



Fluence continues its growth trajectory in Q3 2018; generating US\$29.0 million revenue, up 140% over Q3 2017

- First positive quarter of EBITDA generated – US\$0.5 million (unaudited)
- Global sales achievements and marketing efforts supporting strong growth in 2018
- First large volume agreement for estimated 80 Aspiral plants during the next 18 months in China reinforces China market potential
- Largest NIROBOX™ sale to-date in Egypt at US\$7.6 million, with units currently in inventory, further supporting decentralized strategy and rapid deployment.

Melbourne, 26 October 2018

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

Q3 2018 highlights:

- Revenue of US\$29.0 million, up 28% on Q2 2018, and up 140% on Q3 2017. YTD revenue of US\$61.8 million Contract revenue backlog stands at US\$80.3 million at 20 October 2018; US\$33.2 million of which is expected to convert into revenue in 2018, giving high confidence of 2018 revenues of US\$95 million.
- Additional revenues are expected in 2018 from the current sales pipeline and sales activities towards achieving US\$105 million at the lower end of guidance
- First EBITDA-positive quarter with US\$0.5 million (unaudited) generated
 - Reflects higher Q3 revenues, including recognition of revenue from San Quintin, sales mix delivering higher gross margin and further cost efficiencies being realised.
- Significant further progress in relation to China growth strategy
 - Agreement with ITEST, an existing China customer, with anticipated Aspiral™ sales of at least US\$45 million estimated over three years (as announced this month) paves the way for further adoption of MABR technology in China
 - Sale of an Aspiral™ 200 m³/day Smart Packaged wastewater treatment plant to ITEST for a highway service area in central China was shipped, delivered and commissioned within 6 weeks
 - Constructive relationships now with 23 local partners covering 14 provinces.

<i>China 2018 YTD</i>	
<i>1 cluster order won</i>	<i>Approx. 80 Aspiral™ units in 18 months</i>
<i>Commercial contracts won</i>	<i>10</i>
<i>Partners secured</i>	<i>23</i>
<i>Provinces covered</i>	<i>14</i>
<i>Plants and reference sites operating</i>	<i>9</i>
<i>Plants in construction</i>	<i>5</i>

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- Major projects progressing:
 - San Quintin, Mexico project construction commenced in Q3 2018, with the Supreme Court of Mexico clearing the final legal hurdle and unanimously upholding legislation to approve construction
 - Revenue recognition has commenced and will be recognised over the next 20 months of expected plant construction
 - Will generate an estimated average of US\$10 million recurring annual billings for 30 years after the plant begins operation
 - PDVSA project in Venezuela on track for 2018 revenue recognition in line with expectations
 - US\$3.5 million EPC contract to support capacity expansion for a power plant in Argentina
 - First Aspiral™ Project in the Philippines consisting of two Aspiral™ Smart Packaged wastewater treatment units serving a residential development in Manila
 - First Aspiral™ sale in the USA to Water Fleet for a mobile Aspiral™ L + Ultrafiltration plant to be designed and commissioned by January 2019
 - First sale of MABR modules to Orenco, a large system integrator in the USA
 - Negotiations with African government progressing for large scale water treatment plant
 - Largest NIROBOX™ sale to date (US\$7.6 million) for three NIROBOX™ Smart Packaged desalination plants to be delivered in Q4 2018 to a customer in Egypt. The contract also includes an operating & maintenance contract providing recurring revenues. Importantly, the boxes came from existing stock, thereby having a positive impact on cashflow.

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

“Over the third quarter of 2018, Fluence has continued to make significant progress executing its global growth strategy. We have won new contracts in new regions and in new industries, while delivering a high level of service and quality to our clients and industry partners. Notably, with the benefit of recognising revenues from the San Quintin contract, we have generated our first ever quarter of positive EBITDA reflecting increased quarterly revenues, a higher gross margin due to the sales mix and maintained costs in line with previous quarters.

Our sales team has been hard at work targeting global leadership in decentralized water and wastewater treatment solutions, showcasing our ability to solve complex water needs with a lower upfront cost and at a reduced operating expense for our customers. Awareness of our brand and value proposition is growing, leading to recurring orders and further interest from prospective customers and partners. The strong sales pipeline in all different regions of the world, win conversions and completion of existing project milestones, are supporting our accelerated growth objectives for 2018.

