



Fluence September Quarterly Report Business Update and ASX Appendix 4C

October 31, 2017

September quarter 2017 highlights:

- Strong business momentum: Record sales levels expected for 2017 with new bookings and pipeline growth across all sectors and target geographies anticipated to support revenue growth and expanding margins across key product lines in 2018 and beyond, towards being EBITDA profitable in 2019.
- China MABR advancing from pilot stage to deployment – commercial contracts for smart packaged MABR plants with multiple partners in advanced stages of negotiation and anticipated to close before year-end with rapid commissioning thereafter. Each MABR commercial deployment is anticipated to lead to further significant orders in 2018 and beyond. China factory is producing MABR modules and smart packaged MABR units.
- Mainland US Deployment: Contract signed to deploy an MABR demo plant at Stanford University to provide local validation in this key US geography. The plant is scheduled to be shipped on November 10th from Israel.
- Integration: Team integration complete with significant cross-selling opportunities being realized between locations.
- New Orders and Leveraging: Successfully winning orders in new geographies and leveraging success in one territory across multiple additional new regions. For example: the US EPA approval of the US Virgin Islands MABR, has been leveraged in China commercial contract negotiations and the Stanford agreement; Nirobox success in South Africa has been leveraged into opportunities in the global US\$2.7B water purification market including a contact win from VINCI for an Indian Ocean island; and wastewater-to-energy sector dominance in Italy has been leveraged into opportunities in the global food and beverage market expected to grow to US\$6.1B¹ by 2020, including six new project wins in Ecuador, Brazil and Argentina and further well-advanced opportunities.
- SUBRE Commercialization: SUBRE successfully advanced from pilot stage to commercialization – first commercial SUBRE contract in Israel will enable the Company to enter the multibillion-dollar wastewater plant upgrade market in 2018. This has successfully proven the continued ability to deliver innovation into new markets with truly disruptive technology and corresponding higher gross margins.
- Revenue Recognition: As timing of actual contract deployment cannot always be predicted with certainty, there is the possibility that revenue recognition on several existing signed contracts may shift into early 2018. In particular, due to local factors beyond the Company's control, the financial close and disbursement on the executed contract for the large 30-year San Quintin Mexico BOT project may not occur until early 2018. As a result, recognition of the initial US\$14M of revenues, which were included in our July revenue estimate may shift into early 2018. Importantly however, all revenue associated with any of these signed contracts is anticipated to be realized in full.
- Investment by Top US-based Fund: During the quarter, the Company was very pleased to welcome one of the world's largest funds to its register, a top-tier US-based fund with over one trillion US dollars under management.
- Cash on Hand: Cash as at 30 September of US\$45.1M leaves the Company fully funded to achieve EBITDA profitability in 2019.

¹ Source: Global Water Intelligence, *Global Water Market 2017 Volume 1*

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, is pleased to release its Quarterly Report and Cash Flow Report for the period ending 30 September 2017.

Henry Charrabé, Managing Director and CEO of Fluence commented:

“We are very pleased with our progress in the third quarter including significant bookings and a growing pipeline across all product lines and geographies. We have won many new contracts and are deploying solutions globally. Critically, the integration of personnel, as well as financial and management reporting following the merger is essentially complete and the team is working very cohesively and effectively. We anticipate continued strong performance in terms of bookings and revenue in the December 2017 quarter, keeping Fluence on the path and with sufficient cash to achieve EBITDA profitability in 2019.

The Fluence portfolio of innovative Smart Packaged Plants, global reference customer base, global manufacturing and regional market segment leadership serve as the backbone for winning strategic contracts in globally diverse regions in clean water supply and energy efficient wastewater solutions. We continue to believe we are the only global player with a full suite of solutions focused on decentralized treatment, a market estimated to grow to US\$22B by 2021². We’re targeting a leadership position in this large market.

The breadth and depth of the global water problems are becoming increasingly apparent as evidenced by more frequent urgent responses by industry and governments. This may also be the product of increasingly tighter environmental and regulatory controls in many jurisdictions. These circumstances provide an enormous opportunity for Fluence in several product areas and markets over the coming years.”

The Company has successfully demonstrated it is winning high quality contracts in a global environment. Such success has been highlighted by contract wins in the following regions:

Europe

Fluence secured a contract to develop and build a wastewater-to-energy treatment plant for Avimecc, a poultry meat processing company. The southern Italian plant processes approximately 40,000 chickens per day with plans to increase capacity to 70,000. Avimecc anticipates that it will recoup the cost of the plant through energy recovery and waste reduction within five years of operation.

