PRESS RELEASE
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Record-High Revenues and Successful Integration of Utility Partners

Key highlights of fiscal year 2017

- Revenues reached $82.8 M, compared to $50.7 M in previous fiscal year;
- Successful integration of Utility Partners' operations and capture of $1.2 M of cross selling opportunities, after only 11 months;
- Recurring revenues from Specialty Products & Services ("SP&S") and Operation & Maintenance ("O&M") business pillars reached $62.7 M, equivalent to 75.7 % of consolidated revenues;
- Solid consolidated backlog of $109.0 M as of June 30, 2017, compared to $99.7 M in previous fiscal year;
- Adjusted EBITDA[1] stood at $1.8 M compared to $2.8 M in previous fiscal year;
- Net loss of ($5,130,986), compared to a net earnings of $158,969 in fiscal year 2016;
- Cash flows from operating activities stood at $1.8 M, representing a 31.2% decrease compared to fiscal year 2016.

All amounts in Canadian dollars unless otherwise stated.

Quebec City, September 29, 2017 – (TSXV: HEO) – H_2O Innovation Inc. ("H_2O Innovation" or the "Corporation") announces its results for the fourth quarter and fiscal year ended June 30, 2017. H_2O Innovation's revenues for fiscal year 2017 increased by 63.3% to $82.8 M, up from revenues of $50.7 M for fiscal year 2016, generating a gross profit margin of 23.1%. This year's growth is mainly fueled by the acquisition of Utility Partners on July 26, 2016, which impacted sales by adding $33.2 M in recurring revenues. The significant increase of revenues due to Utility Partners' acquisition was subdued by uncontrollable delays in projects schedule. The consolidated backlog as of June 30, 2017 stood at $109.0 M, with $53.9 M coming from our projects business pillar ("Projects") and $55.1 M from the O&M activities.

On the Projects side, revenues in fiscal year 2017 stood at $20.0 M compared to $23.0 M in fiscal year 2016, representing a 12.7% decrease. This decrease is mostly attributable to a shift in the nature of our water treatment projects, which means more municipal projects characterized by a more extensive engineering phase, increasing the gaps in revenue recognition. Projects schedule has been postponed due to situations out of the control of the Corporation, resulting in delays of revenue recognition. "Nevertheless, the launch of the flexMBR^{TM} technology during the first quarter of fiscal year 2017 allowed us to significantly increase our presence in the wastewater market with bookings of $13.0 M, compared to $0.7 M in fiscal year 2016. The current pipeline of Projects remains very rich in opportunities, supported by a $53.9 M projects backlog", **stated Frédéric Dugré, President and Chief Executive Officer of H_2O Innovation.**

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[1] The definition of adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) does not take into account the Corporation's finance costs – net, stock-based compensation costs, gain on purchase price adjustment, unrealized exchange (gains) / losses and acquisition costs. The reader can establish the link between adjusted EBITDA and net earnings. The definition of adjusted EBITDA used by the Corporation may differ from those used by other companies.

In this fiscal year 2017, the Corporation generated a 23.1% gross profit before depreciation and amortization, a decrease compared to the 30.7% gross profit before depreciation and amortization generated in fiscal year 2016. This decrease is explained by the revenue mix, which has been modified with the acquisition of Utility Partners. Utility Partners operates in a different model than the other Corporation's core activities. Indeed, O&M activities generally generates lower gross margin. Therefore, the integration of Utility Partners into H_2O Innovation, which in this fiscal year represents 40.1% of the total revenues, puts pressure on the overall gross margin of the Corporation, although increasing the predictability and stability of the financial results.

Adjusted EBITDA decreased reaching $1.8 M compared with $2.9 M during prior fiscal year. The ratio of adjusted EBITDA over revenues is at 2.2%, down from 5.7% for fiscal year 2016. This decrease of EBITDA is due to a lower volume of projects executed as well as the important shift in the revenue mix that also impacted the gross margin. The fourth quarter was also impacted by a one-time expense of approximately $0.3 M for the payment of severances following notably the right-sizing of the Projects business pillar.

CONSOLIDATED RESULTS **Selected financial data**	**Three-month periods ended on June 30,** (unaudited)		**Twelve-month periods ended on June 30,** (audited)	
	2017	2016	**2017**	2016
	$	$	**$**	$
Revenues	**24,037,884**	11,042,913	**82,764,508**	50,667,691
Gross profit before depreciation and amortization	**4,971,074**	3,688,703	**19,157,380**	15,542,431
Gross profit margin	**20.7%**	33.4%	**23.1%**	30.7%
Operating expenses	**467,873**	426,161	**1,916,001**	1,435,187
Selling expenses	**1,978,627**	1,692,377	**7,165,499**	6,341,175
Administrative expenses	**3,039,670**	1,292,330	**9,167,360**	4,813,709
Research and development expenses – net	**21,630**	53,704	**152,949**	198,004
Net (loss) earnings	**(1,742,862)**	(714,003)	**(5,130,986)**	158,969
Basic and diluted earnings per share	**(0.045)**	(0.034)	**(0.133)**	0.008
Adjusted EBITDA	**(20,486)**	1,829,891	**1,828,907**	2,874,929
Adjusted EBITDA over revenues	**(0.09%)**	1.4%	**2.2%**	5.7%

The Corporation's ratio of selling, operating and administrative expenses ("SG&A") as a whole over revenues amounted to 22.0% for this fiscal year, down from 24.8% for the previous fiscal year. This decrease is mostly attributable to the acquisition of Utility Partners on July 26, 2016 which increased the overall revenues without impacting proportionally the selling and operating expenses.

