



Emefcy Announces Intention to Merge with RWL Water to Form an Innovative Global Water Solutions Company

-- Complementary Strengths Create Significant Go-To-Market Synergies --

May 5, 2017

Melbourne, Australia: Emefcy Group Limited (ASX: EMC) (“Emefcy”) is pleased to announce that it has signed a Letter of Intent with respect to a proposed business combination with RWL Water (“RWL Water”) that, if consummated, would create a global provider of innovative, distributed water and wastewater treatment solutions. It is anticipated that the proposed merger would substantially accelerate Emefcy’s deployment into China and other key markets, as well as deliver substantial sales synergies between Emefcy and RWL Water products and systems, resulting in continued strong revenue growth, improving gross margins and increased recurring revenue streams.

On a combined basis, the two groups would have achieved revenues of US\$62 million (A\$83 million) in 2016 and anticipate sales in excess of US\$90 million (A\$120 million) for calendar 2017, 71% of which have already been achieved or are in backlog. Each company made significant investments in business and product development in calendar year 2016 and incurred losses in the same year.

The proposed name of the new global group, subject to shareholders’ approval, would be Fluence Corporation Limited (“Fluence”). Fluence plans to provide a range of products and services for water treatment, wastewater treatment, desalination, waste-to-energy and water reuse and recovery. The combined group would focus on key growth markets including municipal, commercial, industrial, mining, oil & gas, power, food and beverage sectors. Fluence’s wastewater treatment solution plans are centred around Emefcy’s proprietary Membrane Aerated Biofilm Reactor (“MABR”) technology and associated new technology developments. It is anticipated that Fluence would substantially benefit from RWL Water’s recognition as one of the fastest growing water solutions companies in the world. RWL Water has designed and built more than 7,000 successful installations together with strong customer references in more than 70 countries worldwide.

The transaction is subject to agreement on definitive terms, execution of a purchase agreement, Emefcy shareholder approval and other customary conditions.

Potential Transaction Overview

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Under the terms of the non-binding Letter of Intent (“LOI”), which was unanimously approved by Emefcy’s Boards of Directors, Emefcy proposes to merge with RWL Water in an all-stock transaction, and issue 100.5 million new Emefcy shares to RWL Water’s owner, an entity controlled by Mr. Ronald S. Lauder. Those shares would be subject to a 2-year lock-up agreement, under which Mr. Lauder would only be allowed to sell the shares under limited circumstances.

The LOI further contemplates that Mr. Lauder (or his controlled entity) will subscribe for US\$20 million (A\$27 million) in additional Emefcy shares at an expected price of A\$0.85 per share representing the 20-day VWAP share price for Emefcy’s shares. That share subscription would be conditioned upon execution of a purchase agreement, the completion of the merger and Emefcy shareholder approval. Following these transactions, and on an undiluted basis, current Emefcy shareholders would own approximately 66% of the merged group, while Mr. Lauder would own approximately 34%.

Upon closing of the transaction, Fluence stock would remain listed on the Australia Stock Exchange.

Creating a Leader in Distributed Water and Wastewater Treatment Solutions

“Subject to completion, we expect this merger to create a clear leader in the global distributed water and wastewater treatment industry, one of the fastest growing sectors of the water market globally,” stated Richard Irving, Executive Chairman. “Emefcy has developed breakthrough technology to substantially reduce the cost of wastewater treatment, but has not yet fully developed its distribution and turn key plant implementation capability. RWL Water has grown rapidly into a world leader in the deployment of water treatment solutions, but now has a new injection of proprietary technologies.

This merger is intended to bring together the strengths of both companies, creating impressive synergies that promise to accelerate the already-rapid growth of each company.”

Henry Charrabé, Chief Executive Officer of RWL Water, noted “We believe that should we complete this merger, Fluence would be well positioned as a global leader in the vast market for distributed and packaged total water treatment solutions. Capabilities of the merged group would cover the full water cycle, from desalination to wastewater treatment to wastewater-to-energy and reuse. The combined company would provide packaged treatment plants with competitive capital cost, rapid deployment capability and economical operating costs. The distributed treatment model enables all communities worldwide in remote or developing regions to have the access to clean water and sanitation they deserve, at a price they can afford, while also offering a compelling model to the developed world. We believe the combined group would have the potential to access this multi-billion market.”

