Targeting Global Leadership in Decentralized Water & Wastewater Treatment Solutions

2018 Global Decentralized Water & Wastewater Treatment Company of the Year Award

Corporate Overview
December 2018
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Executive Summary

- Global water scarcity and contamination is real and growing with large centralized solutions not always viable
- *Decentralized* solutions are CapEx efficient and deploy rapidly – US$22B market by 2021\(^1\) (one of the fastest growing segments)
- Fluence is focused on the *decentralized* market with a full suite of solutions
- Current backlog and recent contract wins give high confidence in achieving US$95M of revenue; Targeting achievement of guidance at US$105M, representing a YoY growth of 80%
- Backlog of US$80.3M revenue at end of October 2018
- Targeting sustainably positive EBITDA sometime during 2019
- Proven management team and Board
- Over 7,000 references with systems installed in more than 70 countries

\(^1\)Source: Global Water Intelligence, *Global Water Market 2017 Volume 1*
Market Opportunity
### Growing Global Water Crisis Now

<table>
<thead>
<tr>
<th>Urgent Need For Affordable, Fast-to-Deploy Solutions</th>
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</table>

- Water shortages affect 2.7B people now
- 2.4B people lack proper wastewater treatment now
- An additional 2.1B people need upgraded treatment
- Population growth from 7.4B in 2016 to 9.1B by 2050
- 60% increase in global food production by 2050
- Manufacturing water demand will grow 400% by 2050
- Global water consumption to double by 2050
- Results in 40% water deficit by 2030
- By 2025, two-thirds of the world will face water shortages

Today’s Large Centralized Solutions Do Not Address the Growing Demand

- **Large centralized plants**: CapEx and OpEx inefficient and demand massive in-ground infrastructure. Require oversized capacity today to meet long-term demand.

- **Developed world**: Rusting pipes and growing communities drive pipe replacement: US$1M – US$10M+/km, plus pumping and storage.

- **Upgrades often cost prohibitive**: Fixing and upgrading water infrastructure is not always viable, estimated to cost upwards of US$1 trillion.

Source: Global Water Intelligence, *Global Water Market 2017 Volume 1*
Decentralized, Packaged Treatment Plants: The Solution For Global Water Needs

- **Packaged Plants** provide a fast, cost-effective ‘plug and play’ solution
- Packaged Plants enable **remote monitoring and operation**, substantially reducing OpEx
- **Point of Use** Decentralized Plants require short and limited in-ground infrastructure, saving 25% CapEx and 40% OpEx\(^1\) for new install and upgrades
- Localized water treatment and reuse **avoids need for large, costly installed base**, reduces water and energy demand
- Multiple decentralized plants help mitigate man-made or natural disasters

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\(^1\) CapEx and OpEx reductions are based on company estimates having regard to the cost of traditional treatment methods
Target Markets Growing Rapidly

Smart Packaged Plants/Decentralized Market:
Global market growing from

US$83B in Planned CapEx
Desalination and Reuse plants
(Cumulative 2017 to 2022)

Sources: MarketsandMarkets Analysis, Global Water Intelligence, company estimates
Fluence Positioning
An Established Global Player with Differentiated Products Serving Growing Markets

US$700B global water market – tighter rules, urgent needs

Only global, pure play water & wastewater treatment company

Targeting fastest growing segments

Smart Packaged plants deliver best-in-class performance

Aspiral™ ramp starting in China

First SUBRE contract won

Global team of 330+ experts

Minimal debt allows for leveraged growth

Result: Sustained Revenue and Targeted Margin Growth, Increasing Recurring Revenue
Growth Strategy

- Leading suite of Smart Packaged plant products serve decentralized water and wastewater markets worldwide
- Focus global EPC reputation on Smart Packaged plant sales enabling more repeat orders, faster delivery, higher margin
- Growing BOT pipeline funded by non-dilutive finance increases recurring revenue
- Target China’s wastewater treatment market with MABR-based Aspiral™ Smart Packaged plants to drive rapid growth
- Leverage partners to accelerate pipeline, bookings and revenue growth
- Maintain healthy top-line growth
- Targeting sustainably positive EBITDA sometime during 2019
Target Revenue Growth from Product Segments

**Baseline business**
Waste-to-energy, water purification, legacy wastewater
Steady growth through global sales base, profitable now

**NIROBOX™ business**
High growth through Smart Packaged plants, EPC, recurring revenue

**MABR business**
Aspiral™, SUBRE
High growth driven by Smart Packaged plant sales in China and international
Target Revenue Growth from Business Segments

