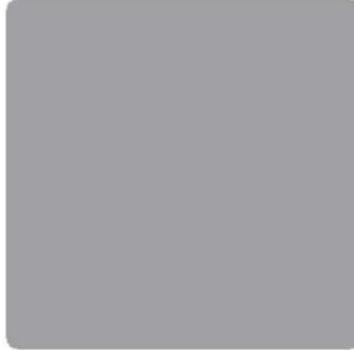




MODERNWATER

Mello 2018 Investor Presentation

26 April 2018





Modern Water: The Basics

Water Focussed Technology

- Membrane Division allows industrial customers to recycle water more cost effectively
- Monitoring Division sells leading edge water quality monitoring solutions
- Gibraltar Waste Water Treatment Plant is a stand-alone project

Water scarcity provides our core markets

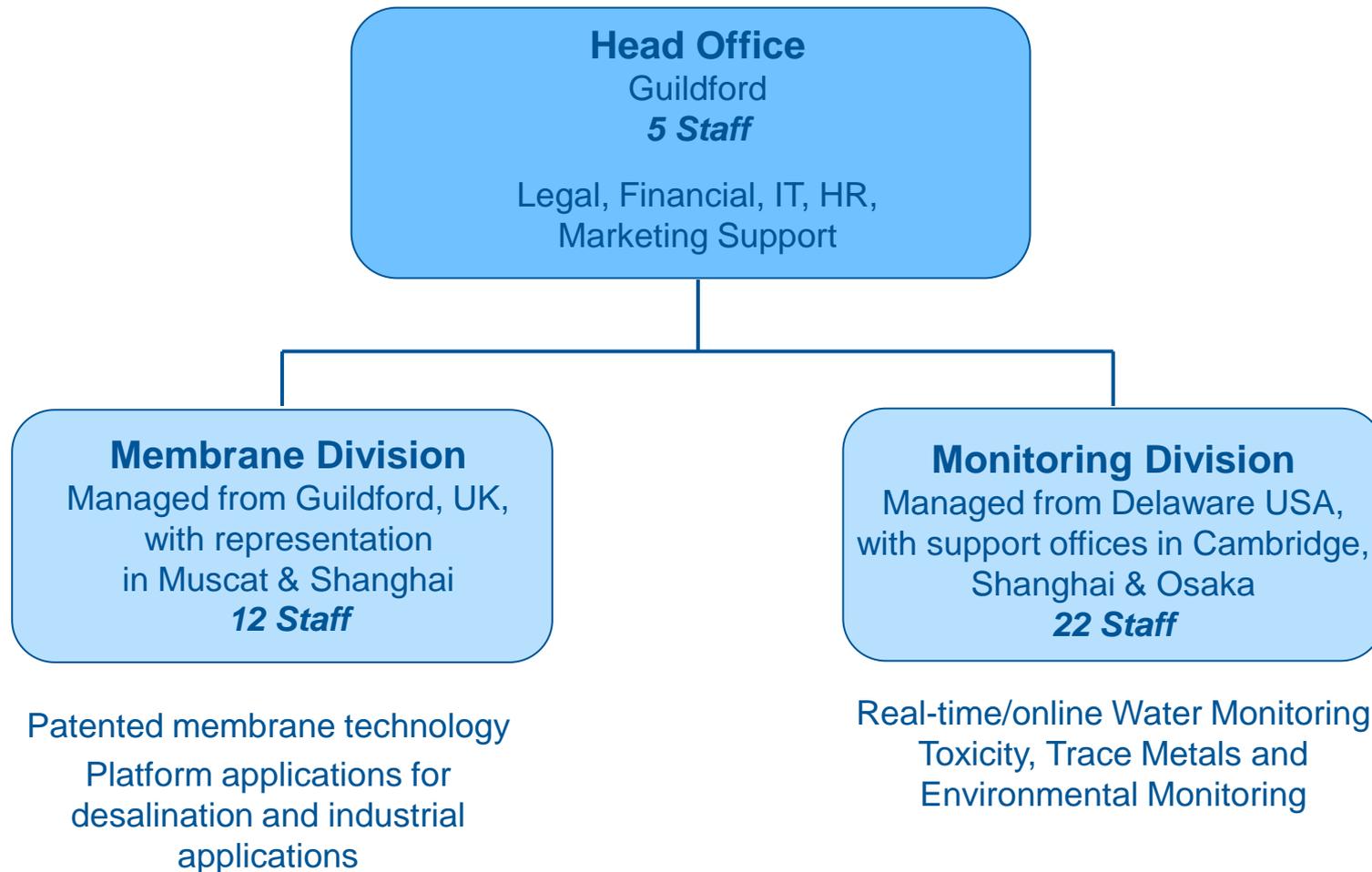
- India is forecast to spend \$4bn by 2020, just on achieving Zero Liquid Discharge (ZLD)
- China set aside \$540bn to fight pollution in 2012, over half focussed on water pollution
- Middle East is c.50% of the Global desalination market, thought to be worth \$12.6bn in 2016
- The global water testing and analysis market is projected to be worth \$3.5bn in 2019

Background

- Founded in 2006 with IP Group plc as a core shareholder and listed on AIM in 2007
- 10 years of R&D has built a portfolio of 105 water related patents plus 42 pending
- 2015 restructuring refreshed the senior management and reduced overhead by £1.5m p.a.