We believe we have made significant progress towards meeting our strategic goals for this year, including: 1. China expansion with ITEST and other contracts; 2. Proliferation of smart packaged water and wastewater plants around the world with installations in Egypt, Bahamas and Philippines, among others; and 3. Increased recurring revenues through contracts like San Quintin, Bahamas and other O&M contracts around the world. We will continue to progress on all three fronts during the final quarter of this year and target the closing of our large project in West Africa as well.

We couldn't be prouder of our growing team and worldwide achievements. It is an exciting time to be involved in the water and wastewater industry, with Fluence's global team continuing to find and deliver on opportunities in new markets for our water, wastewater and reuse solutions. We have achieved EBITDA profitability this quarter and will continue to work hard towards meeting 2018 guidance numbers.”

Progress in key regions during Q3 2018

Latin America

Fluence has commenced the construction phase for the US\$48 million San Quintin, Mexico project. Revenue will be recognised over the 20-month construction period of the project starting with the commencement in Q3 2018. First disbursements are anticipated in Q4 2018. This project is designed to supply 5.8 million gallons/day (approximately 22,000 m³/day) of potable water to the San Quintin region. Fluence is building and will operate the seawater desalination plant through a special purpose vehicle (SPV) owned by Fluence and its local partners. The SPV will produce water for the San Quintin area for the next 30 years, after which ownership and operation of the plant will be transferred to the customer, the Comisión Estatal del Agua De Baja California. As owner and operator of the plant, Fluence is also expected to receive an estimated average of US\$10 million annually in recurring billings for 30 years after the plant begins operations.

Work is ongoing for the Portuguesa project in Venezuela under the umbrella of the previously disclosed PDVSA contract. The Portuguesa project involves a wastewater treatment solution for ethanol plants and will continue for the rest of the year with estimated 2018 contract revenue of US\$26.2 million. Approximately US\$21.3 million of such revenue has been recognised year-to-date with the remaining US\$4.9 million expected to be recognised in Q4 2018.

In August, a prominent power plant in Buenos Aires, Argentina awarded Fluence a US\$3.5 million contract to design and build a water treatment plant to treat aquifer water and reuse process effluent in support of capacity expansion. Fluence and its local EPC partner were selected due to their expertise in treating complicated water sources to reuse quality, the system's small footprint and the combination of lower capital investment required and operational efficiencies to be generated. The Fluence system is expected to be delivered, installed and operational onsite by June 2019.

In July 2018, the Argentinean economy was declared to be in a hyper-inflation. The majority of Fluence's cash holdings in Argentina are in US\$ denominated liquid assets. In response to growing demand for water treatment solutions in neighboring Brazil, Fluence has redeployed some sales focus from Argentina to the Company's Brazil office to help diversify regional risk.

As a consequence of the Argentinean economic situation, short-term investments held in Argentina decreased in value by US\$3.0 million in July 2018, offsetting similar gains since the beginning of the year on those same investments. The investments were linked to US\$ government and corporate bonds and therefore there was no exchange rate impact. The cash balance at the end of September reflected this US\$3.0 million change. However, this short-term investment position was fully liquidated and all proceeds deposited in cash in US\$ denominated accounts, so no further losses are anticipated.

African pipeline building

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. If signed, this project will be financed through a government-backed export credit financing institution and will be operational within a two-year period following contract finalisation.

Fluence's newly formed Egyptian joint venture, The International Co. for Water Services & Infrastructure (IWSI), recently signed contracts worth US\$7.6 million to supply three separate Nirobox Smart Packaged seawater desalination plants to projects owned by the Egyptian Ministry of Housing. The plants, which will consist of a total of 12 Nirobox SW- XL units currently in inventory, are expected to be delivered by Q4 2018 and be fully operational by Q2 2019. The costs to produce those Nirobox have already been incurred and the sale will result in immediate cash inflow and revenue recognition from inventory. In addition, the IWSI has been contracted to provide an operation & maintenance contract for the three desalination plants. Given the

Egyptian government's advocacy of increased desalination capacity over the coming years, Fluence is ideally positioned to meet the growing water needs of this new market for Fluence.

China strategy materialising with increased sales and Fluence's first volume order received

In July, Fluence completed its first sale through a new local Chinese partner, Hubei ITEST. The contract was for a 200 m³/day wastewater treatment plant for a highway service area in Xiaogan, Hubei Province China. This unit was shipped, delivered and commissioned within 6 weeks.