Recurring revenue
- BOT projects
- Aftermarket

Smart Packaged plants revenue
- Aspiral, NIROBOX, SUBRE

EPC and custom project revenue
- Large projects
- Wastewater-to-energy
- Water purification

*Relative size of columns is illustrative*
Critical Success Factor: Target Growing Gross Margin

Example:
- US$100M Africa Project (MoU signed)
- NIROBOX™
- Aspiral™
- SUBRE
Build Own Operate and Transfer Financing

- Expected combination of equity and debt:
  - 70% non-recourse financing
  - 30% equity, and optional minority partners
  - Fluence as EPC and O&M Contractor
- Accelerates growth of recurring revenues
- Secured a US$50M non-recourse debt facility provided by US-based sustainable infrastructure investment firm
  - Funds available on a project-by-project basis for 3 years
  - No geographical restriction
  - Debt secured by cross collateralization of all revenue from approved projects
  - Standard approval process, which significantly reduces timing for financing
- Year-to-date secured US$13.5 million average annual billings of recurring revenue
Why Smart Packaged Plants Win: Case Study

Deploy in approx. 1/3 of the time, at est. 37% lower cost, capturing more value

Typical Custom Desalination Plant
- Long time to complete (18+ mos)
- High CapEx
- Fixed site, hard to upgrade

Fluence Packaged Desalination Plant
- One-third of construction time
- CapEx = 37% less
- Easy to upgrade as required
- Easy to relocate – mobile
- Lower energy use

“South Africa’s first mobile desalination plant”
Global Water Intelligence
Smart Packaged Plants Drive Rapid Sales Growth

NIROBOX™ Sales Ramp

Projected 2x year-on-year growth

2015 2016 2017 2018

2 10 25 40*

NIROBOX Smart Packaged Plant

- Containerized mobile desalination plant for easy deployment globally
- Wins contracts by saving energy, cost, time to deployment
- Higher gross margins
- Introduced in 2015 with immediate market adoption
Aspiral™ Smart Packaged Plants using MABR Technology

- Containerized, mobile and low energy distributed wastewater plant treats from 20 m³/day – 5,000 m³/day of raw municipal wastewater
- The key to capture a large portion of the vast Chinese market
- Locally made plants from 100% owned China factory equal faster time to revenue
- Introduced in 2017 targeting China and global markets

1,000 m³/day plant serves 5-10K people

50 m³/day plant serves a village

MABR module made in Fluence’s Changzhou factory
Well Positioned for Huge China Opportunity

China’s 13th 5-year plan provides US$15B funding for rural wastewater treatment

Fluence’s MABR technology is uniquely qualified for this market

Fluence has established multiple channel partnerships in China

Shipment of commercial packaged plants has commenced

Local supply of Aspiral™ solutions from our plant in Changzhou

322m / 74% Current Rural Population Coverage

US $15Bn Wastewater Treatment Market

Strong Pipeline of Aspiral™ Wastewater Treatment Plants

<table>
<thead>
<tr>
<th></th>
<th>2018 YTD</th>
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<tbody>
<tr>
<td>1 Cluster Order won</td>
<td>Approx. 80 Aspirals in 18 months</td>
</tr>
<tr>
<td>Commercial contracts won</td>
<td>10</td>
</tr>
<tr>
<td>Partners secured</td>
<td>24</td>
</tr>
<tr>
<td>Provinces covered</td>
<td>16</td>
</tr>
<tr>
<td>Plants and reference sites operating</td>
<td>9</td>
</tr>
<tr>
<td>Plants in construction</td>
<td>6</td>
</tr>
</tbody>
</table>
Accelerating Activity in China

- Exclusive Partnership Agreement with ITEST in Central China
  - Total anticipated volume 66,000 m³ per day; estimated value of US$45M
  - Supply of Aspiral™ Smart Packaged wastewater treatment plants along the highway system under ITEST’s scope
  - Agreement anticipates that around 80 Aspiral™ units will be needed in the coming 18 months
SUBRE (Submerged MABR) Opens Large New Market

- Submerged MABR modules upgrade **centralized plant** capacity up to 100K m³/day, improve efficiency and compliance **without chemicals**
- Fast upgrade – fully operational within a month
- Average Fluence revenues US$2.5M/plant, thousands of plants need upgrading
- High margins
- First full-scale SUBRE contract secured

SUBRE modules simply drop into existing plant basin
## Compelling Global Position Diversifies Revenue