The new contract with Avimecc boosts Fluence’s market share in the Italian poultry processing treatment market to an estimated 70%. Global poultry production is estimated at 90.4 million tons annually, which the Company estimates will translate into a global opportunity for new treatment and energy recovery in poultry plants of approximately US \$2.3 billion³. With Fluence’s global reach, it is very well positioned to take its proven success in Italy and replicate it around the world, including the USA, Brazil, China and elsewhere in Europe.

² Sources: MarketandMarkets Analysis, Global Water Intelligence, company estimates

³ US Department of Agriculture, Foreign Agricultural Service, April 2017 and company estimates

Middle East

Fluence signed the first commercial SUBRE contract to upgrade a centralized, municipal wastewater treatment plant in Israel. The upgrade is expected to reduce the treatment cost per unit volume and improve the plant's effluent quality in compliance with local reuse requirements. The total project value is estimated to be US\$450,000, and the Israel Water Authority will support funding of this project. Typical full plant upgrades are estimated to cost an average of US\$4-5M worth of SUBRE units and thousands of plants require upgrading to comply with new regulations in the USA, China, Europe, and elsewhere.

South America

The Company signed a US\$1.7 million contract with Irotop, a leading Ecuadorian fish processing company, following the end of the quarterly period. Fluence will help purify wastewater from Irotop tuna and sardine processing and packing plants. Water and wastewater solutions in the global Food and Beverage market are estimated to be a US\$6.1 billion market growing at 6% plus annually. Fluence has secured the mandate from Irotop, in part, by leveraging its experience with food companies internationally, such as Tadel S.A., The Eurofish Group and poultry companies in Italy and Brazil.

Africa

Fluence signed an exclusive memorandum of understanding (MOU) with an African nation to design and construct an advanced water treatment plant. Subject to executing a formal agreement, the project is anticipated to generate revenues of more than US\$100 million for the Company from the commencement of construction and provide up to 150,000 m³ per day of high-quality drinking water to local communities. As a part of the confidential MOU, a construction agreement is anticipated to be signed between the parties by the end of the second quarter of 2018. The project is anticipated to be fully financed and guaranteed by international institutions, avoiding financing risk for Fluence.

Indian Ocean

Fluence signed a €1.5 million contract with VINCI Construction Grands Projects (France) post quarter end to supply three NIROBOX containerized seawater desalination units for the island of Mayotte. Located in the Indian Ocean, Mayotte is one of many communities in regions globally experiencing severe water shortages and where Fluence's ability to deliver in record time is beating competitors.

Nirobox smart packaged solutions deliver among the lowest energy consumption and chemical usage in the market thanks to a patent-pending process design minimising their impact on the environment. The systems are fully automated with remote monitoring.

Outlook

The sales pipeline continues to build. As is the nature of the industry, some major contracts may be signed on short notice – particularly for the deployment of smart packaged plants such as Nirobox and MABR - where urgent solutions are required. Other projects can be delayed for reasons outside of the Company's control.

At the time of the merger in July 2017, the Company indicated its expectation to generate US\$90 million of revenue for the calendar year 2017. The 30-year-BOT San Quintin project in Mexico has progressed nicely per the plan over the last 3 months but still needs final governmental approval

related to a technical aspect of the contract. We have every reason to believe that approval will be forthcoming this year, but it will pushback start of construction until early 2018 which is the trigger for revenue recognition. Given the delay of the financial close of the project, the initially forecasted \$14 million in revenue for this year is expected to be recognized in Q1/2018.

