



Fluence March 2019 Quarterly Report

- Record quarterly bookings of US\$223 million
- Awarded landmark €165 million contract in Ivory Coast
- Largest individual order of 40 Aspiral™ units in China
- Official launch of SUBRE and first commercial orders secured
- Q1 2019 revenue of US\$12.3 million, up 20% Y/Y
- Total backlog at 31 March 2019 of US\$267 million, up 181% Y/Y
- 2019 guidance reaffirmed

New York, Melbourne, 30 April 2019

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 31 March 2019.

Reflecting on Q1 2019, Fluence Managing Director & CEO Henry Charrabé, said:

"Fluence's first-class reputation in the decentralised water and wastewater market continues to build among industry partners and peers. We had a great start to 2019 with US\$223 million of bookings for the quarter, lifting Fluence's total contracted backlog at 31 March to US\$267 million, up 181% year over year. This quarter featured continued strong sales of Aspiral™ units in China, Custom Engineered Solutions wins in Egypt and Ivory Coast and the launch and first commercial orders of SUBRE."

"Our recently announced US\$50 million project finance facility with Generate Capital is providing our customers with additional funding flexibility and expanding our pipeline of opportunities. The first drawdown on the facility occurred in April 2019. Over time, we expect further drawdowns to support other projects, allowing for faster contract closure and the generation of long-term recurring revenues."

"Fluence's decentralised Smart Products Solutions offer customers significant reductions in energy consumption for their water or wastewater processing needs. This results in lower upfront capital expenditures and lower ongoing operating expenses for the customer, enabling Fluence to take market share and significantly outpace industry growth rates. We see tremendous opportunities for our Company. We believe we are on track to generate sustainable EBITDA profitability on a quarterly basis by Q4 2019, while simultaneously improving access to fresh water, improving water quality and improving the environment for our customers."

Key developments in Q1 2019

i) Smart Products Solutions

- Commercial launch of SUBRE with sales to two new housing developments in Jamaica
- China team executing on Aspiral™ sales opportunity:
 - Bulk order for 40 additional Aspiral™ units from ITEST (one of Fluence's local partners in China), the largest individual order received to date
- First Aspiral™ order in Latin America for US\$1.7 million from a prominent international beverage producer with a long-standing relationship with Fluence
- Successful results from independent testing on the Stanford Aspiral™ demonstration plant (California, USA) validated compliance of Fluence's MABR technology with California Title 22 for wastewater reuse

ii) Recurring Revenue and Aftermarket Sales

- First drawdown of US\$2 million from the Generate non-recourse debt facility to support funding of the desalination project under construction at a resort in Bimini, Bahamas

iii) Custom Engineered Solutions

- Landmark €165 million contract signed for a project in Ivory Coast with financial close and construction commencement expected in Q3 2019
- US\$20 million contract awarded through Egyptian partnership as a technology provider for a 40,000 m³/day seawater desalination plant in New Mansoura, Egypt
- San Quintin, Mexico project construction progressing, with revenues of US\$1.6 million recognised in Q1 2019 and the remaining revenues of US\$18.9 million to be recognised over the next 12 months of plant construction

Detailed Business Update

i) Smart Products Solutions

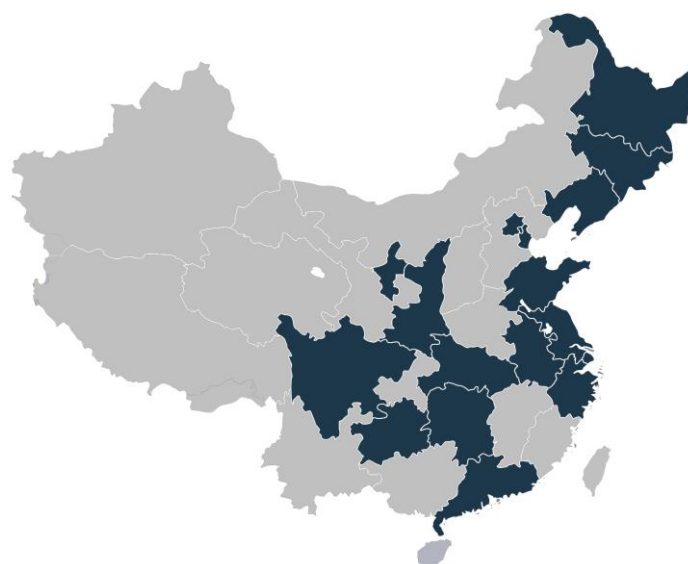
Smart Products Solutions' revenues were in line with budget and on track to achieve forecasted revenue of more than US\$44 million in 2019.

Aspiral™

China remains a key focus for Fluence. In Q1 2019, the value of new orders secured was higher than the revenue recognised during all of 2018. Through established sales and manufacturing facilities, Fluence is strongly positioned to participate in the planned improvement of China's rural wastewater treatment quality.

