



Fluence achieves 2018 guidance with strong growth in Q4; Revenue up 82% to US\$105.6 million¹

- *FY2018 Gross Profit (unaudited) of US\$32.3 million¹ (underlying Gross Profit of US\$25.2 million¹ excluding a US\$7.1 million reversal from prior years' provision)*
- *Record quarterly revenue in Q4 FY2018 of US\$43.7 million¹, up 73% on Q4 FY2017*
- *Secured average annual recurring revenue of US\$14.7 million at 31 December 2018*
- *30% reduction of SG&A from 2017 to 2018²*
- *Future growth in recurring revenue supported by a US\$50 million project finance facility*
- *US\$38.7 million cash, US\$0.7 million debt, at 31 December 2018*
- *Guidance reaffirmed for sustainable EBITDA profitability by Q4 2019 on the basis of continued strong growth in sales of Smart Products Solutions*

New York, Melbourne, 31st January 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 December 2018).

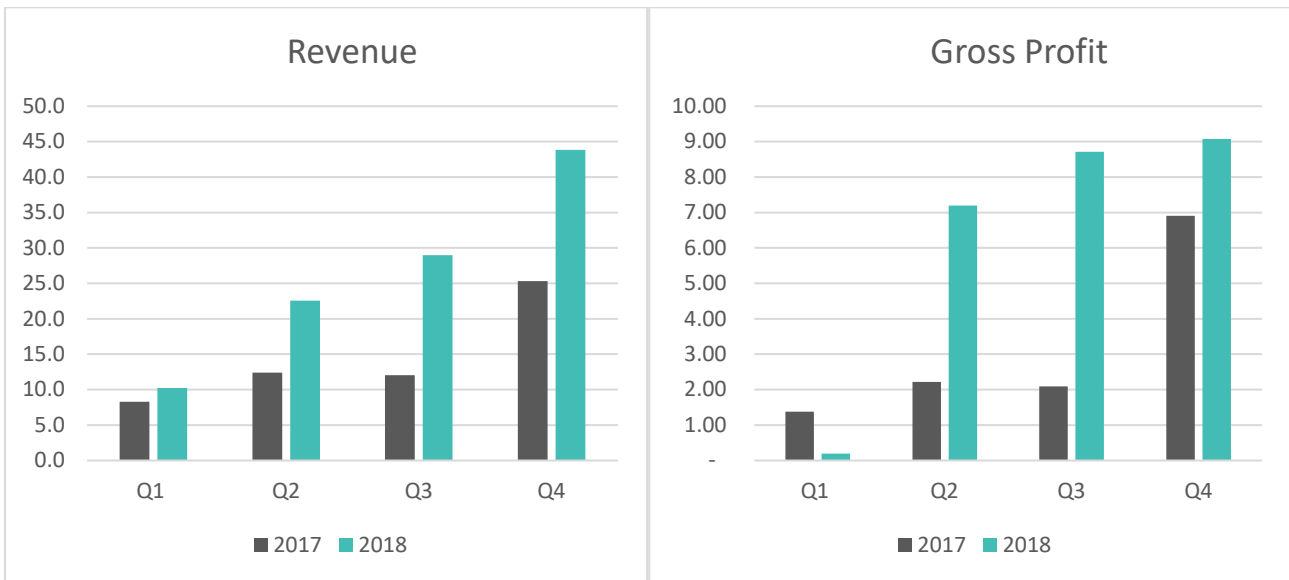
Strong growth in Q4 FY2018 and year on year

- Revenue of US\$43.7 million¹ in Q4 2018, up 73% on Q4 2017
 - FY2018 revenue up 82% to US\$105.6 million¹ (unaudited)
- Gross Profit of US\$16.2 million¹ in Q4 2018 (unaudited)
 - This includes the accounting benefit of a US\$7.1 million reversal of an onerous contract provision from prior years. The underlying Gross Profit was US\$9.1 million¹ for Q4 2018
- Contract revenue backlog of US\$57.7 million at 31 December 2018
 - Most of this backlog is expected to convert into 2019 revenue
- Improved working capital management with cash usage of US\$9.7 million, which is substantially less than forecast for Q4 FY2018
- Strong financial position with US\$38.7 million cash, and US\$0.7 million debt, at 31 December 2018
 - Successful completion of US\$25 million net proceeds from Share Placement and Share Purchase Plan
 - Secured US\$50 million project financing facility from Generate Capital; currently undrawn
 - Continued sales of NIROBOX™ Smart Packaged desalination plants further reducing inventory
- In recognition of the significant business achievements for the 2018 financial year, additional options have been approved for issue to the senior management team

¹ Subject to final audit and comments in the section "Audit and Accounting Update" on page 7.

