



30 March 2012

Water Intelligence plc (AIM: WATR) ("Water Intelligence", "the Company" or the "Group")

Trading Update for the year ended 31 December 2011

Water Intelligence is a leading provider of smart water monitoring products and precision, non-invasive leak detection and remediation services. The Group's strategy is to be a "one-stop" solution provider for water utilities and commercial and residential customers as the need to prevent water loss from leaks and to preserve a scarce natural resource is increasingly recognized in the UK, US and markets around the world.

Water Intelligence is pleased to today update on trading for the year ended 31 December 2011.

2011 represented the first full year of operations after the reverse takeover of American Leak Detection, Inc ("ALD") by the Company in July 2010. The Board is pleased to announce that the directors of Water Intelligence expect that the revenue for the Group for the year ended 31 December 2011 will show an 11% revenue growth, reaching \$6.35 million compared to \$5.7 million in 2010. Revenues for both years were dominated by the Group's principal operating subsidiary, ALD, with 96% of total revenue in 2011 (2010: 99%). Each of the revenue drivers – products and services – are expected to show an improvement year-on-year.

During 2011, Water Intelligence laid the foundations for increasing revenues and earnings by developing its next generation smart water monitoring products: Domestic Reporter (for residences) and Commercial Reporter (for businesses). The Group already has strong commercial ties with UK water utilities customers, especially Thames Water and South West Water which have assisted in developing the Reporter products, and with municipal, commercial and residential customers across the US who are served by ALD. Although it has taken longer than expected to achieve sales of these new products, the timing for such product introductions in 2012 is good as market demand for solutions to water loss has only grown in the UK and US where the Group has most of its operations.

Services

ALD provides, through a mix of franchisees and corporate owned stores, non-invasive water leak detection and remediation services throughout the US, as well as in Australia, Belgium, Canada and certain other countries. All 2011 revenues for ALD divisions showed improvement over 2010: royalty income was up 7 per cent to \$4.13 million; franchise sales increased to \$158,000 from \$17,500 and corporate stores showed a modest increase to \$1.37 million from \$1.36 million. During 2011, all regions of the US showed positive sales growth. The Directors' current expectation is that 2012 will bring continued growth in revenue in the ALD business as US macroeconomic conditions continue to improve.

Products

Qonnectis Network Limited ("QN") is the Group's wholly-owned UK subsidiary that develops and sells smart water monitoring products. During 2011, QN sold approximately \$229,000 of the current generation *Leakfrog* data loggers (2010: \$36,000). It is anticipated that sales of *Domestic Reporter* and *Commercial Reporter* will begin during 2012 and that *Leakfrog* sales will also continue as there is current interest in the product. As announced during June and August 2011, Thames Water and South West Water have been working with the Company to develop *Domestic Reporter*. The Company currently has demonstrated pre-production units that have garnered interest from potential customers. As announced in December 2011, the Company has installed test units of *Commercial Reporter* at sites in the UK. Like *Domestic Reporter*,

Commercial Reporter has attracted expressions of interest among customers. The Company is hopeful that it will achieve sales orders for each of the products in the coming months. In working with various potential customers to refine the design and functionality of these next generation products to meet customer needs, the overall product cycle has taken a bit longer than originally planned. From initial expressions of interest, however, the Company remains confident about achieving 2012 sales growth in our mix of products.

Management changes

On 3 February 2012, Bill Palmer resigned from his position as President of ALD. Dr Patrick DeSouza, Executive Chairman of Water Intelligence, has assumed the role of President of ALD.

Dr. Patrick DeSouza, Executive Chairman of Water Intelligence, commented:

“Whilst double-digit sales growth in 2011 was pleasing, our focus during the year was to invest in the future growth of the business through a mix of exciting new products and improved execution. We are excited about the market opportunities for the company given the world-wide demand for integrated product and service solutions to water loss. As we enter the second quarter, the Board remains confident that 2012 will deliver an even stronger performance.”

ENQUIRIES:

Water Intelligence plc

Patrick DeSouza, Executive Chairman

Tel: +1 203 654 5426

Merchant Securities Limited

David Worlidge

Tel: +44 20 7628 2200

College Hill

Mark Garraway

Tel: +44 20 7457 2020