



## **Fluence announces strong revenue outlook following successful fourth quarter operational performance**

*Year-end 2017 contract revenue backlog of US\$95 million*

*Expect to nearly double revenue in 2018*

*Successful merger puts in place a strong global foundation to accelerate growth*

*Melbourne, 30 January 2017*

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 31 December 2017 (Q4 2017).

### **Key Q4 2017 highlights: Backlog of US\$95 million to underpin accelerated growth in 2018**

- Growth to accelerate
  - Contract revenue backlog of US\$95 million at 31 December 2017, of which US\$75 million anticipated to convert into revenue in 2018
  - Revenue expected to nearly double to between US\$105 million to US\$115 million in 2018
  - Gross profit anticipated to be between US\$22 million to US\$25 million in 2018
- Innovation driving new market opportunities with first contract awarded for the SUBRE product
- Rapid expansion in South America with US\$6 million of new contracts awarded in Ecuador and Argentina; and restart of contract in Venezuela worth US\$18 million in 2018
- Building pipeline of new opportunities in Africa, including US\$4.1 million tender win for Smart Packaged NIROBOX™ desalination systems
- Positioned for growth in the US with a demonstration/reference site for MABR successfully commissioned and operational at Stanford University
- Strong momentum building in China with several opportunities in advanced stages of negotiation that are anticipated to be finalized after Chinese New Year and into Q2 2018
- Awarded the “2018 Global Decentralized Water & Wastewater Treatment Company of the Year” by Frost and Sullivan.

### **Preview of 2017 results (full year pro forma Emefcy / RWL Water combined)**

- Full year revenue expected to be around US\$58 million due to project delays as noted in our interim update of December 19, 2017. The delayed projects are anticipated to result in revenue during 2018.
- Pro forma gross margin to increase from 19% in 2016 to be in the range between 24% to 26%.

Preliminary financial results for the year ended 31 December 2017 are expected to be released no later than 28 February 2018, with full audited financial results released by 31 March 2018.

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

*“2017 was a transformational year, and we are excited by the growth opportunities we see for an innovative company like Fluence in the underserved decentralized water and wastewater treatment markets globally. Having successfully completed all merger-related integration activities in just six months, Fluence is now recognized as the leading decentralized water and wastewater treatment company globally by Frost & Sullivan.*”

*Over the fourth quarter of 2017, Fluence was awarded several new contracts across the globe and this has grown the Company's backlog of contracted revenue to US\$95 million at the end of 2017. This important lead indicator is expected to underpin significant growth in revenue this year, and move the company closer to positive EBITDA, which we continue to target to occur during 2019.*

*Gross profit should increase substantially this year. We are streamlining our operations, focusing individual teams on specific geographic or industry-specific sales opportunities, and rolling out new disruptive wastewater related technologies like SUBRE, a submerged version of our flagship MABR product, as well as our award winning Smart Packaged water treatment system NIROBOX™.*

*Fluence is poised for accelerated growth this year as we build and execute on the foundations that have been put in place to deliver sustainable growth in the years ahead, while also benefiting the environment in which we all live."*

### **Backlog to underpin substantial growth in revenue in 2018**

Fluence's contract order book – "backlog" – stood at US\$95 million at the end of 2017. This is a key lead indicator that underpins future growth. The current backlog includes revenues from delayed projects originally anticipated to close in 2017, including the San Quintin project in Baja California, Mexico; and a project with PDVSA Agricola in Venezuela.

The Company is aware of reports that a complaint about state legislative processes has been made to the Supreme Court of Mexico that may delay the commencement of the San Quintin project in Baja California, Mexico. The practical impact, if any, that this resolution may have is not yet known. We note, however, that Baja California is in a continuing drought and reliable water supply solutions is still urgently needed.

While the Company anticipates financial close for San Quintin to occur in Q1 and first project disbursements in Q2, any delays beyond the Company's control may have the effect of pushing these milestones out to a later date. The 2018 revenue and gross profit forecasts include a contingency factor in case of any delay in the commencement of the project. As previously disclosed, the projected margins on the project during the construction phase are small. We will continue to keep the market informed of any material developments.