² Comparing unaudited 2018 SG&A with 2017 pro-forma (consolidation of 12 months of RWL Water)

- The following graphs show the business growth trends – quarter by quarter, and year on year:



Notes:

- 2017 pro-forma (consolidation of 12 months of RWL Water)
- Q4 2018 unaudited Gross Profit excludes the \$7.1 million benefit of the onerous provision reversal from prior years

Reflecting on FY2018, Fluence Managing Director & CEO Henry Charrabé, said:

“2018 was a milestone year for Fluence. We achieved our full year guidance for revenue and gross profit, with revenue up over 80% to US\$105.6 million². Our balance sheet was successfully strengthened to underpin Fluence’s next growth phase, raising US\$25 million via a placement and share purchase plan, and adding funding flexibility by securing a US\$50 million project finance facility. We also improved our overall cost structure and achieved a favourable sales mix.

“During the fourth quarter, Fluence continued to execute on its global growth strategy. We won new contracts in new regions and industries, while delivering a high level of service and quality to our clients and industry partners. Importantly, the proportion of annual recurring revenue booked grew strongly. We see this as a substantial and sustainable growth opportunity for Fluence over the coming years.”

Richard Irving, Chairman of Fluence, commented:

“Henry and his team have again proven their ability to deliver on what they say they will do. Achieving revenue growth of over 80% while reducing operating costs in 2018 provides Fluence with a clear path to sustainable EBITDA profitability by the fourth quarter of 2019. With a strong management team in place, I am stepping back from an Executive role to Non-Executive Chairman effective today. My commitment to the company remains undiminished. Together with our other experienced non-executive directors, we will support management so that the full potential of our promising business can be realised.”

Key sources of revenue in Q4 FY2018

i) Smart Products Solutions

- Largest NIROBOX™ sale to-date in Egypt of US\$7.6 million, with units already in inventory enabling rapid deployment

² Subject to final audit and comments in the section “Audit and Accounting Update” on page 7.

- US\$8.4 million NIROBOX™ Seawater & installation for Peru Build-Own-Operate-Transfer (BOOT) project
- MABR sale in the USA to Orenco, a large systems integrator
- Aspiral™ sales accelerating in China:
 - First 2 contracts received under existing partnership agreement with partner ITEST
 - Sales via new local Chinese partner Zhongzi Huaze
 - Additional sales through Kaitian Environmental
- Entered Vietnam market with sale of smart packaged NIROBOX™ Seawater Mega in January 2019

ii) Recurring Revenue and Aftersales

- BOOT contract in Peru expected to generate an estimated US\$3.0 million in annual recurring revenue, with billings anticipated to commence in the second half of 2019
- Secured annual average recurring revenue of US\$14.7 million at 31 December 2018 with a weighted average contract duration of 24 years, and revenue contributions commencing in FY2019

iii) Custom-Engineered Solutions

- San Quintin, Mexico project construction progressing as planned, with revenues expected to be recognised over the next 15 months of plant construction
- PDVSA Portuguesa project in Venezuela progressing to schedule and approaching completion
- First waste-to-energy project in Argentina with a value of €1.7 million

Business Update

Starting with this update, Fluence will report its results in three categories that reflect the Company's business model: (1) Smart Products Solutions; (2) Recurring Revenue and Aftermarket; and (3) Custom-Engineered Solutions. Fluence is focused on driving growth in the first two categories, in which the Company has substantial competitive advantages, achieves higher margins, and sees significant large market opportunities. Custom-engineered plants have been a strong historical contributor to revenue and are expected to remain so in the future.