Following this successful execution with ITEST, Fluence and ITEST signed an exclusivity agreement after the quarter end in October with anticipated Aspiral™ sales estimated at a minimum of US\$45 million over three years. Pursuant to the agreement, in order for ITEST to maintain its exclusivity, it must promote and implement a minimum volume of 66,000 m³/day to be delivered over the next three years with annual minimum targets. The first implementation under this partnership is expected to be booked and delivered before year-end. For so long as ITEST meets those minimum volumes, it will be granted exclusivity for the sale of Aspiral units to service highways in central China.

This potential large volume Aspiral™ commitment is further evidence that Fluence's systems are ideally suited technology to meet the stringent requirements of Chinese rural wastewater treatment. Fluence expects to deliver more than 80 Aspiral™ systems to ITEST during the next 18 months.

The expansion of Fluence into China, both through sales and manufacturing facilities, strongly positions the Company to participate in the planned improvement in China's rural wastewater treatment quality. The Chinese Government's current five-year plan is targeting, and provides finance for, an increase in rural wastewater treatment to reach Class 1A effluent discharge to 70%. With 10% of rural wastewater currently being treated, this is a significant addressable market opportunity. Fluence's MABR technology in its smart packed Aspiral™ system is the lowest cost treatment alternative available in the decentralized market and guaranteed to consistently reach Class 1A effluent discharge.

China Plant Summary

Fluence has five (5) smart-packaged Aspiral™ demonstration units and four (4) Aspiral™ plants in China currently operational, 23 distinct partnerships covering districts and regions in 15 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 China opportunity.



The 15 provinces and districts in China highlighted are covered by current strategic partnerships

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Caribbean

Site installation works at Rav Bahamas' Bimini resort in Bahamas is ongoing with operations expected to commence in Q1 2019, after which it is expected to generate approximately US\$1.7 million annually recurring billings expected to last 15 years (subject to an earlier customer cash buyout option).

Fluence expects to continue leveraging opportunities for its decentralised solutions in the Caribbean region due to their low cost, low maintenance, small footprint and fast implementation time.

Southeast Asia

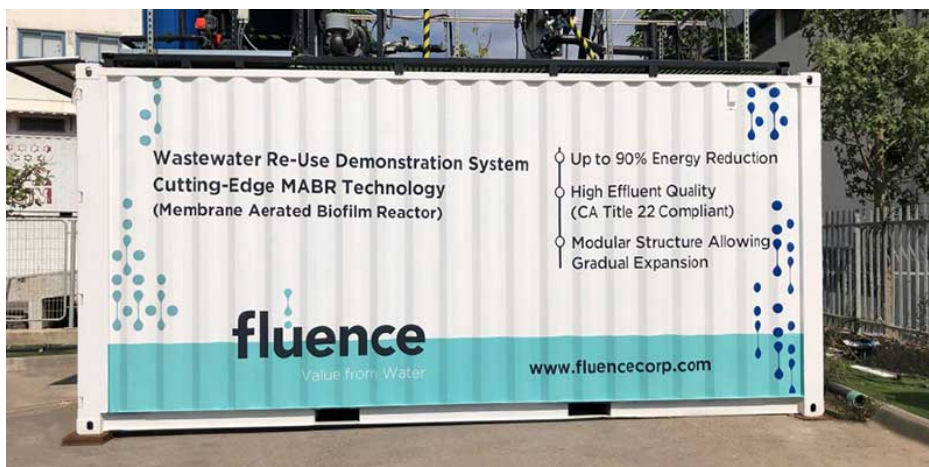
In August Fluence secured a contract for the first deployment of Aspiral™ Smart Packaged wastewater treatment units in the Philippines. The two units will be commissioned within three months for a residential development located in Manila. Fluence is currently negotiating additional opportunities with this client for further collaboration in the region.

Growth in the USA with Aspiral™ sales achieved

In August, Fluence achieved its first commercial sale of an Aspiral™ Smart Packaged Wastewater Treatment Plant in the USA. The Aspiral™ L + Ultrafiltration (UF) plant was designed for Water Fleet and will treat up to 33,000 gallons per day of sewage from an LNG worksite. It is expected to be commissioned by January 2019. The decentralised wastewater treatment plant, which can serve as a mobile or permanent installation, will be relocated by Water Fleet as required to meet its treatment needs. Fluence is confident that the project can lead to additional opportunities in the municipal and industrial decentralised wastewater treatment market in the USA.

