FINAL

First Quarter 2018 Results Conference Call
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Henry Charrabé, Managing Director & Chief Executive Officer

Good evening in the US, and good morning to those of you in Australia. I am Henry Charrabé, Managing Director and Chief Executive Officer of Fluence. I am joined on the call by Richard Irving, our Executive Chairman, and Francesco Fragasso, our new Chief Financial Officer.

Before we begin, I want to mention that we will make forward-looking remarks, which are protected under the safe harbor provisions of Australian securities law. Details are provided in the ASX release.

This morning we released our quarterly cash flow report for the first quarter of 2018. Along with that release, we thought it best to speak to you directly about the state of our business and also give you the chance to ask some questions. After my prepared remarks about operations, Francesco will briefly cover the financials and then we will answer any questions you might have. So let's begin.

We came into 2018 with substantial business momentum, and that momentum continued to build in the first quarter. With revenue of $10.2 million for the first quarter, combined with the current contract backlog and sales pipeline anticipated to convert to revenue, we remain confident that we will be able to nearly double 2017 revenue, and achieve 2018 revenue somewhere between $105 and $115 million. Our visibility remains high, with backlog of $94.9 million of which $68 million is expected to convert into revenue in the current year. Francesco will go over more financial details later on this call. But let me now turn to operational highlights.

First, I want to share our near-term progress in Mexico and Latin America, which has been very encouraging.

We are finally getting movement on the San Quintin project in Baja California, Mexico, which is a 6 million gallon or 22,000 cubic meter/day desalination plant that will serve the region around San Quintin. We will build the plant, then operate it for 30 years, selling fresh, potable water to the local utility. The plant will be transferred to the customer at the end of the 30-year contract.

I should note that we expected revenue from that project in 2017, but as you know, it was stalled due to some local legislative issues that have since been resolved. This was the major the reason 2017 revenue was less than we expected at the time of the merger. We were quite confident that the delay was just that—only a delay—and we are now moving forward aggressively on the project; expecting first disbursement in the 3rd quarter of 2018.

In March we announced that we reached Financial Close on the project, which will cost a total of $48 million to construct and finance. Fluence raised the capital for the special purpose vehicle, or "SPV", that will legally own and operate the plant. Bank debt will cover $36 million of the capital needed, with the balance to be contributed as equity ownership by Fluence and our local partners.

The SPV will then pay Fluence to construct the plant. Construction should start in the third quarter and take around 20 months to finalize.

Once operational in early 2020, according to plan, the SPV will operate the plant and sell fresh water to the local utility. The SPV will contract with Fluence to operate the plant, which should generate around $10 million of recurring annual billings for us.

I am giving you this level of detail on San Quintin because the project is a milestone for us on many levels. This is the first time we have arranged this type and level of financing. With the successful closing, we now have the relationships and know-how to arrange financings for other similar projects down the road. This also shows our ability to manage complex multi-year projects, which are significantly larger than our average project size and significantly increase the Company's recurring revenue. As we grow, we expect to secure more projects of similar scope. We intend to significantly grow our recurring revenue streams in the years ahead and are currently in the process of driving similar recurring revenue projects towards financial close.

Of course, San Quintin is not the only progress we made south of the US border. We had several smaller, yet still significant deals in South America. Those wins demonstrate dual strengths: that of our compelling technology, and of our global presence. In Argentina for example, we are showing our ability to meet customer needs in a way that generates repeat business. One of the largest municipal utilities in Buenos Aires will expand an existing reverse osmosis filtration system originally installed by us. Our technology edge is also helping us penetrate new customers. We closed the first sales of brackish-water treatment optimized NIROBOX in South America, with two units going to a town near Buenos Aires in which residents currently drink highly contaminated water. In Brazil, we will design and deliver a wastewater treatment plant for one of the country's largest pharmaceutical companies. That plant features a number of leading technologies, including reverse osmosis, UV filtration and MBBR. Our traction in Latin America is very significant.

Repeat customers drove business in Europe as well. Our Italian subsidiary is doing excellent work for major players in the Food & Beverage sector. One of the largest poultry processors in Italy contracted with us to do an expansion of an existing wastewater-to-energy plant we also built for them. The expansion is at one of their largest processing plants and will result in both clean water discharge and a source of green energy for the plant.

In addition to our tangible immediate results in Latin America and Europe, we continued to develop the pipeline of opportunities that will drive growth for years to come.

China remains one of our biggest long-term opportunities. We have discussed at length how we are laying the groundwork with distribution partnerships and manufacturing in-country for our unique MABR technology. We have a tremendous amount of marketing and proposal activity at the moment, which we anticipate will lead to significant traction in 2018 and revenue in the years beyond. We were able to publicly announce progress with one of our partners, Jinzi. We had already announced a six-plant framework deal with Jinzi last fall, and in Q1 signed a contract expanding on that. The new contract will put two plants in Guizhou province. The framework is progressing nicely, as Jinzi works with the provincial government to identify financing, and suitable plant locations.

As we move to the latter years of the five-year plan, which mandates cleaning up rural wastewater, activity should accelerate. Our technology, partnerships, and local manufacturing presence position us to capture this looming opportunity. Any local provincial government seeking to be Class 1A wastewater effluent compliant will notice the key advantages of our MABR solution: low cost, low energy usage, rapid deployment, and automated, unattended operation.