Smart Products Solutions encompass the Company's proprietary NIROBOX™, Aspiral™, and SUBRE water- and wastewater treatment solutions. Recurring Revenue and Aftermarket encompass water and wastewater sales from Build-Own-Operate-Transfer ("BOOT") plants developed by Fluence, operations and maintenance contracts, and spare parts sales. Custom-Engineered Solutions encompass bespoke solutions designed and built by Fluence for customers worldwide.

i) Smart Products Solutions

Smart Products Solutions revenues grew from \$10 million in 2017 to \$22 million in 2018.

NIROBOX™

Fluence secured a US\$7.6 million NIROBOX™ SW Smart Packaged desalination plant order in Egypt. These plants consist of 12 units which were already manufactured and in inventory, thus enabling very rapid deployment. The plants are expected to be fully operational by Q2 2019 and supply 12,000 m³/day of potable water to a large residential area along the Mediterranean coast. In addition, Fluence will sign a service contract to operate and maintain the units.

In Q4 2018, Fluence secured the rights to design, build and operate a US\$8.4 million seawater desalination plant for an industrial client in central Peru. The Plant will utilize 5 NIROBOX™ SW Smart Packaged desalination units that are already manufactured. The plant is expected to ultimately expand to 10 NIROBOX™ SW units.

In January 2019, Fluence secured the first sale of its NIROBOX™ MEGA SW 1,500 m³ Smart Packaged desalination unit to client Vucico for end user Hai Phong Water Company in Vietnam. This large capacity seawater reverse osmosis unit housed in a standard 40-foot container will supply drinking water to the island of Cat Ba, a nature reserve near the port city of Hai Phong.

MABR - Aspiral™ / SUBRE

The expansion of Fluence into China, both through sales and manufacturing facilities, strongly positions the Company to participate in the planned improvement in China's rural wastewater treatment quality. The Chinese Government's current five-year plan is targeting, and provides finance for, an increase in rural wastewater treatment to reach Class 1A effluent discharge. With approximately 10% of rural wastewater currently treated and the five-year plan's target to reach 70% treatment of wastewater in China, Fluence's Smart Packaged Aspiral™ system featuring MABR technology is the lowest cost treatment alternative available in the decentralised market, and simultaneously guarantees to consistently reach Class 1A effluent discharge standards.



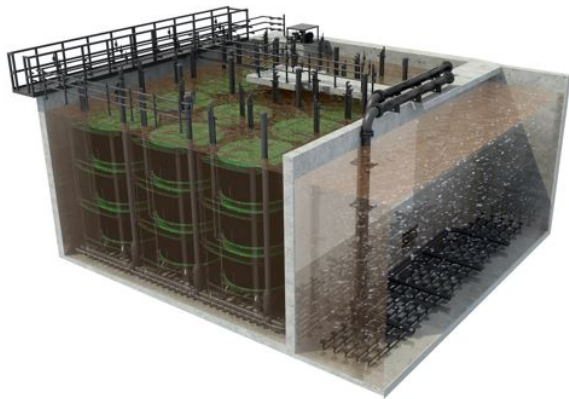
The 15 provinces and districts in China highlighted are covered by current strategic partnerships

The successful demonstration plant with Chinese partner Hubei ITEST, enabled the execution of an exclusivity agreement in October with anticipated Aspiral™ sales estimated at a minimum of US\$45 million over the next three years. The first two contracts under this partnership were booked in December with a total of 35 Aspiral™ units to be deployed.

In November 2018, Fluence announced a new partnership with environmental EPC firm Zhongzi Huaze and executed a multi-unit Aspiral™ order. Six Aspiral™ units were delivered in December 2018 and commissioned in January 2019 – the first for Fluence in Jilin Province, a region subject to extreme cold climate with the temperature often dropping to -30C.

Following the successful operation of the 3 pilot sites commissioned earlier in 2018, Fluence was endorsed by the Yiyang City Government to help meet its future requirements under the Chinese Government 13th five-year plan. The Company executed a contract with Hunan Aerospace Kaitian Environmental Technology Company Ltd. to deliver four Smart Packaged Aspiral™ units, all of which were deployed in Hunan Province.