In October, Fluence announced its first sale of MABR modules to a large system integrator in the USA. The MABR stand-alone modules will be integrated into Orenco's packaged wastewater treatment plant serving an RV resort in the state of Oregon. By incorporating Fluence's MABR technology, Orenco has been able to offer customers a more cost-effective solution with increased treatment capacity, higher effluent quality and lower operating costs. Orenco is one of the largest fibreglass composites manufacturers in the USA and also specialises in small packaged wastewater treatment plants, catering to both the domestic and international decentralised wastewater markets.

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 and meeting California's strict Title 22 guidelines for wastewater reuse. 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 US sales.



The containerized MABR plant is located at the William and Cloy Codiga Resource Recovery Center at Stanford.

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.

Product marketing

During Q3, Fluence presented its products and technologies at a number of international conferences including WEFTEC in New Orleans, Louisiana, which included an independent presentation of a Stanford PhD student noting the excellent performance of the MABR system on their campus. This investment of time and resources provides visibility of the Fluence brand and solutions amongst key decision makers and potential industry partners globally.

Local issues impact Ethiopia and US Virgin Islands

The deployment of MABR based solutions in Ethiopia have been hampered by difficulties with local contractors. Although the Fluence plant itself was undamaged, due to infrastructure damage caused by a hurricane, operation of an MABR based wastewater solution in the US Virgin Islands has been suspended, pending customer approval for infrastructure repairs. Neither of these delays is affecting the growing demand for MABR based packaged decentralized solutions nor any significant revenue for 2018.

Q3 2018 cash flow report

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

Net Cash Used from Operating Activities in Q3 2018 was US\$12.9 million. This result was US\$0.7 million better than previously forecast for the quarter, reflecting improved cost controls.

Cash and Cash Equivalents were US\$23.1 million at 30 September 2018.

Based on current contracts, the Company expects US\$17.4 million of cash inflows from customers during Q4 2018.

The Company anticipates a net operating cash outflow for Q4 of \$16.5 million. This amount reflects the anticipated, significantly accelerated growth in revenue in Q4, a new expected BOOT contract, as well as the expected working capital needs in China. The Company is in discussions to establish a project debt facility to assist in funding some of the business growth opportunities.

The expected inflows in Q4 do not include receipts from PDVSA for the Portugesa contract that was prepaid in full, as well as receipts from San Quintin, for which the first cash disbursement is expected to be received in Q1 2019 for the revenues recognised in 2018.

As a result, we anticipate the cash used in operating activities in Q1 2019 to be vastly reduced due to the collection of the outstanding 2018 receivables and the completion of the Portugesa contract with PDVSA. This trend is expected to continue in the following quarters.

Delivering strong growth in 2018

Visibility of forecast 2018 revenues is high, with US\$61.8 million revenues generated for the nine months ended 30 September 2018, and an additional US\$33.2 million of the current US\$80.3 million contract backlog expected to be recognised in Q4 2018.

Based on the Company's current backlog, as well as recent contract wins, Fluence has high confidence to achieve US\$95 million in 2018 revenues. Additional revenues are expected in 2018 from the current sales pipeline and sales activities towards achieving a US\$105 million revenue target.

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

Fluence continues to target the achievement of a sustainable positive EBITDA quarter in 2019.

Board and management

During Q3 2018, Paul Donnelly was welcomed to the Board as a Non-Executive Director and Member of the Audit & Risk Committee. Over the past 23 years at Macquarie Bank, Mr. Donnelly has had extensive experience across all aspects of corporate finance and capital markets. He has held several senior roles including Global Head of Equity Capital Markets, Global Head of Debt Capital Markets and country head of Macquarie's Canadian businesses.

Philippe Laval stepped down as Chief Operating Officer effective as of 31 July 2018. Tony Hargrave has been promoted from VP Operations to Chief Operating Officer. Mr. Hargrave has nearly 30 years of experience in water industry management having served in senior roles in Europe, North America and across Asia.

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 once the Company resumes trading, with call details to be released at a later time.

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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.