<table>
<thead>
<tr>
<th>Product</th>
<th>Market</th>
<th>Competitive Advantage</th>
<th>Proof Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspiral™ - Smart Packaged MABR</td>
<td>Decentralized wastewater: US$9.1B in 2021 + US$15B in China</td>
<td>Up to 90% less energy, halves OpEx, fast time to market</td>
<td>Plants in USVI (US EPA certified), California (Title 22 certification), Oregon, Texas, multiple in China, Israel, Philippines</td>
</tr>
<tr>
<td>SUBRE</td>
<td>Thousands of plants, US$2B+/year</td>
<td>Avoids toxic chemicals, big energy saving, improves nitrogen removal</td>
<td>Full-scale field testing and first contract now - low-risk, as based on proven MABR technology</td>
</tr>
<tr>
<td>Smart Packaged Plant – Purification (NIROBOX™, Ecobox)</td>
<td>Decentralized water plants: US$4.4B in 2021 Solves emergencies</td>
<td>Deploy in 6 months, vs 18-24 months Lower CapEx, OpEx, footprint Mobile</td>
<td>Plants globally including Egypt, South Africa, Philippines, Caribbean, Mexico, Latin America</td>
</tr>
<tr>
<td>Waste-to-Energy</td>
<td>Industrial market US$8.4B in 2021</td>
<td>Proven expertise and dominant in local market</td>
<td>Dominant in Italy with expansion into EU &amp; Latin America Signing top international processors</td>
</tr>
<tr>
<td>BOT/Recurring Revenue</td>
<td>Water and wastewater treatment</td>
<td>Own source of financing; expert at managing risk</td>
<td>US$50M non-recourse facility for project finance facility, San Quintin US$48M CapEx + 30 year O&amp;M (US$10M/year), RAV Bahamas, Peru 10 year WPA</td>
</tr>
<tr>
<td>Large EPC Projects</td>
<td>Multi-billion market</td>
<td>Global player, active in 70 countries</td>
<td>Mexican BOT, Cyprus, Colombia, PDVSA</td>
</tr>
</tbody>
</table>

Sources: MarketsandMarkets Analysis, Global Water Intelligence, company estimates
Key Contacts

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Appendix
Corporate Overview

### Capital Structure as at 6 December 2018 ASX: FLC

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Ordinary Shares on Issue</td>
<td>535.4M</td>
</tr>
<tr>
<td>Options on issue</td>
<td>49.2M</td>
</tr>
<tr>
<td>Share Price</td>
<td>A$0.37</td>
</tr>
<tr>
<td>Undiluted Market Capitalization</td>
<td>A$198.1M</td>
</tr>
<tr>
<td>Cash at 30 September 2018</td>
<td>A$32.0M</td>
</tr>
<tr>
<td>Net proceeds from share placement &amp; SPP completed in November 2018</td>
<td>A$35.1M</td>
</tr>
<tr>
<td>External debt (except non-recourse project debt)</td>
<td>~US$1M</td>
</tr>
<tr>
<td>Liquidity (avg. shares traded per day for the 3 months to 5 December 2018)</td>
<td>407,685</td>
</tr>
</tbody>
</table>

### Top Holders ASX: FLC

<table>
<thead>
<tr>
<th></th>
<th>Shares (M)</th>
<th>% of FLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSL Investments</td>
<td>157.2</td>
<td>29.4</td>
</tr>
<tr>
<td>Pond Ventures</td>
<td>37.3</td>
<td>7.0</td>
</tr>
<tr>
<td>Capital Group</td>
<td>29.1</td>
<td>5.4</td>
</tr>
<tr>
<td>Plan B Ventures</td>
<td>20.0</td>
<td>3.7</td>
</tr>
<tr>
<td>ESOP Management Trust</td>
<td>13.7</td>
<td>2.6</td>
</tr>
<tr>
<td>Other top 20</td>
<td>122.8</td>
<td>22.9</td>
</tr>
<tr>
<td>Top 20 total</td>
<td>380.1</td>
<td>71.0</td>
</tr>
</tbody>
</table>

8 out of the top 10 shareholders in Fluence are US institutional investors/family offices; representing 57% of the issued shares.
## Guidance: Metrics to Track Success

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Backlog Oct 20, 2018</strong></td>
<td>• US$80M of which US$33M is expected to convert into revenue in 2018</td>
</tr>
<tr>
<td><strong>Revenue for 2018</strong></td>
<td>• Based on current backlog &amp; recent contract win, high confidence to achieve US$95M and targeting achievement of US$105M</td>
</tr>
<tr>
<td><strong>Gross margin for 2018</strong></td>
<td>• US$22M - US$25M</td>
</tr>
<tr>
<td><strong>Recurring revenue</strong></td>
<td>• Increasing BOT projects and O&amp;M contracts</td>
</tr>
<tr>
<td><strong>New products</strong></td>
<td>• SUBRE first contract success, general intro by first half 2019</td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td>• Targeting sustainably positive EBITDA sometime during 2019</td>
</tr>
</tbody>
</table>