Even as we work hard in China, we are seeing opportunities emerge all around Asia, and have contracted salespeople to cover the region. That investment is paying off already. In the past quarter, we made our first NIROBOX sale to treat seawater at a resort in the Philippines. Notably, we had the NIROBOX installed and operating one week after receiving the order, which demonstrates one of the key benefits of our Smart Packaged Plant solutions – rapid deployment. There are a multitude of seaside resorts around the region that do not have access to good water at competitive rates. We believe the resort opportunity alone could be huge in South East Asia.

Africa is another attractive large long-term opportunity. Early last year, we announced some smaller plant wins in Ethiopia, and since then the market opportunity has grown. In South Africa, the impending "day zero" when Cape Town runs out of fresh water is focusing attention on water shortages all across that country, and the attractiveness of Smart Packaged desalination as a solution. We are actively marketing NIROBOX solutions to various agencies and potential customers in South Africa. We believe our cost and time to deploy are compelling, given the pace with which potential disaster is approaching there. We are continuing to put significant effort into the region and expect solid results over time. Of course, there are also opportunities in the dry North of Africa, other areas of

Africa and all across the Middle East. We have plants operating in industrial settings in Saudi Arabia, Egypt, and Israel.

Finally, I will mention the opportunity in the US. Building on the commissioning of the demo plant at Stanford University, we announced another innovative water reuse system in California. We are delivering the system to Rosenblad Design Group, a leader in evaporation systems with years of experience across the country. We expect our collaboration opportunities with Rosenblad to grow in the quarters ahead. The system we delivered to them features zero liquid discharge, Ultra-Violet filtration, and reverse-osmosis.

Before we turn to the financials, let me address some very important additions to our senior team. As we grow, we are able to attract exceptional talent, which in turn helps our ability to grow even faster. During the quarter, we announced the appointments of Francesco Fragasso as Chief Financial Officer, and Erik Arfalk as Chief Marketing Officer.

Francesco replaces Bob Wowk as CFO. We especially appreciate Bob's strong contributions in guiding us through the merger and integration post-merger and wish him very well.

Francesco is a great fit for Fluence. He has over 20 years of experience in international organizations involved in industrial equipment, renewable energy and water treatment. He was most recently CFO for Boston-based Desalitech, a reverse osmosis technology company. He had extensive experience with the fuel cell subsidiary of Hess Corporation, and spent over ten years in public accounting and corporate finance with Deloitte.

Erik Arfalk joins in a new role as CMO. He has led geographically-dispersed multinational teams and has an extensive background in strategy and management consulting. He was most recently Vice President of Communications and Branding at Sweden-headquartered

Atlas Copco Compressors. He was also Director of Product Management and Marketing at General Electric Healthcare, Life Sciences where he focused on market strategy, operational performance improvement, and strategic marketing.

We warmly welcome both Francesco and Erik and look forward to the contribution they will make to our success. I have had the pleasure of working with them over the last several weeks and can already see the positive impact they are making on the local team and the entire organization.

Now, let me turn over the call to Francesco Fragasso, our new CFO, who will introduce himself and then offer some detail on the financial results and outlook. Francesco?

Francesco Fragasso, Chief Financial Officer:

Thank you, Henry. As many of you know, I joined Fluence last month, so this is my first investor call. I am extremely excited about the opportunity here. This company is very well-positioned to capture market share in an emerging multi-billion-dollar industry.

As Henry mentioned in the first quarter we reported revenue of US$10.2 million.

We are still comfortable and on track with the full year projections and the guidance that we have provided. Revenue is expected to be in the range of US$105 million to US$115 million, representing a near doubling of 2017 revenue. Importantly, our forecast visibility is quite high. As we noted before, based on current backlog and pipeline profile, and consistent with historical experience, we anticipate 2018 bookings and revenue to be more weighted to the latter part of the year.

Revenue forecast for this year includes US$18 million from the ongoing Portugesa contract with PDVSA and

US$28 million, related to the construction services for the San Quintin project which is scheduled to start in Q3.

I would like to echo what was said before, regarding how the San Quintin project represents an important milestone for Fluence, as it is our first non-recourse finance project, arranged by the Company. The North American Development Bank will cover 75% of the project cost with the balance funded by Fluence and its local partners.

Gross profit is still anticipated to be in the range of US$22 million to US$25 million, which reflects the "mix" of contracts in 2018 and the lower margin profile of the San Quintin, Mexico project during its construction phase.

We are still targeting to reach positive EBITDA sometime during 2019. This will be driven by increased revenue, gross margin improvement as well as leveraging our global organization. In this regard we continue to take incremental steps to look for opportunities to reduce cost and increase efficiency and collaboration across the company.

I will comment now on the cash balance and the cash flow. At the end of Q1 2018 we had US$58.3 million of available cash for continuing operations, including the US$6 million for Fluence's share of the San Quintin equity investment, and thus are sufficiently funded to reach our near-term growth objectives.

As previously noted, this entire cash balance, including the prepaid PDVSA funds, represents cash available to the company, unrestricted, and reported into Cash and Cash Equivalents balance in accordance with International Financial Reporting Standards.

During the first quarter, the net cash used from operating activities was US$13 million. The cash usage for the quarter was impacted by some delay in receipts from customers due to the timing of shipments in the latter part of the quarter and includes vendors payments in relation to the build-up in inventory of NIROBOX which can now be quickly deployed, as demonstrated in the Philippines contract.

During the current quarter, and based on current contracts, the Company expects US$20 million of cash inflows, reflecting receipts from customers. This inflow and the estimated outflow noted in the Appendix 4C, results in an estimated net cash usage for Q2 2018 of US$12 million.

Henry Charrabé, Managing Director & Chief Executive Officer

We really appreciate your interest and support and are looking forward to being in touch with you again. Thank you. Good day, good evening and goodbye.