Two Divisions





Membrane Division

Focussed on three Industrial products

1. AMBC helps industries achieve Zero Liquid Discharge (ZLD) at much lower cost
2. MSF pre-treatment can reduce direct energy costs by 27%
3. FO for evaporative cooling can cut the cost of 'make-up' water & chemicals by up to 30%

Revenue is predominantly up-front

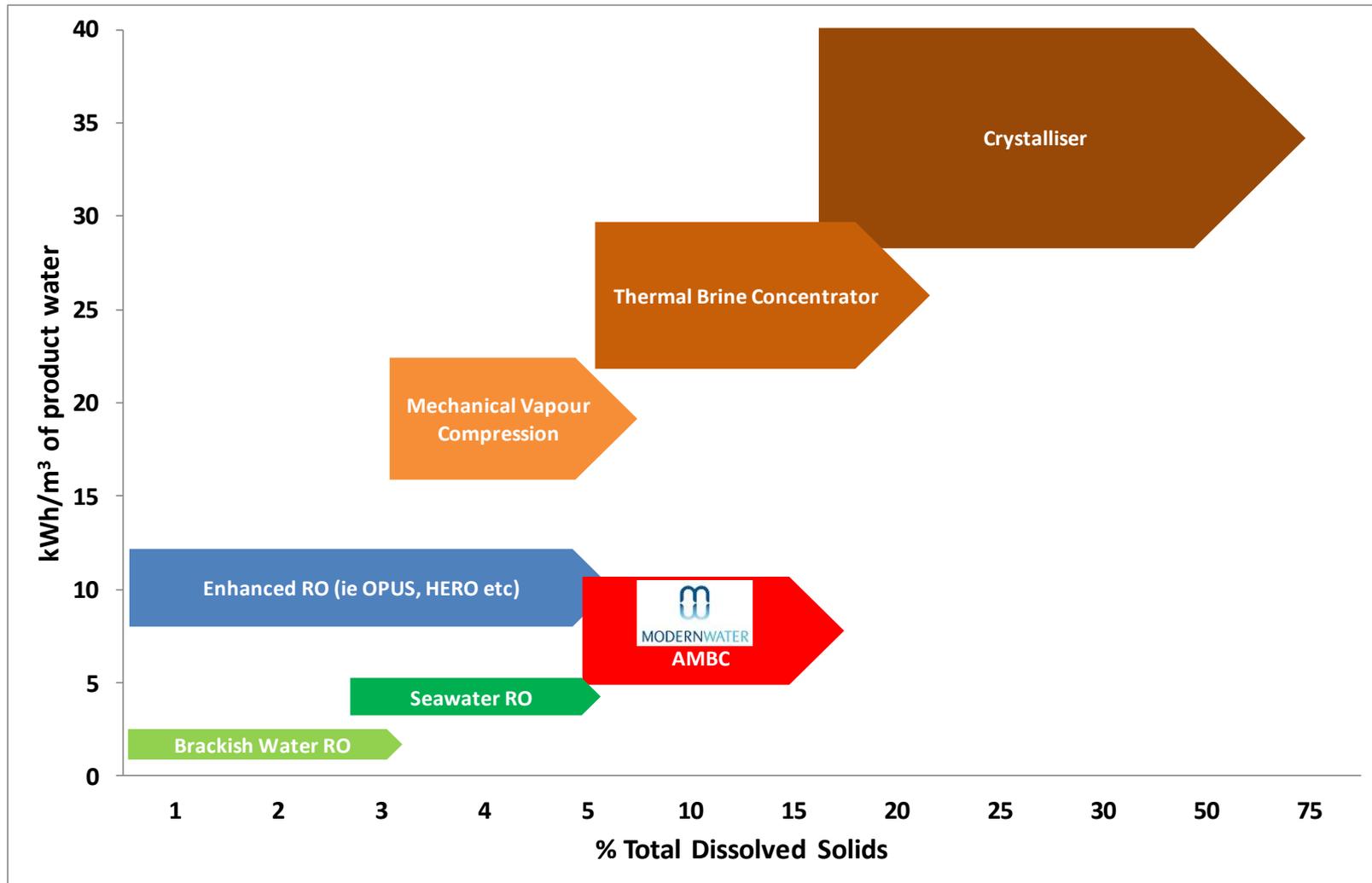
- We licence technology and sell expertise through partners, we don't build infrastructure
- Revenue is earned from technology licence fees, design services and commissioning
- This licence & consultancy business model significantly lowers our risk profile

