



shareholder newsletter

May 2014

Share price	37.5p
52 week high / low	42.99p / 9.48p
FTSE Sector	Electronic & Electrical Equipment
Shares in issue (m)	239.4m
Market cap	£89.7 million
NOMAD / Broker	Genkos Securities

Key milestones achieved in 2014



- ✓ The Flow boiler receives CE certification from the BSI
- ✓ Production-standard Flow pilot boilers meeting expectations
- ✓ Plans for volume production passed to Jabil
- ✓ Flow Energy launches a new competitive energy tariff
- ✓ Negotiation of improved wholesale trading arrangements
- ✓ Flow Battery receives an order from Trane Canada
- ✓ Boiler power electronics control system achieves BSI G83/2 compliance

Key objectives for 2014



- Launch the Flow boiler into the market
- Develop a product roadmap to increase the potential market size for the Flow boiler in the UK and abroad
- Create a prototype of the combination version of the Flow boiler
- Continue to build our installation and servicing infrastructure
- Open our dedicated training school
- Increase visibility for Flow with consumers and industry

Message from Tony Stiff



Tony Stiff, Group CEO

We have already achieved a significant amount this year. We have received CE certification for the Flow boiler, which is a watershed moment. While we had no doubt we would receive it, having the Flow boiler officially passed as suitable for home installation and volume manufacture is obviously a vital seal of approval.

The Flow boilers installed as part of the pilot are, as expected, performing well. More importantly, our installation team have been able to use the real-world experience of installing Flow boilers in a range of houses to refine their procedures. While the plans for volume production have now been passed to Jabil, the pilot boilers will continue to operate until March 2015, to provide additional reliability and efficiency data.

Our production team are now working closely with Jabil who have made significant progress in preparing their dedicated facility in Livingston, Scotland. We have an excellent working relationship with Jabil and the benefits of working with a manufacturer with such a broad range of skills and experience is already becoming very clear.

Flow Energy is now back in the energy market with a relaunched energy tariff. As

well as bringing on more new customers, and more revenue, the exposure that being in the energy market brings is extremely useful in generating coverage for and interest in the Flow boiler. To make re-entry a less cash-intensive proposition, we have negotiated improved trading arrangements with Morgan Stanley.

There has also been good news from Flow Battery, who have won an initial order from Trane Canada for a large, national telecommunications client. We believe this represents a significant opportunity for Flow Battery in the North American market.

While there has been success across the Group, our focus is very much on the launch of the Flow boiler. We have a firm plan in place to achieve volume sales in the UK and we have been extremely pleased at the level of interest in our technology from energy-related businesses from around the world. We believe that the Group's technology platform has the potential to underpin this business's transformation into a global energy technology company. With that goal in mind, we are excited about our prospects for the year ahead.

CE Flow boiler receives CE certification

On the 27th March 2014, the Flow electricity-generating boiler was awarded CE certification from the British Standards Institution (BSI). The CE mark indicates that the Flow boiler has passed all safety regulations and has been certified for volume production and home installation. This has allowed us to pass the design for volume manufacture to Jabil, ready for manufacturing to start in the second half of this year.

Jabil: production update



In preparation for the start of volume manufacture in the second half of 2014, Jabil, Flow's world-class manufacturing partner, has made significant progress in preparing its facility in Livingstone, Scotland. Jabil has purchased and commissioned test equipment, designed production line layouts and employed key staff with specialist skills. Flowgroup's supply chain has been connected to the manufacturing facility and Jabil is now placing orders directly with the Group's suppliers. Personnel from both companies are constantly in communication on project development and both teams share the excitement as this unique project nears volume production.

Flow energy: Thames tariff relaunch

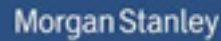


In 2013, Flow Energy launched to the home energy market with its Thames Tariff and registered around 50,000 customer accounts, representing an extremely successful launch of a new energy company. These customers now generate annualised revenues of £30m.

