



Fluence continues to deliver on its growth strategy

- *Global sales achievements and marketing efforts support 2018's accelerated growth objective*
- *Revenue in Q2 2018 more than double Q1 2018*

Melbourne, 30 July 2018

Fluence Corporation Limited (ASX: FLC) is pleased to provide the following quarterly business update to the market alongside its Appendix 4C: Quarterly cashflow report for the three months ended 30 June 2018 (Q2 2018).

Key Q2 2018 highlights: continuing to deliver on the Company's growth strategy

- Contract revenue backlog of US\$84.0 million at 30 June 2018
 - US\$49.2 million anticipated to convert into revenue in 2018, in addition to US\$32.8 million revenue generated in the first half of 2018
 - Further revenues anticipated to come in 2018 from the current sales pipeline and new sales activities
- Full year 2018 guidance reaffirmed
 - Revenue expected between US\$105 million to US\$115 million
 - Gross profit expected between US\$22 million to US\$25 million
- Accelerating progress achieved in relation to China growth strategy
 - First sales from three newly signed local Chinese partners: Glory Land (Beijing) Science & Technology Co., Ltd, Hunan Aerospace Kaitian Environmental Technology Company Ltd., and Hubei ITEST

China Progress

	2018 YTD
<i>Commercial contracts won</i>	10
<i>Partners secured</i>	22
<i>Provinces covered</i>	14
<i>Plants and reference sites operating</i>	9
<i>Plants in construction</i>	5

- Major projects progressing
 - San Quintin, Mexico project construction expected to commence in Q3 2018
 - PDVSA project in Venezuela on track for revenue recognition in 2018
 - Bahamas project signed and three NIROBOX™ units delivered, increasing recurring revenues
 - Additional NIROBOX™ unit sold to resort in Barbuda in July
 - Additional NIROBOX™ unit sold to J-Park in the Philippines in July

Henry Charrabé, Managing Director and CEO of Fluence, commented:

“Over the second quarter of 2018, Fluence has continued to win more contracts in new regions and in new industries. We have invested in our brand and sales teams to build global awareness of our unique offerings, which is leading to further interest from prospective customers and partners. Our strong sales pipeline, win

For personal use only

conversions and completion of existing project milestones over the period supports our accelerated growth objectives for 2018. We continue to deliver against the strategic targets we have outlined: 1. China expansion; 2. Proliferation of smart packaged water and wastewater plants around the world; and 3. Increased recurring revenues.

“We continue to prove our technology in multiple markets around the world and specifically in China, Europe and South America during the second quarter of this year. We are also pleased to be expanding our involvement in Build-Own-Operate-Transfer [BOOT] projects through the recent RAV Bahamas contract win in Bimini, Bahamas. It is an exciting time to be involved in the water and wastewater industry, with our global team continuing to find opportunities in new markets for our water, wastewater and reuse solutions.”

Progress in key regions during Q2 2018

Caribbean

In July, Fluence secured two NIROBOX™ smart-packaged seawater desalination projects in the Caribbean. The first, a BOOT project for RAV Bahamas’ resort in Bimini, Bahamas, will provide Fluence a source of recurring revenue. The other project, for a resort in Barbuda, West Indies, is another example of the value proposition of Fluence’s smart-packed NIROBOX™ seawater desalination solutions for this geography and industry. Fluence expects to continue leveraging opportunities for its decentralised solutions in this region due to their low cost, low maintenance, small footprint and fast implementation time.

Latin America

Fluence expects to start the construction phase and receive first disbursement for the US\$48 million San Quintin, Mexico project in Q3 2018. The Company expects the plant to be fully operational within 20 months of project commencement, after which water sales are expected to generate US\$10 million of recurring annual billings for Fluence.

Fluence completed delivery and commissioning of two NIROBOX™ BW (brackish water) units for the Municipality of Berazategui, in the province of Buenos Aires, Argentina. These water treatment units each produce 1,500 m³/day of potable drinking water to residents, who previously only had access to highly polluted well water.

Work is ongoing for the Portugesa project in Venezuela under the umbrella of the previously disclosed PDVSA contract. This project involves a wastewater treatment solution for ethanol plants and will continue throughout the year with estimated contract revenue in 2018 of US\$26.2 million, of which US\$10.4 million was recognised in H1 2018 and the remaining US\$15.8 million is expected to be recognised in the second half of this year.

June marked the inauguration of the Company’s new, 100% owned US\$3.2 million production plant in Mar del Plata, Argentina, providing Fluence with 2,500 m² of production space that is equipped to assemble the full range of water, wastewater and reuse treatment solutions that Fluence offers in the Latin and South American markets.