Fluence is actively quoting SUBRE (submerged MABR) projects for potential clients in China and in other key markets and continues to focus on the full commercialisation of the product in the first half of 2019. The SUBRE product is designed to be utilised both for retrofitting or upgrading existing, centralised wastewater treatment plants, as well as in the construction of new wastewater treatment plants.



SUBRE is installed in the anoxic zone of a conventional wastewater treatment plant, as indicated in the image on the left. On the right, a photo from the SUBRE installation at Ma'ayan Zvi in January 2019.

Fluence continued progressing its efforts in the US, where the first MABR module sale in October 2018 was secured with Orenco, a large systems integrator in the State of Oregon. The integration of Fluence's MABR modules into Orenco's wastewater treatment system will increase existing system capacity and efficiency, while achieving high effluent quality that meets regulatory requirements. Orenco evaluated several alternative solutions and concluded that Fluence's MABR is a more cost-effective solution as a result of higher water quality and lower operating costs.

ii) Recurring Revenue and Aftermarket

Recurring revenue opportunities are a key strategic focus for Fluence. The Company has started to build a meaningful recurring revenue base, with secured average annual recurring revenue of US\$14.7 million at 31 December 2018 – US\$1.7 million from Bahamas, US\$3 million from Peru, and US\$10 million from San Quintin. Of this, US\$3 million is expected to flow into revenue in 2019 as certain project construction is completed and Fluence commences management of the facilities.

During the quarter Fluence secured the rights to design, build and operate a US\$8.4 million seawater desalination plant in central Peru, including a 10-year Water Purchase Agreement (WPA) with an industrial client. The Plant will utilize 5 NIROBOX™ SW Smart Packaged desalination units that are already manufactured and in inventory. This plant is expected to be operational in Q3 2019 and will generate an average of US\$3.0 million of recurring annual billings once operational. Negotiations for WPAs with additional industrial customers are ongoing. The plant is expected to ultimately expand to 10 NIROBOX™ SW units and supplemental WPAs have the potential to increase annual recurring billings from US\$3 million to up to US\$5 million at full plant capacity.

Fluence also secured a US\$50 million non-recourse debt facility for project financing of BOOT projects, enhancing the Company's ability to grow the recurring revenues based on its Smart Products Solutions. The facility is provided by Generate Capital, a leading US-based infrastructure investment firm. Fluence is expected to have access to this facility on a project-by-project basis for 3 years without any geographical limitation.

iii) Engineered Solutions and Other Products

Major projects

Construction continued as planned on the US\$48 million San Quintin, Mexico project. US\$13.5 million revenue was recognized in FY2018, with the remainder to be recognised over the 15-month construction period of the project. Fluence is building and will operate the seawater desalination plant through a Special Purpose Vehicle (SPV) owned together with our local partners. The SPV will produce water for the San Quintin area for the next 30 years, after which ownership and operation of the plant will be transferred to the customer. As owner and operator of the plant, Fluence is also expected to receive an estimated average of US\$10 million annually in recurring billings for 30 years after the plant begins operation.

Work is also ongoing for the Portuguesa project in Venezuela under the umbrella of the PDVSA contract. The Portuguesa project involves a wastewater treatment solution for ethanol plants. In FY2018 this contract generated revenue of US\$27.2 million, with a further US\$2.6 million expected to be recognized in 2019.

Fluence was awarded its first waste-to-energy harvesting project in Argentina in October 2018. The €1.7 million solution to produce biogas, as well as electrical and thermal energy, was designed and built using anaerobic digestion technology developed by Fluence. The project was delivered in November 2018 and serves as a valuable reference site to secure further projects in this industry and throughout South America.

Fluence is continuing to negotiate with an African nation to design and construct a 150,000 m³/day advanced water treatment plant to provide high-quality drinking water for more than one million people following the signing of an exclusive MOU in Q3 2017. If signed, this project will be financed through a government-backed export credit financing institution and is expected to be operational within two years following contract execution.

Q4 2018 Cash Flow Report and Audit Update

The Appendix 4C quarterly cashflow report for the three months ended 31 December 2018 is attached.

Net Cash Used from Operating Activities in Q4 2018 was US\$9.7 million. This result was a US\$3.2 million improvement on the previous quarter, reflecting improved receivables' collection, delivery of Product in inventory, cost controls, and US\$6.8 million less than forecast for Q4 2018.