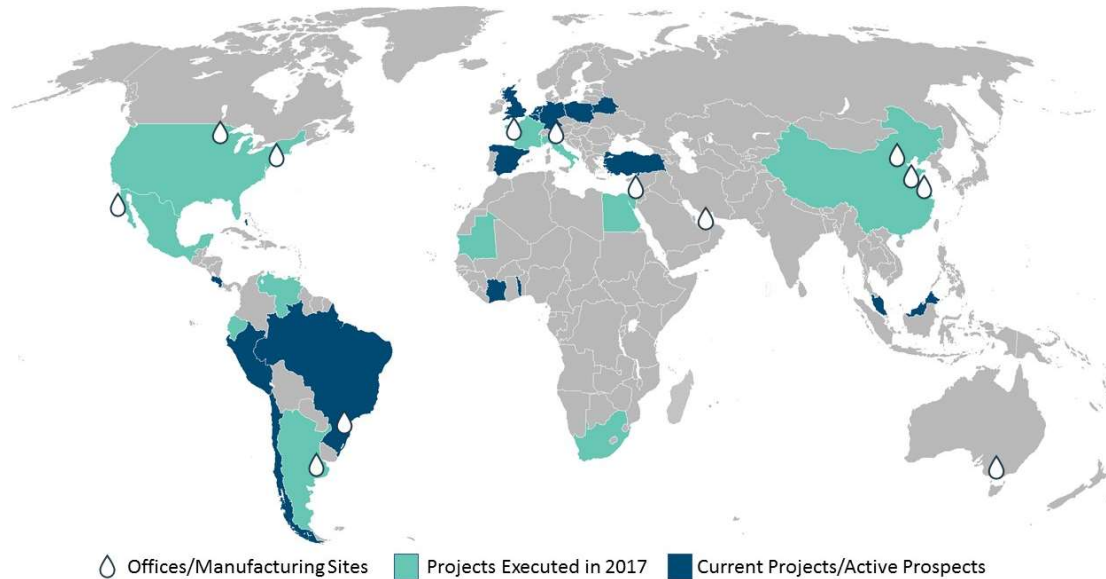
Due to the nature of our business, major contracts can come in on short notice, and revenue collection against signed contracts may be delayed for reasons beyond our control which can impact actual results versus our guidance. There is some risk that in addition to Mexico BOT project, revenue recognition may be delayed on some previously signed contracts and contracts pending signature in 2017. Overall, we remain confident in the total revenue projected to be generated by these projects, since the Mexico BOT plant and others in our backlog are urgently needed by the customers, with no real alternatives available.

We continue to get good visibility into 2018 based on our backlog and pipeline. Our goal will be at least 25% revenue growth next year in addition to any revenues that roll from 2017 to 2018 due to project timing. The revenue mix is anticipated to be distributed globally with solid growth in all regions. Fluence's suite of innovative products and technologies is anticipated to drive growth, especially NIROBOX globally in 2018 and MABR in China building through 2018 into 2019.

NIROBOX revenues are anticipated to grow 50% year over year in 2018. We expect to start booking reuse-as-a-service contracts in 2018 which will begin to drive the ramp-up of our recurring revenue streams. We are seeing the business model coming together nicely next year, which is very encouraging. The Company will be able to provide more granular revenue guidance at our next quarterly update in early 2018. Lastly, booking large opportunities like the potential project in Africa, which was not on our original list of 2018 forecasted projects, provides renewed confidence in reaching our 2018 and 2019 targets.

At the time of the merger in July 2017, Fluence estimated generating a net income and EBITDA loss for 2017 and in 2018 as the Company invests heavily in growth. The Company still anticipates reaching EBITDA breakeven by 2019 on a run rate basis and being profitable on a quarterly basis in 2019. This will be driven by increased revenue, steady gross margin improvement, as well as operating leverage inherent in switching from building global infrastructure to utilizing it. Fluence has US\$45 million of cash today, and is thus fully funded to reach our EBITDA profitability goal in 2019.

Manufacturing and Operations



Fluence has a global footprint and successfully produced its first Membrane Aerated Biofilm Reactor (MABR) module and the first Smart Packaged MABR Unit in its newly-built production facility in Changzhou, Jiangsu Province, China. These important milestones demonstrate to Chinese strategic partners the Company's long-term commitment to supplying wastewater treatment solutions for rural regions and its ability to respond rapidly to ramping local demand.

New manufacturing facilities to meet increased demand and service the growing Latin America market for water and wastewater treatment solutions are currently under construction in Argentina.

Product and Innovation

The Company announced its first contract for SUBRE, a new product offering derived from the innovative and award winning MABR technology. SUBRE enables compliance with tighter nitrogen discharge rules without using hazardous chemicals, while at the same time increasing plant capacity. Fluence estimates that several thousand plants globally currently require such upgrades, potentially creating a brand-new market for the Company. Full upgrades to such plants are estimated to cost an average of US \$4-5 million per plant. SUBRE marks yet another key milestone in the Company's planned development and commercialization of the MABR technology.

The commercial roll out for SUBRE is scheduled to commence in 2018.

Capital Management

During the quarter, the Company was very pleased to welcome one of the world's largest investment funds to its share register.

A number of steps have been taken to improve communications with the investment community, including engagement with new analysts and the appointment of leading Investor and Public Relations firms in Australia and the United States. In addition, a non-deal investor roadshow was held earlier this month in Australia with another non-deal roadshow planned for Australia and Hong Kong in mid-November.