New Manufacturing facilities in Mar del Plata, Argentina

Our team in Latin America continues their outstanding performance and Fluence is proud to be one of the leaders for all water and wastewater related challenges in the region.

Building pipeline of opportunities in Africa

Fluence is continuing to negotiate with an African nation to design and construct a 150,000 m³/day advanced water treatment plant to provide high-quality drinking water for more than one million people following the signing of an exclusive MOU in Q3 2017. This project is anticipated to be financed through a government-backed export credit financing institution and will be operational within a two-year period following contract finalisation.

Two smart-packaged MABR-based Aspiral™ (formerly known as C-MABR) plants have been shipped to Ethiopia and are currently awaiting the finalisation of the civil construction by Fluence’s local partners, indicating another new geography is well suited for the validated, smart-packaged wastewater treatment solution.

China opportunity materialising, with developing awareness through new partners and sales in new provinces

As discussed last quarter, in the current five-year plan, the Chinese Government is targeting, and providing finance for, an increase in rural wastewater treatment to reach Class 1A effluent discharge from the current 10% requirement, to 70%. With only 10% of rural wastewater treated in 2016, this is a significant opportunity, with Fluence well positioned to provide solutions.

China plant summary

Fluence has six (6) smart-packaged Aspiral™ demonstration units and three (3) Aspiral™ plants in China currently operational, 22 distinct partnerships covering districts and regions in 14 provinces, 10 commercial contracts signed and an additional five (5) Aspiral™ installations under construction. These sites serve as important reference points for the efficacy of Fluence’s advanced MABR technology to serve this opportunity.



The 14 provinces and districts in China highlighted are covered by current strategic partnerships.

Based on available market information, the Company believes that its MABR-based solutions offer the lowest cost, lowest energy, and fastest to deploy options available to treat rural wastewater to Class 1A compliant levels.

For personal use only

In May, Fluence secured a contract from the Changping District government for the First Aspiral™ Plant in Beijing area with new local partner Glory Land (Beijing) Science & Technology Co., Ltd. The contract is for an Aspiral™ S1 smart-packaged MABR-based solution that will be used to treat domestic wastewater from an innovative underground treatment installation. The unit will treat 20 m³/day (5,000 GPD) to effluent standards, which exceed Class 1A quality and is scheduled to be commissioned as soon as October 2018.

In June, Fluence secured a further contract from the Yiyang City government for the deployment of an Aspiral™ L4 smart-packaged MABR-based solution for use in a municipal wastewater treatment plant to treat 200 m³/day (50,000 GPD). This contract was won through Fluence's new local partner Kaitian Environmental Technology Company Ltd based in Hunan Province and whose parent company is Hunan AeroSpace Company Limited, a state-owned company.

Later in June, Fluence executed a tripartite framework agreement with the Yiyang City Government and local partner Hunan Aerospace Kaitian Environmental Technology Company Ltd for the deployment of three (3) Aspiral™ smart-packaged MABR-based L4 units to be deployed across three districts in Yiyang City. It is expected that this project will allow Fluence to leverage further opportunities through this partner in this region.

After period end in July, Fluence completed its first sale through new local Chinese partner, Hubei ITEST. The contract is for a 200 m³/day wastewater treatment plant for a highway service area in Xiaogan, Hubei Province, in China. This Aspiral™ installation is Fluence's second in Hubei Province, following successful commissioning of the first in June 2017. According to the terms of the agreement, following successful testing of this plant, the sale is expected to pave the way for additional Aspiral™ sales in the remaining service areas along the highways in Hubei Province, for which Hubei ITEST is responsible.

South East Asia

In addition to previously announced deployments, Fluence has sold another NIROBOX™ 500 to J-Park in the Philippines during July 2018.

Foundations in place for growth in the USA

In April 2018, Fluence was awarded a contract to deliver a water treatment reuse system to Rosenblad Design Group, as part of a larger project being installed in California. Fluence's zero liquid discharge solution utilises ultrafiltration and reverse osmosis equipment to treat brine for reuse. This system is expected to be delivered, installed and operational by the end of 2018.

The market for water reuse in the US is expected to grow over the next two decades due to policy change, population growth and climate related challenges in water scarce regions.¹

The Aspiral™ S1 model demonstration unit at the Códiga Resource Recovery Center at Stanford University in California, which was successfully deployed in early 2018, continues to perform to, or exceed, expectations. This unit together with the MABR plant in the US Virgin Islands, which has been operating since November 2016, serve as demonstration and reference sites to support further USA sales.

