: more wins in EU, LatAm and particularly China
	Close <u>recurring revenue</u> contracts in multiple geographies
Breakthrough products & solutions	Transform Smart Packaged Plant success formula across all product lines and continue to reduce time from <u>order to delivery from 6 months to 6 weeks</u> by increasing project pipeline quantity and quality
	Start to sell <u>next-gen MABR</u> by 2Q18 – improves gross margins, extends global competitiveness, particularly when combined with China manufacturing
	Start to sell <u>SUBRE</u> by 2Q18 – US\$2B+ market potential Continue to innovate and introduce disruptive technology and application of technologies to the market through Fluence global sales platform



Fluence's Global Footprint Positioned For Growth:



Fluence is Making Significant Progress In China:





Management Team Update

Eytan Levy, co-founder of Emefcy and President of Products and Innovation at Fluence, will transition to the role of Innovation Advisor and leave the Board of Directors effective today August 31 2017. Eytan will continue as an employee through to the end of 2018 and will then serve as a consultant. In these roles, he will continue to support and mentor the Product and Innovation Team. He remains a large shareholder in Fluence.

Yaron Bar-Tal, VP Global Product Development, who has been integral to the commercialization of the MABR technology, will head the Products and Innovation team. The other co-founder of Emefcy, Ronen Shechter, will remain Chief Technology Officer of Fluence and will continue to lead the innovation of additional disruptive technologies.

“I have enjoyed working closely with Eytan since 2010 and anticipate continuing to do so in the future,” said Richard Irving, Executive Chairman. “Eytan knows his greatest strengths are founding technology companies and guiding them through early commercialization. He left his previous start-up Aqwise at a similar point in 2007 to form Emefcy, and now that Fluence is successfully commercializing MABR, he feels that the time is right to reduce his executive responsibilities. We wish him success in his future endeavors.”

Eytan Levy added: “After almost 10 years of leading Emefcy from the idea stage through early commercialization, I feel that it is time for me to hand-over leadership to the outstanding management team now running Fluence. Fluence is well-positioned to capture a significant share of the Chinese rural wastewater treatment market and to accelerate its rapid growth. I will remain a large shareholder and will be actively committed to the Company’s success.”

“Under Yaron’s leadership, the Products and Innovation group will remain Fluence’s engine to develop breakthrough products focused on decentralized water and wastewater treatment,” said Henry Charrabé, Managing Director and CEO. “This group will continue to play a vital role in driving Fluence to profitability and in further strengthening its position as a leading global water and wastewater solutions company. It has been very enjoyable working with Eytan in preparation of the merger during the last year and I look forward to continue to work with him in the years to come as an Innovation Advisor and senior advisor to the Board.”

Half Year 2017 Financial Results

The half year report for the six months ended 30 June 2017 is attached. The merger to form Fluence was completed on 14 July and hence the results for the six months are only those for the former Emefcy group.



Guidance

On a pro-forma basis, the combined Group has achieved an annual compounded rate of revenue growth in excess of 20% for several years and anticipates exceeding that increase in CY 2017. Target sales for CY2017 remains at US\$90 million. The combined Group also anticipates increasing gross margin and recurring revenue by adding Emefcy's disruptive technological innovations to RWL Water's standardized solution suite. The Company expects to generate a net income and EBITDA loss for the year and in 2018, as it invests heavily in growth. Fluence aims to reach an EBITDA break even by early 2019 (on a run-rate basis) as it leverages the extensive global business it is building now.

Conference Call

Fluence will host a conference call to further elaborate on its half year 2017 business update and financial results. The call will be hosted by Managing Director and CEO Henry Charrabé. The call will commence on Monday September 4 at 11:00 am Australia Eastern Daylight Time / Sunday September 3 at 7:00 PM US Eastern Standard Time. Interested parties can access the live webcast at the investor relations section of the Fluence website. All questions will be submitted electronically through the webcast interface.

For those wishing to dial into the call, please call your respective local number below:

Fluence Corporation Half Year 2017 Business Update and Financial Results Conference Call

Conference ID: 8256282

Participant Dial-In Numbers:

TOLL-FREE USA	1-800-289-0498
TOLL/INTERNATIONAL	1-719-325-2429
AUSTRALIA TOLL-FREE	1 800 145 635
ISRAEL TOLL-FREE	1 80 924 6037

About Fluence Corporation

Fluence Corporation's vision is to become a leading global provider of fast-to-deploy decentralized and packaged water and wastewater treatment solutions, already an estimated A\$17 billion market in 2016, excluding the China rural market opportunity. Fluence has experience operating in over 70 countries worldwide and employs more than 300 highly trained water professionals around the globe. The Company provides local, sustainable treatment and reuse solutions while empowering businesses and communities worldwide to make the most of their water resources.

Fluence offers an integrated range of services across the complete water cycle, from early stage evaluation, through design and delivery to ongoing support and optimization of water related assets. With core operations in North America, South America, the Middle East and Europe, one of Fluence's main focuses will be expanding into the vast market in China for rural wastewater treatment.

For more information please visit our website: <https://www.fluencecorp.com>.



For further information, please contact:

Fluence Corporation Limited

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