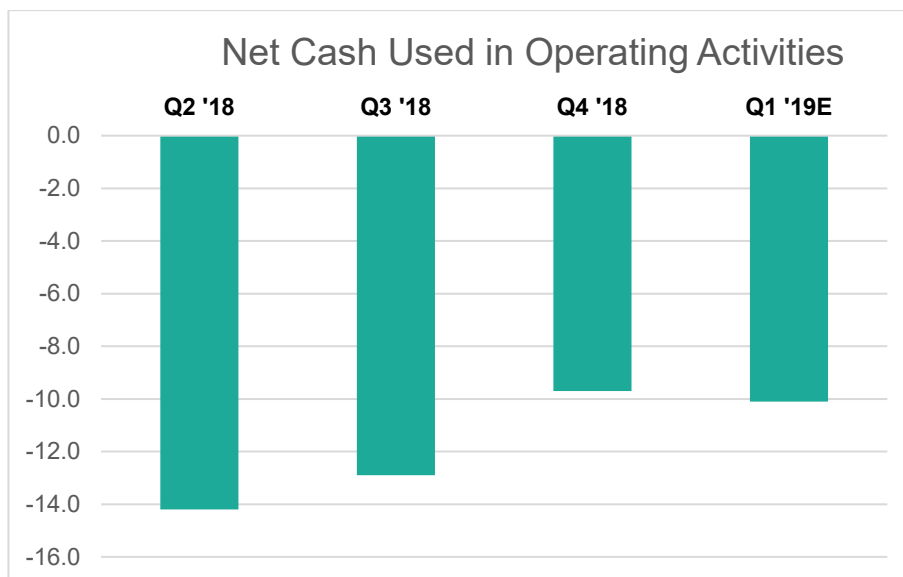
Receipts from Customers in Q4 2018 were US\$16.3 million, which excludes receipts from PDVSA for the US\$6.4 million revenue recognised in Q4 for the Portuguesa project, as the contract value was prepaid in full. Proceeds from borrowings for the quarter do not include the drawdown from the North American Development Bank, which is financing 75% of the construction costs of the San Quintin Project. The funds from financing the cost of construction incurred in Q4 2018 are expected to be received in Q1 2019.

In October 2018, Fluence successfully raised US\$23.6 million (A\$33.1 million) before costs via a share placement of ordinary shares to institutional investors. It also conducted a non-underwritten Share Purchase Plan raising a further US\$2.3 million (A\$3.3 million).

The funds raised in the Share Placement and Share Purchase Plan, together with the project financing facility now in place, will underpin the Company's growth plans and our guidance of achieving a sustainably EBITDA profitable quarter by the end of 2019.

Cash and Cash Equivalents were US\$38.7 million at 31 December 2018.

Based on current contracts, the Company expects US\$17.3 million of cash inflows from customers during Q1 2019, and a net operating cash outflow for Q1 2019 of US\$10.1 million.



The net operating cash outflow reflects the anticipated, significantly accelerated growth in revenue achieved in Q4 2018, as well as the expected working capital needs in China.

We anticipate the net cash used in operating activities will continue to decrease in the following quarters until break-even in Q4 2019.

2018 Audit and Accounting Update

The statutory audit for year ended 31 December, 2018 is well progressed and is expected to be completed as planned. Argentina was declared a hyper-inflation country for the purposes of international accounting standards on 1 July 2018. Accounting for hyper-inflation is complex, in particular in relation to potential foreign currency exchange adjustments and, as a result, the statutory classification of certain P&L items is still being assessed by Fluence and subject to evaluation by the auditors. On completion of this assessment there may be a reclassification of a portion of the revenue generated by Fluence Argentina for the 2018 year from “Operating Revenue” to “Exchange Rate Gains” of up to US\$11.2 million in the final audited consolidated Financial Statements. Any such reclassification would also result in a reduction in reported gross profit, offset by an increase in exchange rate gains. There will not be any impact on cash flow or existing cash balances as set out in the ASX Appendix 4C.