The net loss amounted to ($5,130,986) or ($0.133) per share for fiscal year 2017 compared to $158,969 or $0.008 per share for fiscal year 2016. The increase in net loss is partly due to the acquisition and integration fees for Utility Partners, delays in project execution and shift in the product mix which impacts also the gross margin.

Operating activities generated $1.8 M in cash in fiscal year 2017 compared to $2.6 M of cash generated by operating activities during the previous fiscal year. The net loss impact was subdued by the increase of depreciation and amortization due to the acquisition of Utility Partners compared to fiscal year 2016, but also to a positive change in working capital items, such as a higher volume of activities toward year-end, a timing difference within the projects production phases affecting the invoicing milestones reached and a positive impact of Utility Partners' working capital items. Investment in property, plant and equipment was also realized, totaling $1.4 M, from which $0.2 M was made for direct support of O&M specific plants.

“The business model is shaping up and we feel achieved by the successful integration of Utility Partners from a financial, operational and relational perspective. Within the first 11 months following Utility Partners' acquisition, we have renewed all expiring operation and maintenance contracts, captured multiple cross-selling opportunities between the three business pillars and secured two new O&M projects”, **added Frédéric Dugré, President and Chief Executive Officer of H_2O Innovation.**

Financial results for the fourth quarter of fiscal year 2017

Revenues for the fourth quarter were up by 117.7% to $24.0 M from $11.0 M for the same quarter of the previous fiscal year. The increase is explained by the addition of Utility Partners' revenues, following the acquisition on July 26, 2016.

For the quarter ended June 30, 2017, the gross profit before depreciation and amortization decreased to 20.7%, from 33.4% for the same quarter of the previous fiscal year. This is mostly due to a shift in the business mix during fiscal year 2017, where SP&S and O&M revenues exceeded 65% of the total revenues, impacting negatively the gross margin, although increasing the predictability and stability of the financial results.

The fourth quarter SG&A expenses were higher than during the first three quarters of fiscal year 2017. They stand at $5.5 M in this current quarter compared to $3.4 M in the fourth quarter of fiscal year 2016. The significant increase in SG&A expenses is due to the acquisition of Utility Partners and the integration of their corporate team, the increase in salaries and fringe benefits, the addition of personnel to support our overall operations and the payment of $0.3 M of severances.

Adjusted EBITDA for the fourth quarter was ($20,486) compared to $157,330 for the same period of last fiscal year. As for the net loss of ($1,742,862) for this quarter, it is caused by the increase of the SG&A expenses explained in the previous paragraph.

H_2O Innovation Conference Call

Frédéric Dugré, President and Chief Executive Officer and Marc Blanchet, Chief Financial Officer, will hold an investor conference call to discuss the fourth quarter and full fiscal year 2017 financial results in further detail at 10:00 a.m. Eastern Time, on Friday, September 29, 2017.

To access the call, please call (647) 788-4922 or (877) 223-4471, five to ten minutes prior to the start time. Presentation slides for the conference call will be made available on H_2O Innovation's website.

The annual financial report is available on www.h2oinnovation.com and on NYSE Euronext Alternext's site. Additional information on the Corporation is also available on SEDAR (www.sedar.com).

Prospective disclosures

Certain statements set forth in this press release regarding the operations and the activities of H_2O Innovation as well as other communications by the Corporation to the public that describe more generally management objectives, projections, estimates, expectations or forecasts may constitute forward-looking statements within the meaning of securities legislation. Forward-looking statements concern analysis and other information based on forecast future results, performance and achievements and the estimate of amounts that cannot yet be determined. Forward-looking statements include the use of words such as “anticipate”, “if”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “should” or “will”, and other similar expressions, as well as those usually used in the future and the conditional, notably regarding certain assumptions as to the success of a venture. Those forward-looking statements, based on the current expectations of management, involve a number of risks and uncertainties, known and unknown, which may result in actual and future results, performance and achievements of the Corporation to be materially different than those indicated. Information about the risk factors to which the Corporation is exposed is provided in the Annual Information Form dated September 26, 2017 available on SEDAR (www.sedar.com). Unless required to do so pursuant to applicable securities legislation, H_2O Innovation assumes no obligation to update or revise forward-looking statements contained in this press release or in other communications as a result of new information, future events and other changes.

About H_2O Innovation

H_2O Innovation designs and provides state-of-the-art, custom-built and integrated water treatment solutions based on membrane filtration technology for municipal, industrial, energy and natural resources end-users. The Corporation’s activities rely on three pillars which are i) water and wastewater projects; ii) specialty products and services, including a complete line of specialty chemicals, consumables, specialized products for the water treatment industry as well as control and monitoring systems; and iii) operation and maintenance services for water and wastewater treatment systems. For more information, visit www.h2oinnovation.com.

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– 30 –

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