The Top 20 Fluence shareholders on the Company's share register as at 29 October 2017 were:

Name	Balance as at 29-10-2017	%
RSL INVESTMENTS CORPORATION	110,937,848	28.254%
POND VENTURE NOMINEES 111 LIMITED	28,944,080	7.372%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,175,360	6.157%
ESOP MANAGEMENT & TRUST SERVICES LTD	19,482,492	4.962%
EMPLOYEE EQUITY ADMINISTRATION PTY LTD	14,166,593	3.608%
JAGEN PTY LTD	11,644,393	2.966%
PLAN B VENTURES I LLC	9,691,162	2.468%
MR HAO JING	9,100,000	2.318%
J P MORGAN NOMINEES AUSTRALIA LIMITED	6,622,854	1.687%
PLAN B VENTURES II LLC	6,327,016	1.611%
ONE MANAGED INVESTMENT FUNDS LIMITED	6,245,264	1.591%
CITICORP NOMINEES PTY LIMITED	5,541,850	1.411%
ISRAEL CLEANTECH VENTURES (CAYMAN) 1 (A) L P	5,126,467	1.306%
JOHN W KING NOMINEES PTY LTD	3,775,663	0.962%
ENERGY TECHNOLOGY VENTURES LLC	3,500,853	0.892%
UBS NOMINEES PTY LTD	3,331,636	0.849%
DR STUART LLOYD PHILLIPS & MRS FIONA JANE PHILLIPS <SL & FJ PHILLIPS S/FUND A/C>	3,242,500	0.826%
MRS QUNYAN WU	2,456,941	0.626%
LAMPAM PTY LTD	2,254,403	0.574%
SZABO INVESTMENT NOMINEES PTY LTD <SZABO INVESTMENTS A/C>	2,213,994	0.564%
Total Securities of Top 20 Holdings	278,781,369	71.000%
Total of Securities	392,648,167	

Board and Management

As previously announced, the Company was delighted to welcome Arnon Goldfarb to Fluence's Board of Directors as a Non-Executive Director. Mr. Goldfarb brings significant industry experience and is very well connected in Israel where the Company's largest business unit is based.

September Quarter 2017 Cash Flow Report

The quarterly report for the six months ended 30 September 2017 is attached. This is the first financial report to include the results for the merged group with effect from 1 August 2017.

Total cash usage in the 3rd Quarter of US\$11.6 million was impacted by one-time merger transaction costs and a delay in the drawdown of a customer letter of credit for US\$3.1 million which was subsequently received in October. An additional US\$1.5 million was spent on building Nirobox component inventory for shipments in the 4th quarter 2017 and 1st quarter 2018.

Conference Call

Fluence will host a conference call to further elaborate on its third quarter 2017 business update and financial results on Wednesday, November 1 at 1:00 pm Australia Eastern Daylight Time (Tuesday October 31 at 10:00 pm US Eastern Daylight Time). The call will be hosted by Managing Director and CEO Henry Charrabé. Interested parties can access the live webcast at the investor relations section of the Fluence website. All questions must be submitted electronically through the webcast interface.

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

Conference ID: 9530738

Dial-In Numbers:

US TOLL-FREE	1 800 289 0548
US TOLL/INTERNATIONAL	1 719 457 2642
AUSTRALIA TOLL-FREE	1 800 106 406
ISRAEL TOLL-FREE	1 80 924 6042

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 established 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:

<i>USA</i> Henry Charrabé, Managing Director & CEO Email: hcharrabe@fluencecorp.com US: +1 212 572 3766	<i>USA</i> Richard Irving, Executive Chairman Email: rirving@fluencecorp.com US: +1 408 382 9790
<i>USA</i> Gary Dvorchak, CFA, Managing Director The Blueshirt Group Email: gary@blueshirtgroup.com US: +1 (323) 240-5796 or China: +86 (138) 1079-1480	<i>Australia</i> Ross Kennedy, Company Secretary & Advisor to the Board Email: rkennedy@fluencecorp.com Australia: +61 409 524 442
<i>Australia</i> Simon Hinsley, Director NWR Communications Email: simon@nwrcommunications.com.au Australia: +61 401 809 653	

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Fluence Corporation Limited formerly known as Emefcy Group Limited

ABN

52 127 734 196

Quarter ended ("current quarter")