Strategic Rationale

Both Emefcy and RWL Water noted meaningful strategic reasons for pursuing a business combination and creating Fluence. Key factors supporting the intended merger include:

- Each partner brings complementary strengths. RWL Water has strong capability in system design, construction, and deployment. Its brand recognition and marketing strength has already resulted in thousands of deployments in over 70 countries around the world. Meanwhile, Emefcy has developed a breakthrough technology that is “game-changing” in its ability to reduce wastewater treatment operating costs.
- As a combined entity, Fluence would be able to offer customers fully functional “turnkey” solutions that are highly differentiated by proprietary technology, accelerating deployment and commissioning of new plants, particularly important in the deployment of rural wastewater treatment plants in China. The ability to sell packaged turnkey solutions should substantially shorten the sales and implementation cycles, very attractive to its target customer base. With a differentiated solution that offers compelling economic advantages, the future Fluence could be more competitive while also capturing higher margins.
- The parties have already been working together as part of a strategic alliance to pursue the large China market opportunity. Through working together in that alliance, both teams quickly came to the realization that they could potentially achieve a more powerful market position as a combined entity.

The table below illustrates the key customer segments and services that Fluence could serve upon consummation of the merger.

Client Sector Base					
Industrial	Municipal	Mining	Oil & Gas	Power	Food & Beverage

Water Markets Served					
Desalination	Water	Wastewater	Waste-to-Energy	Reuse & Recovery	Food & Beverage
<ul style="list-style-type: none"> ▪ Delivery of desalination plants for long or short term solutions ▪ Read-to-use modular system can be pre-assembled on a skid or containerised 	<ul style="list-style-type: none"> ▪ Provide custom designed and advanced treatment plants specialising in mechanical and chemical treatment processes, disinfection, removal of toxic substances, ultrafiltration, reverse osmosis and biological potabilisation 	<ul style="list-style-type: none"> ▪ Provide custom and standard packaged wastewater treatment plants, using 90% less energy, halving opex, designed to treat influents for either reuse or discharge 	<ul style="list-style-type: none"> ▪ Provide delivery services for anaerobic treatment systems ▪ Customised plants for the production of biogas, starting from analysis of the type and quantity of biomass to be treated 	<ul style="list-style-type: none"> ▪ Worldwide experience in the advanced treatment of wastewater and process water to the required purity levels, such that the water can be reused in industrial, agricultural, or municipal processes 	<ul style="list-style-type: none"> ▪ Custom design of food processing solutions using membrane separation, food grade media, ion exchange resins, and absorbent resins ▪ Leader in the design and implementation of 4SMB chromatography plants for the purification of fruit juices