The company has also already received payment from PDVSA - the PDVSA component of backlog relates to the timing of work and resulting revenue recognition.

Based on the Company's current backlog and pipeline of new tenders, the Board expects revenue for 2018 to be in the range between US\$105 million to US\$115 million. Visibility of forecasted 2018 revenues is high, with almost 70% (US\$75 million) covered by the current backlog expected to be recognized in 2018.

Reflecting the changing mix of contracts in 2018, Gross Profit is anticipated to be in the range between US\$22 million to US\$25 million. This also reflects the lower gross profit margin during the construction phase of the San Quintin project.

Based on current backlog and pipeline, and consistent with historic experience, the Company anticipates bookings and revenue to be much more weighted to the latter part of the year. We continue to target a positive EBITDA to occur during 2019.

### **Executing on global opportunities post-merger**

The 2017 merger of Emefcy and RWL Water has enabled Fluence to expand the global reach and market opportunities for its key products: desalination, wastewater treatment, and wastewater-to-energy. Below are updates on progress in key regions over Q4 2017.

### ***Innovation driving new market opportunities – SUBRE***

In October 2017, Fluence was awarded its first contract to upgrade a centralised wastewater treatment plant in Israel using its new SUBRE product. SUBRE is a submerged version of the Company's flagship Membrane Aerated Biofilm Reactor (MABR) technology and enables compliance with tighter nitrogen discharge rules without using hazardous chemicals, while also increasing plant capacity.

This contract will lead the commercial roll out of SUBRE globally. As regulations in many countries regarding total nitrogen content in treated effluent are becoming stricter, based on industry information from various sources the Company estimates the SUBRE market opportunity in Europe alone may be US\$2 billion, with even larger market potential in the USA and China. Discussions are progressing with some partners regarding SUBRE deployments in China.

### ***Rapid expansion in South America***

Several notable contracts were awarded in Q4 2017 with a total value of US\$6 million, including:

- **Ecuador:** A second water treatment plant for Eurofish SA, a leader in the processing and exportation of tuna, sardine and mackerel.
- **Argentina:** Supply (with Coarco) of aeration equipment to upgrade and rehabilitate two wastewater treatment plants owned by AySA, a municipal utility in Argentina. Another contract was awarded for the supply of aeration and ancillary wastewater treatment equipment for the production facility of Nutreco, a Dutch producer of animal nutrition, fish feed and processed meat products.

To meet growing demand across South America, Fluence is constructing a new manufacturing facility in Argentina, that is scheduled to open in Q2 2018.

- **Venezuela:** State-owned PDVSA Agricola has requested the reinstatement of a wastewater treatment solution for Ethanol plants in Portuguesa. This project has the potential to generate US\$18 million in revenue in 2018.

### ***Building pipeline of opportunities in Africa***

During Q4 2017, the Company was awarded a US\$4.1 million tender for its Smart Packaged NIROBOX™ desalination systems in Africa. Several NIROBOX™ contracts in North Africa are under negotiation and are expected to close in Q2 2018. In addition, several tenders for the provision of desalination water treatment in South Africa have been submitted, with decisions anticipated no later than Q2 2018.

### ***Foundation in place for growth in the US***

Until now, the impediment to US sales has been the lack of a demonstration plant and reference site. This has now been resolved following the deployment of a MABR demonstration unit at the Codiga Resource Recovery Center (CR2C) at Stanford University. Fluence's MABR unit will allow CR2C faculty

and research students to test for, and certify, compliance with California’s strict Title 22 requirements for water reuse, as well as allow observation of the plant in operation.

### ***Strong momentum building in China***

China is a major focus given the substantial growth opportunity available in that market. The rural wastewater treatment opportunity in China is estimated in the billions of dollars over the next five years, and Fluence is now in a position of strength to capture a share of this market. The Chinese Government’s 13th five-year plan targets improved water quality nationwide by 2030, and mandates that local city officials improve sewage capacity and treatment, from currently 10% of treated rural wastewater to 70% treated rural wastewater.