Positive Outlook for Continued Growth in 2019

Henry Charrabé, Managing Director & CEO of Fluence, commented:

“Fluence is a global provider of cost-effective, decentralised water and wastewater treatment solutions. We are diversified by geography, industry and technology. Our leading range of Smart Products Solutions, growing backlog on recurring revenue, and technical expertise positions us well for future growth. A growing awareness of our brand and value proposition is leading to recurring orders and further interest from prospective customers and partners. The strong sales pipeline in all regions of the world and completion of existing project milestones, supports our accelerated growth objectives for 2019.”

“Custom Engineered Solutions contracts have historically been a strong contributor to Fluence’s revenue. However, the timing of these projects is difficult to predict. While customized Engineered Solutions remain an important contributor, our growth strategy envisions future revenue coming increasingly from sales of Smart Products Solutions like NIROBOX™, Aspiral™, SUBRE and recurring revenue sources, such as BOOT, O&M contracts and spare parts sales. These revenue streams are less volatile, more profitable and more predictable.”

“Accordingly, for FY2019, we are providing guidance on Smart Products Solutions revenue and we reaffirm our intention to be sustainably EBITDA profitable by the fourth quarter of 2019.”

Fluence’s main goals for 2018 were to increase sales of Smart Products Solutions, expand its footprint in China, and secure recurring revenue contracts. The results outlined in this quarterly business update and those to be provided in more detail with the release of Fluence’s 2018 full year financial results reflect our belief that the Company was successful in achieving these goals.

Fluence plans to continue along its current growth path:

- Smart Products Solutions revenue in 2017 was US\$10 million, grew to US\$22 million in 2018, and is forecast to at least double in 2019 compared 2018
- Secured annual recurring revenue and recurring revenue recognized will both continue to increase in 2019.

Fluence continues to target sustainable EBITDA profitability no later than Q4 2019.

Issue of additional options

In recognition of the significant business achievements in 2018 and to ensure continued alignment of the long-term incentives of senior management with shareholder interests, the Board has resolved to issue 27 senior managers an aggregate of 1,198,000 employee options. The options have an exercise price of A\$0.39 each (calculated as the 20-day VWAP up to and including 29 January 2019 plus a 10% premium) and an expiry date of September 30, 2021. Approximately 35% of the options will be fully vested upon grant and the remaining 65% shall vest in quarterly increments over the next 2.5 years subject to the continuing employment.

The Board has also resolved, subject to receiving approval of Company shareholders, to issue Henry Charrabé, Managing Director and CEO, 3,360,000 Director options with an exercise price of A\$0.39 each with an expiry date of July 14, 2025. Fifty percent of these options (1,680,000) will be subject to defined performance criteria. Twenty-five percent of the options (840,000) will be fully vested on grant. The remaining 25% percent of the options (840,000) shall vest in quarterly increments over the next 2 years subject to continuing employment.

Richard Irving commented, *“The grant of additional options is important as both recognition for achievement and for talent retention. The issue of these options also continues to align the long-term incentives of senior management with shareholder interests.”*

Quarterly & Year-end 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 Thursday, January 31st, at 9:30 am AEST, Wednesday, January 30th at 5:30 pm US Eastern Daylight Time. 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/fluence-423522-invite.html>

Alternatively, at the time of the call, dial your respective local number below and provide the conference ID 365995 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.mediaserver.com/m6/go/fluence-corp-18q4>

For further information, please contact:

Corporate:

Henry Charrabé
Managing Director & CEO
E: hcharrabe@fluencecorp.com
P: +1 212 572 3766

Richard Irving
Chairman
E: rirving@fluencecorp.com
P: +1 408 382 9790

Ross Kennedy (Australia)
Company Secretary & Advisor to the Board
E: rkennedy@fluencecorp.com
P: +61 409 524 442

Investors (Australia):

Ronn Bechler
Market Eye
E: ronn.bechler@marketeye.com.au
P: +61 400 009 774

Media (Australia):

Tristan Everett
Market Eye
E: tristan.everett@marketeye.com.au
P: +61 403 789 096

Investors & media (USA):

Gary Dvorchak, CFA
The Blueshirt Group
E: gary@blueshirtgroup.com
P: +1 323 240 5796 (US) or +86 138 1079 1480 (China)

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.