In 2016, China's 13th five-year plan set out to improve the quality of China's rural water resources. As part of this plan, the effective treatment of rural wastewater must increase from approximately 10% in 2017 to 70% in 2022. Fluence's Smart Packaged Aspiral™ system is the lowest cost treatment alternative available in the decentralised market to meet non-potable reuse requirements.

In China, contracts for Aspiral™ units are secured through local partnership agreements. Fluence currently has 26 partnership agreements in place, which collectively cover 16 of China's 23 provinces.



The 16 provinces and districts in China highlighted are covered by current strategic partnerships

In Q1 2019, Fluence received a bulk order for 40 Aspiral™ units to be deployed at toll stations, parking lots and service areas across the highway system in Hubei Province. These plants will treat wastewater to Class 1A standards. This is the third order received under the existing partnership agreement with Hubei ITEST and builds on the December 2018 order for 35 units. These reference sites are valuable not only from a revenue perspective, but they also reassure new customers of Fluence's ability to deliver volume orders in a timely and efficient manner.

In February 2019, Phase I testing of Fluence's Aspiral™ unit at the Codiga Resource Recovery Center (CR2C) at Stanford University (California, USA) was completed. CR2C released its interim report confirming MABR's compliance with California's strict Title 22 reuse standards. These criteria are among the strictest water treatment standards for water recycling and reuse in the United States. This validation bolsters Fluence's view that MABR technology is ideally suited to address the toughest wastewater challenges in the United States and around the world. The unit remains onsite at CR2C for testing to further validate compliance with nutrients removal standards in place for the Chesapeake Bay in Maryland.

In April 2019, Fluence entered into an exclusive distribution agreement with Aquatec Maxcon (AQM) to promote and sell Smart Packaged Aspiral™ MABR-based solutions in Australia. Partnering with AQM allows Fluence to leverage AQM's extensive local water industry contacts and 50 years' worth of operating expertise. Australia is a new market for Fluence's Aspiral™ technology and partnering with AQM will increase the global footprint of Fluence's Smart Products Solutions without a significant investment by the company.

SUBRE

In Q1 2019, Fluence commercially unveiled SUBRE (**S**ubmerged Membrane Aerated **B**iofilm **R**Eactor) for use in greenfield wastewater treatment facilities, as well as a retrofit for existing plants. SUBRE incorporates Fluence's proven and validated Membrane Aerated Biofilm Reactor (MABR) technology and the Company anticipates that market opportunities for SUBRE can be leveraged off established MABR markets.

As a retrofit, SUBRE expands treatment capacity within the existing plant footprint by up to 20%, accommodates higher inflows and provides intensified nutrient removal to meet stringent nutrient regulations. As many wastewater treatment plants are space constrained and locating suitable land for new facilities becomes increasingly difficult, SUBRE allows for an immediate increase in plant capacity while deferring the major civil infrastructure traditionally needed for capacity expansion.

In March, the first SUBRE orders were secured through a Jamaican local partner, Engineering and Technology Associates Inc., to serve two new housing developments in Kingston and Spanish Town owned by the National Housing Trust. The plants are expected to be commissioned in Q3 2019. SUBRE was selected due to its low energy consumption, high effluent quality, small footprint and low operating costs in conjunction with easy operation and maintenance.

ii) Recurring Revenue and Aftermarket Sales

Recurring revenue opportunities are a key strategic focus for Fluence. The Company has started to build a meaningful recurring revenue base, with secured run-rate annual recurring revenue of US\$14.7 million at 31 March 2019 – US\$1.7 million from the Bahamas, US\$3 million from Peru, and US\$10 million from San Quintin. Of this, US\$0.9 million is expected to flow into revenue in 2019 as certain project construction is completed and Fluence commences management of the facilities.

In April 2019, Fluence made its first drawdown of US\$2 million on the US\$50 million Generate Capital non-recourse debt facility. The funds will be used to finance Fluence's first seawater desalination plant in the Bahamas, at a resort in North Bimini. The previously announced project is comprised of three NIROBOX™ smart-packaged seawater (SW) desalination units. Fluence intends to further utilise this facility for several current and planned recurring revenue projects. Use of the facility will allow Fluence to streamline project finance and help to secure further BOOT plants with the potential to generate recurring revenue.

iii) Custom Engineered Solutions and Other Products

Ivory Coast

In February 2019, Fluence signed a landmark €165 million commercial agreement with the Federal Government of Ivory Coast for the supply of a 150,000 m³/day surface-water treatment plant. Financial close and construction commencement is expected to occur by the end of Q3 2019 and the contract is expected to support up to US\$20 million of revenue in 2019, US\$80 million in 2020, and the remainder in 2021.

The plant will treat water from the algae and contaminant-dense Lagune Aghien, Ivory Coast's largest freshwater reserve near Abidjan, to help meet the fresh water needs of the country's largest city. With 4.7 million people, Abidjan is in urgent need of reliable, clean water due to its growing population and housing development.