Fluence is very pleased with the performance of its pilot unit at Stanford University. Testing to date by Fluence's engineers onsite has exceeded performance expectations for the effluent standards required by California's strict Title 22 legislation. As planned, Fluence handed over the operation of the plant to the Códiga Research Centre's staff in July and expects positive reports from them over the next nine months while they are testing and verifying the accurate performance of the system.

¹ Bluefield Research, U.S. Municipal; Water Reuse: Opportunities, Outlook, & Competitive Landscape 2017-2027, September 2017

SUBRE deployment in Israel

Fluence's first SUBRE contract for the retrofitting of the Ma'ayan Zvi large-scale centralised wastewater treatment plant is anticipated to be completed and operational in Q4 2018. By incorporating MABR technology, the treatment plant's capacity is expected to increase by 15-20% while ensuring compliance with tighter nitrogen discharge rules, without the use of any hazardous chemicals.

Fluence is currently quoting SUBRE projects for potential clients in the US and China and continues to focus on the full commercialisation of the product in the first half of 2019. The Company's China manufacturing plant will be ready for SUBRE production by the end of 2018.

Progress in Europe

In June, Fluence was awarded its first wastewater and waste-to-energy system designed specifically for use in the steel industry. Advanced anaerobic digestion technology will be used to achieve the client's desired effluent. By adding waste-to-energy treatment to the system, the biogas produced will be used to power the steel mill's operations, which will in turn lower the overall operating costs.

The €3.9 million contract includes the design and construction of these systems at ArcelorMittal's steel mill in Ghent, Belgium. The Fluence systems are expected to be delivered, installed and operational onsite within 18 months. ArcelorMittal is the world's largest crude steel producer, accounting for 90 million tons of steel per year. The successful completion of this project will showcase Fluence's capabilities for similar steel mill applications around the world.

Product innovation and marketing

In May, Fluence unveiled its Aspiral™ Family of wastewater treatment solutions, based on its innovative Membrane Aerated Biofilm Reactor (MABR) technology. The Aspiral™ is a modular solution that reduces aeration energy consumption by up to 90% as compared to conventional wastewater treatment methods, making it ideal for small to medium-sized installations.

During the quarter, Fluence presented its products and technologies at the Singapore International Water Week, the Sea Food Sustainability Summit in Barcelona, IDA International Water Reuse and Recycling Conference in Valencia, CaribDA 2018 Biennial Conference & Exposition in Curaçao, IFAT 2018 in Munich, and the 2018 Arizona Water Conference. This investment of time and resources provides visibility of the Fluence solutions amongst key decision makers and potential industry partners.

Additionally, through Company presentations at these forums, Fluence's team continues to be acknowledged at these events as thought leaders on the forefront of the development of the most advanced water, wastewater and reuse solutions in the industry. There is growing recognition by the industry in general of the need to look at decentralised solutions to help solve the world's water problems and there is strong interest amongst event organisers and participants to learn more about Fluence's innovative solutions.

Strengthened management team

Fluence is pleased to announce the promotion of Anthony (Tony) Hargrave, B.Sc., MBA, from VP Global Operations to Chief Operating Officer, effective 29 July 2018. Having joined Fluence in May, Tony replaces Philippe Laval, who joined RWL Water in 2014 as VP of Global Sales, and later Chief Operating Officer before becoming Fluence's COO at the time of the merger in 2017. Fluence appreciates Philippe's contributions to many key projects and notes that he continues to be available to assist the Company on a consulting basis.

Tony has an engineering background, as well as an MBA and almost 30 years of experience in the water and wastewater industry internationally, particularly across Asia. Tony has lived and worked in China, India, Europe and the USA.

Fluence is also pleased to welcome Paul Donnelly, who joined Fluence's Board of Directors as a Non-Executive Director this month, following the retirement of Robert Wale in May. Paul brings extensive global capital markets experience gained over 23 years with Macquarie Group, with particular skills in infrastructure project finance, that will support the company's future growth.

Q2 2018 cash flow report

The Appendix 4C quarterly cashflow report for the three months ended 30 June 2018 is attached.

Total cash usage (Net Cash Used from Operating Activities) in Q2 2018 was US\$14.2 million. This result was impacted by some delay in receipts from customers due to the timing of shipments in the latter part of the quarter. Cash receipts from customers for the quarter amounted to \$6.9 million compared to revenue of \$22.6 million. The difference between receipts and revenues represents funds previously paid in advance by PDVSA, plus an increase in debtors, which is expected to be received as cash during the remainder of the year.

Delay in receipts from customers was partially offset by lower operating costs reflecting the benefit of several process improvement initiatives commenced at the beginning of the year.