A distribution network, manufacturing capability, and market presence has been established. The Company’s sales pipeline has grown significantly, with several opportunities in advanced stages of negotiation that are anticipated to be finalized after the upcoming Chinese New Year celebrations and into the second quarter of this year. Smaller private partners are moving quickly to capture opportunities, while larger State-Owned Enterprises are expected to deliver larger deployments over time but move a little slower.

Progress in China over Q4 2017 included the signing of a framework agreement with partner Jiangsu Jinzi Environmental Science and Technology Company. The agreement contemplates the delivery of six Containerized Smart Packaged wastewater treatment plants based on Fluence’s MABR technology (C-MABR). The plants are part of a multi-million-dollar order, and are expected to be delivered, installed and become operational during 2018.

In preparation for the Jinzi and other deployments, Fluence successfully produced its first MABR module and Smart Packaged C-MABR Unit in its newly-built production facility in Changzhou, Jiangsu Province. Those important milestones demonstrated to Chinese strategic partners, Fluence’s long-term commitment to supplying wastewater treatment solutions for rural regions and the Company’s ability to rapidly respond to growing local demand.

### **Fluence recognized as the industry leader**

The prestigious global consulting firm Frost & Sullivan recognized Fluence with its “2018 Global Decentralized Water and Wastewater Treatment Company of the Year” award.



Frost & Sullivan noted the key benefits of modular, decentralized systems, such as lower operating cost, easier maintenance, and lower capital outlays. In addition, Frost & Sullivan estimates that the market for decentralized systems will grow to \$6 billion annually by 2023, confirming the substantial global growth opportunity for Fluence.

## **Q4 2017 cash flow report**

The Appendix 4C quarterly cashflow report for the three months ended 31 December 2017 is attached.

Total cash usage (Net Cash Used from Operating Activities) in Q4 2017 of US\$10.5 million was in line with expectations and below Q3 2017 usage. Cash usage for the quarter included a modest build of NIROBOX™ and C-MABR inventory and the impact of the delay in some receipts from customers due to the timing of shipments in the latter half of the quarter.

Cash and Cash Equivalents increased to US\$75.2 million at the end of Q4 2017, up from US\$45.1 million at the end of Q3 2017. The increase resulted mainly from a change in classification of prepaid PDVSA funds into Cash and Cash Equivalents from Short Term Investments. On a comparable basis, cash available to support working capital and future company growth was approximately US\$33 million as of the end of 2017.

### **Quarterly update – conference call**

Richard Irving (Executive Chairman) and Henry Charrabé (Managing Director & CEO) will host an investor conference call regarding the Company's quarterly update.

The conference call will be held on Wednesday 31 January 2018 at 9.00am Australia Eastern Daylight Time (Tuesday 30 January at 5:00 pm US Eastern Standard Time).

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

- Conference ID: 8687895
- Participant Dial-In Numbers:
  - US TOLL-FREE 1-800-239-9838
  - US TOLL/INTERNATIONAL 1-323-794-2551
  - AUSTRALIA TOLL-FREE 1 800 573 793
  - ISRAEL TOLL-FREE 1809 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=128156>

### **For further information, please contact:**

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## About Fluence Corporation Limited (ASX: FLC)

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

*“Water is a fundamental part of life on earth; not only does it sustain people but it also plays an essential role in sanitation, agriculture, and industrial processes. Without a sufficient water supply, communities suffer severe hardships including malnutrition, sickness, and even death. The swelling of the world's population is making water even scarcer and challenges communities to come up with quick and viable solutions to overcome the water scarcity problem.*

*Many centralized treatment plants are landlocked and have aging infrastructures; they cannot be expanded, and upgrades are costly. Rather than expanding and replacing, communities, industries, and commercial establishments are investing in alternative decentralized solutions to address both the capacity needs and meet new regulatory requirements.*

*A viable solution rests in modular, packaged, smart, maintenance-free, decentralized treatment systems. According to Frost & Sullivan, the global market revenue from these systems will reach \$6 billion by 2023. Frost & Sullivan observes that decentralized water and wastewater treatment (WWWT) centers are a better value for money, easier to maintain, and more environmentally friendly than centralized systems. By decentralizing WWWTs, companies avoid having to lay miles worth of pipeline and building massive infrastructures to pump water and wastewater.*

*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.”*

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.