The scope of work under the contract includes water intake, water treatment, bulk water piping, water towers and infrastructure. The plant will include cutting-edge integration of proven technologies: smart intake, various separation and membrane systems, advanced oxidation, biological filtration, and sludge treatment. The advanced multiple barrier design (ensuring water quality according to World Health Organization standards) is an environmentally sound water treatment process that allows the flexibility to optimize operating costs. The design combines Fluence's suite of water treatment technologies and leverages the Company's deep understanding of water biology and chemistry, different treatment methodologies and experienced technical staff.

Egypt

In March 2019, Fluence's Egyptian joint venture partnership, The International Co. for Water Services & Infrastructure (IWSI), together with Hassan Allam EPC, was awarded a US\$74 million contract to design and construct a 40,000 m³/day seawater desalination plant in New Mansoura. The infrastructure will be designed and built for a capacity expansion to 80,000 m³/day. Fluence will act as the technology provider, designing the process and supplying the pretreatment, reverse osmosis skids, post-treatment equipment, and the start-up and commissioning of the plant for a total share of the contract of approximately US\$20 million.

This was the second significant contract received by Fluence in Egypt through IWSI following the US\$7.6 million contract received in October 2018 to supply three separate NIROBOX™ Smart Packaged seawater desalination plants along the Mediterranean Sea.

Mexico

The San Quintin, Mexico project remains on track for commissioning in the first half of 2020. Out of the total revenue for Fluence of US\$34 million, US\$13.5 million was recognised in 2018, US\$1.6 million was recognised in Q1 2019, with the remainder to be recognised over the next 12 months. Once commissioned, this project will generate an estimated average US\$10 million in annual recurring billings for 30 years.

Q1 2019 Cash Flow Report

The Appendix 4C quarterly cashflow report for the three months ended 31 March 2019 is attached.

Cash and Cash Equivalents were US\$24.3 million at 31 March 2019. An additional US\$3.5 million of cash inflow was expected in Q1, which was related to the first disbursement of funds from the North American Development Bank as the provider for the debt facility for the San Quintin project. These funds are now expected to be collected in Q2 2019.

Net Cash Used from Operating Activities in Q1 2019 was US\$14.7 million versus forecasted usage of US\$10.1 million for Q1 2019, reflecting a US\$5 million delay in collection from customers anticipated in the Q4 2018 4C filing and now expected to be fully collected in Q2 2019. Operating expenses were in line with the estimate previously provided.

Based on current contracts, the Company expects US\$24.1 million of cash receipts from customers during Q2 2019 and cash payments of US\$30.6 million, resulting in an expected net operating cash outflow for Q2 2019 of US\$6.5 million.

The Company anticipates that net cash used in operating activities will continue to decrease in the following quarters until sustainable EBITDA break-even is achieved in Q4 2019.

Positive Outlook for Continued Growth in 2019

Fluence reconfirms its previously communicated guidance for 2019:

- Smart Products Solutions' revenue is expected to be greater than US\$44 million, representing growth of more than 100% Y/Y
- Secured annual recurring revenue and recurring revenue recognised will continue to increase in 2019
- Based on existing backlog and current forecasts, sustainable EBITDA profitability is targeted for no later than Q4 2019

Quarterly Update – Conference Call

Richard Irving (Chairman), Henry Charrabé (Managing Director & CEO) and Francesco Fragasso (CFO) will host an investor conference call regarding the Company's quarterly update on Tuesday, April 30th, at 9:30 am AET / Monday, April 29th at 7:30 pm US ET. Call details below:

For those wishing to dial into the call, please register for the call through the following link:
<https://services.choruscall.com.au/diamondpass/fluencecorporation-846514-invite.html>

Alternatively, at the time of the call, dial your respective local number below and provide the conference ID 846514 to the operator:

AUSTRALIA TOLL/INTERNATIONAL	+61 2 9007 3187
AUSTRALIA TOLL-FREE	1 800 558 698
US TOLL-FREE	(855) 881 1339
US TOLL	(914) 202 3258
ISRAEL TOLL-FREE	1809 450 446

A link to the live webcast will be accessible on the Company's "Investor Relations" page at <https://www.fluencecorp.com/investor-news/>. Questions will need to be submitted electronically through the webcast interface. For those wishing to access the webcast please register in advance: <https://edge.media-server.com/m6/go/fluence-corp-19q1>

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About Fluence Corporation Limited (ASX: FLC)

Fluence is a leader in the decentralized water, wastewater and reuse treatment markets, setting the industry pace with its Smart Products Solutions, including Aspiral™, NIROBOX™ and SUBRE. 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, as well as Build Own Operate Transfer (BOOT) and other recurring revenue solutions. With established operations in North America, South America, the Middle East, Europe and China, Fluence has experience operating in over 70 countries worldwide and enables businesses and communities worldwide to maximize their water resources.

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.