In addition, the Company expects its remaining NIROBOX™ inventory to be converted into revenue during the coming two quarters, which will have a positive cash effect for the company.

Cash and Cash Equivalents were US\$40.6 million at the end of Q2 2018. Based on current contracts, the Company expects US\$16.0 million of cash inflows during Q3 2018. The expected cash inflows and the estimated cash outflows noted in the Appendix 4C including an equity investment component for the RAV Bahamas project in Bimini, result in an estimated net cash used in operating activities for Q3 2018 of US\$13.6 million.

On track to deliver accelerated growth in 2018

Based on the Company's current backlog and pipeline of new tenders, as well as recent contract wins, Fluence continues to expect to deliver revenue for 2018 in the range between US\$105 million and US\$115 million, weighted to the latter part of the year.

Visibility of forecast 2018 revenues is high, with US\$32.8 million revenues generated in H1 2018, and an additional US\$49.2 million of the current US\$84.0 million contract backlog expected to be recognised in the second half of this year.

Reflecting the changing mix of contracts in 2018, Gross Profit continues to be anticipated to be in the range between US\$22 million and US\$25 million, including also the construction phase of the large San Quintin project in Mexico.

Fluence continues to target the achievement of a positive EBITDA some time in 2019.

Quarterly update – conference call

Richard Irving (Executive Chairman), Henry Charrabé (Managing Director & CEO) and Francesco Fragasso (CFO) will host an investor conference call regarding the Company's quarterly update. **The conference call will be held today, Monday 30 July, at 9:30am Australia Eastern Standard Time (Sunday 29 July at 7:30 pm US Eastern Standard Time).**

The Conference ID is 7025799, and participant dial-in numbers are:

US TOLL-FREE	1-800-239-9838
US TOLL/INTERNATIONAL	1-323-794-2551
AUSTRALIA TOLL-FREE	1-800-573-793
ISRAEL TOLL-FREE	1-809-212-883

A live webcast will be accessible through the “Investors” page on Fluence’s website. Questions will need to be submitted electronically through the webcast interface: <http://public.viavid.com/index.php?id=130558>

For further information, please contact:

Corporate:

Henry Charrabé
Managing Director & CEO
E: hcharrabe@fluencecorp.com
P: +1 212 572 3766

Richard Irving
Executive Chairman
E: rirving@fluencecorp.com
P: +1 408 382 9790

Ross Kennedy (Australia)
Company Secretary & Advisor to the Board
E: rkennedy@fluencecorp.com
P: +61 409 524 442

Investors (Australia):

Ronn Bechler
Market Eye
E: ronn.bechler@marketeye.com.au
P: +61 400 009 774

Media (Australia):

Tristan Everett
Market Eye
E: tristan.everett@marketeye.com.au
P: +61 403 789 096

Investors & media (USA):

Gary Dvorchak, CFA
The Blueshirt Group
E: gary@blueshirtgroup.com
P: +1 323 240 5796 (US) or +86 138 1079 1480 (China)

About Fluence Corporation Limited (ASX: FLC)

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 established operations in North America, South America, the Middle East and Europe, Fluence is also expanding into China’s rural wastewater treatment market.

Global consultancy Frost and Sullivan awarded Fluence Corporation “2018 Global Decentralized Water and Wastewater Treatment Company of the Year”, noting in their award dissertation:

“While typical decentralized water treatment systems are relatively expensive, complicated, and inefficient, Fluence Corporation leverages innovative and smart technology solutions backed by decades of industrial know-how to excel in water and wastewater treatment solutions. Fluence’s excellence becomes apparent through its success, as the company continues to expand its existing offerings as well as partnerships with other prominent companies in the industry. With its easy to use, sustainable, smart and cost-effective solutions as well as a remarkable year of growth, innovation, and leadership, Fluence Corporation earns Frost &

Sullivan's 2018 Global Company of the Year Award in the decentralized water and wastewater treatment industry."

Further information can be found at <https://www.fluencecorp.com/>.

Forward looking statements

"This quarterly business update contains "forward-looking" statements. Forward looking words, such as "expect", "anticipate", "should", "could", "may", "predict", "plan", "will", "believe", "forecast", "estimate", "target" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates provided in this update are based on estimates and assumptions related to future business, contractual, economic, market, political and other conditions that, while Fluence considers them to be reasonable, are inherently subject to significant uncertainties, contingencies and (potentially) delays.

Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. Such factors include, but are not limited to: operating, competition and development risks, economic and political risks, and a number of other risks and also include unanticipated and unusual events, many of which are beyond Fluence's ability to control or predict.