30th September 2017

Consolidated statement of cash flows	Current quarter US\$'000*	Year to date (9 months)** US\$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,690	8,006
1.2 Payments for		
(a) research and development	(368)	(606)
(b) product manufacturing and operating costs	*** (7,024)	(9,978)
(c) advertising and marketing	(940)	(1,222)
(d) staff costs	(5,034)	(7,077)
(e) administration and corporate costs	(5,426)	(8,277)
1.3 Dividends received (see note 3)		
1.4 Interest received	14	17
1.5 Interest and other costs of finance paid	(27)	(32)
1.6 Income taxes paid	(325)	(328)
1.7 Government grants and tax incentives	(48)	(63)
1.8 Other (provide details if material)	(93)	(95)
1.9 Net cash from / (used in) operating activities	(11,581)	(19,655)

* 3rd Quarter Net Operating Cash Used was impacted by one-time merger transaction costs and the delay in the drawdown of a customer Letter of Credit in September which was subsequently received in October for \$3.1 million. An additional \$1.5 m was spent on building Nirobox component inventory for shipments in Q4 2017 and Q1 2018.

** Includes Fluence Corporation Limited numbers for 9 months and RWL Water numbers for 2 months (since July 31, 2017).

*** Represents only August and September collections for RWL Water

Consolidated statement of cash flows		Current quarter US\$'000*	Year to date (9 months)** US\$'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1,041)	(1,656)
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	5	5
	(b) businesses (see item 10)		
	(c) investments	196	196
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)	***11,895	11,949
2.6	Net cash from / (used in) investing activities	11,055	10,494

* 3rd Quarter Net Operating Cash Used was impacted by one-time merger transaction costs and the delay in the drawdown of a customer Letter of Credit in September which was subsequently received in October for \$3.1 million. An additional \$1.5 m was spent on building Nirobox component inventory for shipments in Q4 2017 and Q1 2018.

** Includes Fluence Corporation Limited numbers for 9 months and RWL Water numbers for 2 months (since July 31, 2017).

*** RWL Water's cash balance on acquisition date, July 31, 2017.

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	30,975	30,975
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options	-	775
3.4	Transaction costs related to issues of shares, convertible notes or options	(535)	(541)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(30)	(30)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	61	65
3.10	Net cash from / (used in) financing activities	30,471	31,244

Consolidated statement of cash flows	Current quarter US\$'000*	Year to date (9 months)** US\$'000
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4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	15,372	22,986
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(11,581)	(19,655)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	11,055	10,494
4.4 Net cash from / (used in) financing activities (item 3.10 above)	30,471	31,244
4.5 Effect of movement in exchange rates on cash held	(218)	30
4.6 Cash and cash equivalents at end of quarter	45,099	45,099

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$'000	Previous quarter US\$'000
5.1 Bank balances	45,318	15,372
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)	(219)	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	45,099	15,372

6. Payments to directors of the entity and their associates

	Current quarter US\$'000
6.1 Aggregate amount of payments to these parties included in item 1.2	294
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Salaries, director's fees and consulting fees at normal commercial rates.
Excluding GST where applicable.

7. Payments to related entities of the entity and their associates	Current quarter US\$'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$'000	Amount drawn at quarter end US\$'000
8.1 Loan facilities	3,449	1,732
8.2 Bank Guarantees	4,054	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan facilities with banks in Italy, Israel and Argentina with interest rates varying from 1.6% to 6.6%. most loan facilities are unsecured. The company has bank guarantees in Italy and Israel. \$1,814K of these bank guarantees are secured. The interest charge for these bank guarantees varies between 0.1% and 5% per year.

9. Estimated cash outflows for next quarter*	US\$'000
9.1 Research and development	380
9.2 Product manufacturing and operating costs	**22,000
9.3 Advertising and marketing	1,000
9.4 Staff costs	7,800
9.5 Administration and corporate costs	4,900
9.6 Other (provide details if material)	***1,010
9.7 Total estimated cash outflows	37,090

* Estimated cash outflows do not include expected receipts from customers during the next quarter.

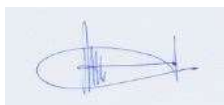
** Product manufacturing and operating costs represent project execution cost consistent with the expected ramp of revenues in Q4 2017 and Q1 2018

*** Anticipation to pay a Redeemable Note. For more details please refer to Notice of General Meeting and Proxy Form that was published on the ASX website on October 19 2015.

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	RWL Water LLC	
10.2	Place of incorporation or registration	Delaware, USA	
10.3	Consideration for acquisition or disposal	Issue of 100.5 million fully paid ordinary shares in Fluence to RWL Water shareholder, RSL Investments.	
10.4	Total net assets	Not applicable	
10.5	Nature of business	Global provider of fast-to-deploy decentralized and packaged water, wastewater and reuse treatment solutions	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
Company secretary

Date: 30 October 2017

Print name: Ross Kennedy

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.