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.

## 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

**ABN**

52 127 734 196

**Quarter ended ("current quarter")**

31<sup>th</sup> December 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter US\$'000</b>	<b>Year to date (12 months)* US\$'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	17,909	25,915
1.2 Payments for		
(a) research and development	(271)	(877)
(b) product manufacturing and operating costs	(18,119)	(28,097)
(c) advertising and marketing	(1,227)	(2,449)
(d) staff costs	(7,220)	(14,297)
(e) administration and corporate costs	(1,705)	(9,982)
1.3 Dividends received (see note 3)		
1.4 Interest received	669	686
1.5 Interest and other costs of finance paid	(112)	(144)
1.6 Income taxes paid	(542)	(870)
1.7 Government grants and tax incentives	(4)	(67)
1.8 Other (provide details if material)	148	53
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(10,474)</b>	<b>(30,129)</b>

\* Includes Fluence Corporation Limited numbers for 12 months and RWL Water numbers for 5 months (since July 31, 2017).

<b>Consolidated statement of cash flows</b>	<b>Current quarter US\$'000</b>	<b>Year to date (12 months)* US\$'000</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2,061)	(3,717)
(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
(b) businesses (see item 10)		
(c) investments	**42,939	**43,135
(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)		11,949
<b>2.6 Net cash from / (used in) investing activities</b>	<b>40,878</b>	<b>51,372</b>

\* Includes Fluence Corporation Limited numbers for 12 months and RWL Water numbers for 5 months (since July 31, 2017).

\*\* Change in classification of prepaid PDVSA funds from Short Term Investments into Cash and Cash Equivalents in accordance with International Financial Reporting Standards

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	26	31,001
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options	33	808
3.4 Transaction costs related to issues of shares, convertible notes or options		(541)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(604)	(634)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		65
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(545)</b>	<b>30,699</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter US\$'000</b>	<b>Year to date (12 months)* US\$'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	45,099	22,986
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(10,474)	(30,129)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	40,878	51,372
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(545)	30,699
4.5	Effect of movement in exchange rates on cash held	195	225
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>75,153</b>	<b>75,153</b>

\* Includes Fluence Corporation Limited numbers for 12 months and RWL Water numbers for 5 months (since July 31, 2017).

<b>5. Reconciliation of cash and cash equivalents</b>		<b>Current quarter US\$'000</b>	<b>Previous quarter US\$'000</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts			
5.1	Bank balances	75,477	45,318
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	(324)	(219)
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>75,153</b>	<b>45,099</b>

**6. Payments to directors of the entity and their associates**

		<b>Current quarter US\$'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	704
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter US\$'000</b>
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	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end US\$'000</b>	<b>Amount drawn at quarter end US\$'000</b>
8.1 Loan facilities	2,607	1,145
8.2 Bank Guarantees	3,995	
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.		

The Company has loan facilities in place with banks in Italy, Israel and Argentina with interest rates varying from 1.6% to 6.6%. The majority of these loan facilities are unsecured. The Company has bank guarantees in place in Italy and Israel. Approximately \$1,814K of these bank guarantees are secured and the interest charges for these bank guarantees vary between 0.1% and 5% of the guaranteed amount per year.

<b>9. Estimated cash outflows for next quarter*</b>	<b>US\$'000</b>
9.1 Research and development	(300)
9.2 Product manufacturing and operating costs	(12,600)
9.3 Advertising and marketing	(600)
9.4 Staff costs	(7,000)
9.5 Administration and corporate costs	(2,500)
9.6 Other (provide details if material)	*(2,000)
<b>9.7 Total estimated cash outflows</b>	<b>25,000</b>

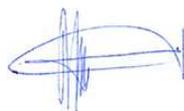
\* Estimated cash outflows do not include expected receipts from customers during the next quarter and include some non-recurring one-off payments

\*\* Payment for minority shareholder buyout of Fluence Argentina took place in January 2018.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

### 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 January 2018

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.