Momentum is building

- Successful AMBC pilot in Nov-16 was followed by the first licence sale in Feb-17 in India
- Full scale plant to be commissioned shortly and 2nd successful trial now complete
- First FO licence sale in China in April-17 and AMBC sale made in Nov-17
- First Aqua Pak was commissioned in Oman in Mar-17 and 2nd order expected
- MSF pilot plant is fully designed, just waiting for a suitable field test site before fabrication
- 8-10 AMBC sales in a year will achieve breakeven



Membrane: The AMBC advantage





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AMBC is not just a patent





Monitoring Division

Background

- Built through a number of acquisitions in 2012-14
- Independent management appointed in 2016 and 3 operating entities were integrated
- Revenue comes from equipment sales and then ongoing high-margin consumables
- Key products are written into environmental legislation on 3 continents

Re-focussed strategy

- A 2015 report identified a \$90m market (ex China) for Monitoring's existing products
- Direct sales are now the focus in key markets: China, North America & Europe
- Also ownership of the recurring revenue streams: Consumables, Servicing & Rentals

New Product Development

- Two updated monitors were launched in summer 2017; the CTM II and Microtox DX
- An updated on-line trace metals monitor was launched in early 2018; Microtrace OVA
- Redevelopment of the key Microtox LX is underway, with launch expected Q3 2018



Monitoring - China Strategy

Historically a single exclusive distributor

- Since 2013 we have used one company to distribute our Trace Metal products in China
- Sales have fluctuated between £500k - £1m p.a. with very limited visibility
- Our territorial and industrial sector exposure was also restricted
- In mid-2017 the Board decided to terminate this agreement and broaden our sales channels

The revised sales strategy

- We are now selling to multiple distributors managed locally and also directly to end clients
- Sales manager, technical support and junior sales already recruited
- We have also signed non-exclusive agreements with 10 distributors & integrators

The impact

- In 2017 we did not have time to replace our old distributor's annual year-end order
- This reduced 2017 sales, but as a consequence we began 2018 with a £260k order book
- Sales in Q1 2018 are up 270% and should exceed full year 2017 by the end of April



Monitoring - The Microtox LX

The Microtox M500.....

- *30 years old and still a best seller*
- *Components becoming obsolete*
- *Connectivity difficult*
- *No local screen*

...becomes the Microtox LX

- *Same legislated testing process*
- *Shared core components with DX*
- *Bluetooth & Wifi as standard*
- *Touch screen tablet control*





Gibraltar Waste Water Plant

Announced as preferred bidder back in 2014

- Modern Water & Northumbrian's JV announced as preferred bidder in October 2014
- MW will lead the design & build phase of the contract, tendered at £22m
- Pricing will be re-confirmed ahead of signing the main contract

Advanced Works Contract signed January 2018

- Commission the environmental impact assessment and apply for planning permission
- Clear site and beginning detailed surveying and planning to finalise scope of main contract
- Initial duration of 6 months whilst main contract is 'refreshed' and finalised

Gibraltar Government's announcement

- "Important step forward for this vital project"
- "Works on site will commence in H1 2018"
- "Completion expected in 2020"





Q1 2018 update

Group

- Revenue 37% ahead of Q1 2017
- EBITDA (Loss) improved £174k compared to Q1 2017
- Cash position £565k and USA receivables facility un-utilised

Monitoring

- Revenue +28% YTD vs 2017 (In USD growth vs 2017 is +38%)
- China is the key driver, but USA also ahead of prior year.
- EBITDA breakeven achieved in March and Q1 loss is £250k better than Q1 2017
- Mictotox LX redevelopment project remains on track

Membrane

- First full-scale AMBC plant now commissioned in India, which Chinese plant due imminently
- Once reference plants are operational, we expect sales to accelerate

Gibraltar

- Now 3 months into the Advance Work Contract, which progresses to plan
- Will work hard to achieve HM Gov of Gibraltar's ambition of plant completion in 2020



Summary

Areas of the world are critically short of water, NOW

- Recent FT article cites water scarcity as a key risk to Chinese economic growth
- Cape Town's "Day zero" - when it runs out of water - is predicted for July 2018
- Cities in India, Mexico, Brazil and Indonesia are not far behind

Modern Water....

- Owns proven, patented, technology targeted at improving Industrial water usage
- It is already selling licences to this technology in China, India and the Middle East
- It is the only supplier of test equipment mandated by many environmental agencies

In 2018 we hope to...

- Break-even for the first time in the Membrane Division
- Return the Monitoring Division to profitability by completing the sales transition in China
- Make significant progress in Gibraltar