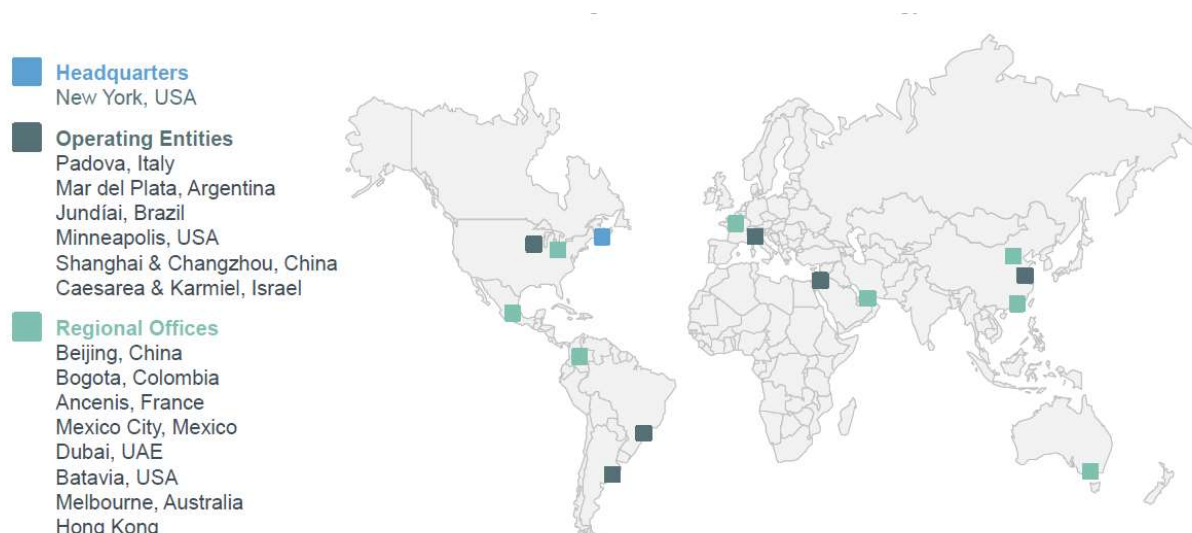
Management and Governance

Subject to completion of the transaction, the Parties expect that Henry Charrabé, President and Chief Executive Officer of RWL Water, and Philippe Laval, Chief Operating Officer of RWL Water, would become CEO and COO of Fluence, respectively. Eytan Levy, co-Founder and CEO of Emefcy, and Ronen Schechter, co-Founder of Emefcy, would become President - Products & Innovation and Chief Technology Officer of Fluence, respectively. Bob Wowk, currently CFO of RWL Water, would

be appointed Chief Financial Officer of Fluence. Ross Kennedy would continue as Company Secretary.

As contemplated in the LOI, the definitive documentation would establish the Fluence board to consist of seven (7) directors. The current five members of Emefcy Group Limited – Richard Irving, Eytan Levy, Ross Haghighat, Peter Marks and Robert Wale - would remain on the combined company Board. Mr. Charrabé would join the Board as Managing Director, as would Dr. Rengarajan Ramesh, former CTO of GE Water and a current RWL Water Board member. Emefcy believes that the anticipated Fluence Corporation board would represent an outstanding combination of industry and financial leaders who would be critical to the success of the new Company.

It is expected that Fluence would be headquartered in New York, USA. The new group intends to merge Emefcy's Israel business and RWL Water's Israel business into its principal research and production center in Caesarea, Israel. The full scope of global operations of the potentially combined entity, upon consummation of the merger, is presented in the map below.



Transaction Status

While the parties have agreed in principle to many key commercial transaction terms, the potential transaction remains subject to the negotiation of definitive documentation. As noted above, the transaction will also be subject to Emefcy shareholder approval, receipt of regulatory approvals and other customary conditions. The parties have agreed to an exclusive negotiation period extending through 31 May 2017 in relation to the proposed transaction. There can be no guarantee, however, that agreement will be reached or that the transaction ultimately will occur.

Forward-looking Statements

Any forward-looking statements in this announcement are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management.

About Emefcy Group Limited

Emefcy develops, manufactures and markets new, energy-efficient MABR based wastewater treatment solutions, aiming to change the economics of various markets and addressing the growing global demand for clean water in municipal and industrial plants.

With several global innovation awards and a strong scientific background, Emefcy is at the forefront of the next generation of MABR based wastewater treatment. Additional MABR based wastewater solutions out of Emefcy's extensive R&D operations are expected to be announced in the coming year.

Emefcy Group Limited (ASX: EMC) is a public company traded on the Australian Stock Exchange.

About RWL Water

Founded by Ronald S. Lauder in 2010, New York-based RWL Water was established with a vision to become the leading global water, wastewater and reuse solutions provider in the middle market. With operations in Latin America, the United States, Europe and the Middle East and over 90 years of combined operational experience, RWL Water provides leading edge, global solutions for desalination, water, wastewater, waste-to-energy, recovery & reuse as well as food & beverage processing.

Recognized as one of the fastest growing water solutions companies in the world, RWL Water has designed and built more than 7,000 successful installations and possesses strong customer references in more than 70 countries worldwide.

Additional Information

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