



shareholder newsletter

September 2013

Share price	10.25p
52 week high / low	36.25p / 9.50p
FTSE Sector	Electronic & Electrical Equipment
Shares in issue (m)	132.51
Market cap	£13.9 million
NOMAD / Broker	Genkos Securities

Key milestones achieved



Energy

- ✓ Sales projections exceeded with 53,000 accounts gained
- ✓ Thames tariff withdrawn in line with business plan
- ✓ Significant media coverage achieved for the Flow brand

The Flow boiler

- ✓ 100 customers identified from 4000 applicants for final pilot installations in November 2013
- ✓ 20 additional LPG customers identified by Calor for pilot installations
- ✓ Production-standard boilers for the pilot currently being manufactured in the UK
- ✓ Units sent to BSI for CE testing
- ✓ Training of surveyors and installers initiated
- ✓ Energy Savings Trust, the UK's most trusted energy efficiency brand, agrees to ratify the boiler pilot
- ✓ Large database of potential boiler customers created via energy offer marketing

Key objectives for 2013



- Agreement with boiler assembly partner manufacturer
- Completion of distribution and installation infrastructure
- Installation of 120 pilot boilers in customer homes



Tony Stiff, Group CEO & Managing Director, Flow Energy



“Flowgroup is a business that is firmly on track. Our energy offer proved so popular that we could grow our customer base to 53,000 customer accounts in just four months. More than 4000 customers applied to be part of the final domestic pilot of 100 Flow boilers, proving again that the market for the Flow boiler is ready and waiting. We’re now making production-standard boilers for installation for the pilot. This represents a fair amount of extremely good news.

Both I and Clare Spottiswoode, Chairman of Flowgroup, bought more shares in July, reflecting our continuing confidence in the business. We’re happy to say that the new member of the Board, John Johnston, is also a shareholder. John brings significant City experience to the Board and we’d like to welcome him to Flow at what is a very exciting time.”

The final Flow boiler pilot

The marketing campaign to identify 100 homes for involvement in the final domestic pilot of the Flow microCHP boiler began in late June. Within just 6 weeks, 4000 customers had applied. 200 of these customers were chosen for home survey and 100 customers will have Flow boilers installed, starting in November of this year

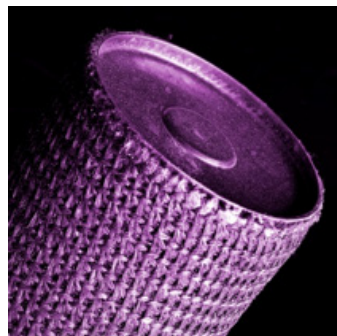
This domestic pilot is the final stage of development before the full launch of the boiler in April 2014. We've been extremely pleased with the customer response to our marketing for the pilot and we believe this puts us in an extremely strong position for next year.



Boiler components:copper pipes



Scroll expander



Gas burner

53,000 customer accounts registered

Flow Energy's original sales target was 36,000 customer accounts. Due to favourable market conditions this was extended, and in early August we hit 53,000 customer accounts. In line with our business plan – to win energy customers in order to test our systems, bed down our processes and gain exposure for our brand – we then withdrew our Thames tariff. We're now concentrating, as planned, on servicing our existing customers and preparing for the trial and then launch of the Flow boiler. The larger customer database we now have provides an excellent platform for cost-effective marketing of the Flow boiler next year.

A strengthened team

We are refocusing key skills within the business at this crucial time. Giovanni Suero will move to Managing Director (Flow Products). Since arriving at Flow, Giovanni's single-minded focus on delivering our unique technology has impressed everybody. Geoff Barker will move to Business Development Director. Geoff's extensive product and industry knowledge will now be used more strategically, allowing us to develop key relationships, design our product roadmap and identify new market opportunities. Andrew Beasley will move to Managing Director (Flow Energy). Andy's vast experience of both the intricacies of energy administration and the fundamentals of the market means he is perfectly placed to ensure our energy offer continues to lead the pack.

Detailed product roadmap

To add to the market potential of the existing Flow boiler, we are creating an extensive and detailed product roadmap for the next 5 years. As well as designing additional models for the UK market, to expand the potential number of homes Flow can install in, the roadmap includes plans for significant expansion into international markets.

Pilot boilers manufactured to production standard.

The initial 175 Flow microCHP boiler units for the winter pilot (120 for installation and 55 for testing and replacements) will be manufactured to production standard in the UK and we have signed an agreement to this effect. The crucial electricity-generating power module for the pilot boilers, which is housed in the Flow microCHP unit, will be manufactured in the UK by Eaton-Williams Ltd. Eaton-Williams is a highly experienced manufacturer with an impressive pedigree. The manufacture of the first production-standard Flow boilers represents another significant milestone for Flowgroup. We will make decisions about long term manufacturing partners in due course.

energy saving trust Energy Saving Trust to ratify the Flow boiler trial

The Energy Saving Trust (EST) is the UK's leading energy saving consumer advice brand. They have an established reputation for developing and delivering high-quality projects to monitor the in-situ performance of energy efficiency and low-carbon technologies – and then recommending successful products to the millions of consumers with whom they have regular contact. The EST have provided vital assistance in designing the Flow boiler trial and their endorsement of the Flow boiler will be a powerful marketing tool.

Media coverage

Despite the media allocating an extremely limited amount of space to small suppliers, Flow Energy has gained significant media coverage, providing Flow with vital brand exposure.

Media	Instances	Positive / negative*
Times/Sunday Times	5	4+ / 1-
Guardian	3	3+
This is Money	2	2+ / 1-
Moneywise	1	1+
Radio 4	1	1+
Utility Week	1	1+

*Negative coverage was, in both instances, linked to our status as a new, small supplier



Calor: a growing relationship

Calor, the leading LPG supplier, is providing survey and install support to Flow for the boiler trial. In addition, as Calor see the Flow boiler as a key lever for attracting new customers, they will be installing Flow boilers in the homes of 20 of their LPG customers. Calor is a large company with an extremely strong brand and balance sheet and we are pleased to be working closely with them in what is a strengthening and growing relationship.

New board member

We're very pleased to announce the appointment of John Johnstone as a Non-Executive Director. John has had a long and distinguished career in investment, most recently as Managing Director of Institutional Sales at Nomura Code. His appointment comes at a key stage of Flowgroup's development and he has the necessary skills and experience to further strengthen our Board. He will join both the Audit and Remuneration committees.



Pnu Power has been officially renamed as Flow Battery, to bring the company into line with the overarching Flow brand. Whilst we wait for the outcome of the National Grid tender, Flow Battery's financial and management resources will be refocused within Flow Products, to assist in the development of the key boiler business. We will continue to monitor Flow Battery's own market for future opportunities.



Feedback or questions: please contact
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The next quarterly shareholder newsletter
will be released in December.