*The above figures reflect guidance provided to the market and are only estimates*
World-Class Board and Leadership

Management Team

- **Henry J. Charrabé**
  - Managing Director & CEO
  - Former CEO of RWL Water
  - Over 10 years’ water industry experience

- **Tony Hargrave**
  - COO
  - Over 30 years’ water industry management experience

- **Francesco Fragasso**
  - CFO
  - 20 years’ finance experience in renewable energy and water treatment

- **Ronen Schechter**
  - CTO
  - Co-Founder of Emefcy
  - Over 25 years’ water technology experience

- **Ilan Wilf**
  - Global VP Sales
  - Over 22 years’ water industry experience
  - Former VP Sales of Emefcy

- **Yaron Bar-Tal**
  - Global VP of Product Development
  - 15 years’ R&D management experience
  - Former VP Engineering of Emefcy

- **Spencer D. Smith**
  - CLO
  - Over 10 years’ corporate law and M&A experience
  - Former GC of RWL Water

Board of Directors

- **Richard Irving**
  - Executive Chairman
  - 35 years’ tech and Venture Capital experience
  - US$3B value created

- **Rengarajan Ramesh**
  - Non-executive Director
  - Former CTO of GE Water
  - 30 years’ operating, acquisition and tech experience

- **Ross Haghighat**
  - Non-executive Director
  - 30 years’ tech and Venture Capital experience
  - US$4B value created

- **Peter Marks**
  - Non-executive Director
  - Over 30 years’ industrial experience

- **Arnon Goldfarb**
  - Non-executive Director
  - Over 22 years’ water industry experience
  - Former VP Sales of Emefcy

- **Ilan Wilf**
  - Global VP Sales
  - Co-Founder of Emefcy
  - Over 25 years’ water technology experience

- **Ronen Schechter**
  - CTO
  - Former CEO of RWL Water
  - Over 10 years’ water industry experience

- **Spencer D. Smith**
  - CLO
  - Over 10 years’ corporate law and M&A experience
  - Former GC of RWL Water

- **Ross Kennedy**
  - Company Secretary & Advisor to the Board
  - Over 30 years’ experience as Company Secretary
Fluence focuses on decentralized, packaged water and wastewater treatment solutions for customers across the industrial, commercial and municipal sectors.

Historical and Existing Customers and Partners
How MABR Works

MABR - Inspired by Nature

1. Air breathed in

2. Oxygen dissolved naturally into blood through lung material

3. Blood (with oxygen) flows out

1. Air passes through

2. Oxygen dissolves naturally into wastewater through membrane

3. Wastewater picks up oxygen to digest waste

O_2

Semi-permeable membrane

Biofilm

3. Wastewater picks up oxygen to digest waste
Positioning for Growing Opportunities in USA

North America Decentralized Market already US$2.8B in 2016, expected to reach US$4.1B by 2021*

Demo Plant at Codiga Resource Recovery Center (CR2C) at Stanford University

- Commissioned in January 2018 to allow for observation and testing of compliance with California’s strict Title 22 reuse standards
- Serves as reference site for potential clients, who can see an Aspiral™ unit in operation
- Key applications: wastewater treatment, nitrification/denitrification, phosphorous removal and reuse

*Source: MarketsandMarkets Analysis
Smart Packaged NIROBOX™ Plants Deliver Water Fast

NIROBOX™

- NIROBOX™ is a field proven solution that addresses the mid market
- Shorter time-to-water the ideal solution for drought stricken areas
- Lower Initial CapEx
- Modular and Scalable approach that can suit any site requirements, enabling fast delivery, integration, commissioning and operation.

Advanced Technology:
- High availability
- Lower OpEx costs
- Online monitoring for improved efficiency

NIROBOX™ Family of pre-engineered water treatment solutions, fully assembled in a standard 40ft container, ready for rapid deployment and operation.

NIROBOX SW
NIROBOX BW
NIROBOX FW
<table>
<thead>
<tr>
<th>Proven Industrial Waste-to-Energy Solutions</th>
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<tbody>
<tr>
<td>Onsite production of energy reduces electricity and gas consumption</td>
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<tr>
<td>High-quality, treated effluents meet the most stringent requirements</td>
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<tr>
<td>Reduction of sludge volume by up to 90%, significantly reduces landfill waste</td>
</tr>
<tr>
<td>Output can be used as a fertilizer</td>
</tr>
<tr>
<td>Reduces greenhouse-gas emissions</td>
</tr>
<tr>
<td>Dominant in local market sectors, 100% reliable, low operation and maintenance requirements</td>
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