In order to increase our revenue and customer base still further, and to generate additional coverage for the Flow brand and boiler, we relaunched the Thames tariff on the 2nd April. Both new and existing customers can fix prices on the Thames Tariff until 31st August 2015.

The Thames tariff is still extremely competitive and our sales figures have been very positive in the first few weeks. We're very happy to be welcoming new customers to Flow in the run up to the launch of our game-changing boiler.

£1m collateral returned with improved trading arrangements



Taking on new energy customers is usually a cash intensive proposition, since collateral has to be lodged with wholesalers in the energy market. In order to improve Flow Energy's cash position going forward, we have negotiated improved trading arrangements with Morgan Stanley Commodities, requiring less collateral to be lodged when buying energy. The new deal allows more than £1m in currently lodged collateral to be paid back to Flow, which can be reinvested in the business. Being able to negotiate these new trading arrangements is a result of the increasing maturity of our business and our growing track record and they allow Flow Energy the opportunity for significant energy customer growth, with all the benefits that brings to the business.

Flow Battery receives an order from Trane Canada



We were very pleased to announce in March that Flow Battery had received an initial order from Trane Canada for one DC100 (100kW) and one DC50 (50kW) compressed air battery unit.

Trane is part of Ingersoll Rand, a global company with revenues of \$14 billion. The units have been procured by Trane for a major Canadian telecommunications company. The units will be installed in a telephone exchange, part of the company's extensive national network. The deal further strengthens Flow Battery's position within the high power market, one of our key target markets and, of course, within the North American market, where we believe excellent sales potential exists.

Flow boiler pilot update



The Flow boiler pilot began in November 2013. It will run until March 2015 and will cover 120 installations, including 20 for Calor customers. To date, we have 75 boilers installed.

Calor's 20 installs will occur over the coming months, in line with their own schedule. Flowgroup's remaining 25 will comprise of the first 25 units to roll off the Jabil production line, allowing us to monitor performance of the final model in pilot homes. All pilot boilers will be taken from homes from March 2015 for detailed analysis.

The pilot boilers have been successfully running over the winter, in heat-only mode, to prove the heating capability of the condensing boiler and to monitor reliability. The power units, which contain our electricity-generating technology housed inside the body of the Flow boiler, required CE Certification before installation. Since we achieved CE Certification at the end of March, power units will now be installed in existing boilers in a range of pilot homes. Although we already have an enormous amount of laboratory data on the boiler's generation capability, the power units we install will provide additional useful data as they run throughout the year.

The primary aim of the Flow boiler pilot was to refine surveying and installation procedures and to gain customer feedback on the process, the boiler itself and its control system. All of which has now been achieved.

We have worked with a range of installation partners and gained vital insight into the process, installing Flow boilers both in a range of homes and a range of locations such

as kitchens, utilities and garages. The installs we've conducted have allowed us to determine the optimum delivery process for the boiler, the average time for the installation process, what to include in installation kits and the priorities for customers before, during and after the install. We've also been able to test the quality of the work conducted by our install partners and to learn from any mistakes they make. What we've learnt through these live installs will be fed into the design of our training programme for installation and servicing engineers.

Post-install, we've gained important insight from our customers about the install process as well as their reaction to the boiler itself and its controls. Feedback has been very positive and customer engagement with Flow has been strong. Many customers are 'evangelical' about the benefits of the Flow boiler and we fully intend to capitalise on this positive sentiment with all our customers as we launch the boiler.

As expected, there have been some minor issues with installs and hardware which have been quickly ironed out. This is a positive experience and has allowed us to test our remedial services, define our spares list and check the quality of aftercare both on the ground and over the phone. We've used the knowledge we have gained to make minor modifications and improvements to the design of the boiler, which have been passed from our design team to Jabil and which will be implemented in the final production design, ready for launch in the second half of this year.



Feedback or questions: please contact
flowgroup@walbrookpr.com or 020 7933 8780

The next quarterly shareholder newsletter will be released in July.