



# shareholder newsletter

## July 2014

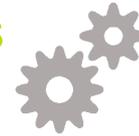
Share price	24.5p
52 week high / low	42.99p / 9.48p
FTSE Sector	Electronic & Electrical Equipment
Shares in issue (m)	239.49m
Market cap	£59 million
NOMAD / Financial Adviser / Broker	Investec Bank plc
Financial Adviser / Broker	Cenkos Securities

## Key milestones achieved in 2014



- ✓ Flow Energy's new tariff launched with sales meeting expectations
- ✓ Flow Energy achieves top 5 customer service rating
- ✓ New boiler installer training facility opened
- ✓ Improved components sourced to enhance boiler efficiency and secure volume capability
- ✓ Independent installer network created
- ✓ Flow Battery ships unit to Trane, Canada

## Key objectives for 2014



- ✓ Jabil to put boiler production line into operation
- ✓ Launch boiler sales and marketing campaigns
- ✓ Sign agreements with partners for international expansion
- ✓ 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

## Message from Tony Stiff, Group CEO



"We are continuing to put in place all the elements required to ensure the Flow boiler reaches its full potential. Our plan is for the Jabil production line for our game-changing, electricity-generating boiler to be put into operation before the end of this year. The initial units to roll off that line this year will be used to upgrade our pilot customers to full production models of the Flow boiler and for continued testing. Volume manufacture, and the first commercial

installs in customer homes, will then initiate in Q1 2015, with the number of boilers produced in Livingston increasing every month throughout the year. To enhance both reliability and the electrical generation capability of the Flow boiler still further, we have sourced improved versions of some key components. These new components will now be rigorously tested in line with best practice, prior to launch.

To supplement the existing relationships we have with national installers, we are in the final stages of negotiation to bring another on board, to ensure nationwide installation, servicing and repair coverage. We have also recruited a national sales team to target independent installers who will both fit and recommend our boiler to their customer base. Although the team has only been in full operation for a few weeks, they have already had nearly 1000 installers expressing interest in our free training programme. They will continue to speak to installers across the country, building our installation capability to ensure that we can meet the install targets we have set ourselves.

All installers will attend the first Flow training academy in Cheshire. Our initial state-of-the-art facility has the capacity to train around 3000 installers a year. It boasts two wet training rooms (with plumbed in, operational boilers), a dry training room (with boilers without plumbing, for theory lessons), a showroom, classrooms and office space. It's an extremely impressive facility that's reflective of our vision and ambition.

Interest in the boiler has come from a wide range of sources. Members of our senior team have had meetings with representatives from major international organisations as well as government representatives. We believe that our increased visibility with policy makers could result in policy changes that support the Flow boiler. And we are confident that we will soon be in a position to work with international partners to expand the potential for the Flow boiler overseas.

I hope you enjoy the rest of the newsletter. We're extremely pleased with the progress we are making and we will continue to update you with good news over the coming weeks and months."

## The Flow training facility opens



As revealed in our recent RNS, our training facility is now open and training will begin in August. The 9,000 square foot facility is strategically placed just off the M56, close to the junction with the M6 at Preston Brook, Runcorn. It incorporates office space, lecture rooms, a showroom showcasing Flow's unique technology, training rooms and a technical support centre. There are two wet and one dry training rooms containing a total of 10 fully-functioning Flow boilers, where installers can get hands-on experience of working with Flow's technology.

The training facility has the capacity to train up to 64 installers a week, allowing in excess of 3,000 installers to be accredited on an annual basis. This will allow us to train sufficient qualified installers throughout the country to meet our launch sales volumes.



## Energy supply numbers continue to grow in line with business model



After re-launching the Thames tariff in April of this year, we've been bringing on new energy customers in line with our business model. We've chosen to add to our customer base gradually, allowing customers to flow naturally to us rather than paying expensive commission to attract them, which improves our profitability. Despite nearly all other energy companies raising their prices over the last 12 months, our energy trading team have worked hard to keep the same tariff, a message which has gone down very well with consumers, who see Flow as a trustworthy company that can be relied on when it comes to price. The level of trust we are building up with consumers will be extremely important when we launch the new boiler as a new technology. Adding to our energy customer database brings real advantages to the business. It adds to our revenue stream, generates vital additional exposure for the Flow brand and continually adds to the pool of customers to whom we can easily and cost-effectively market the boiler.

## Strong interest from boiler installers nationwide

While we already have agreements in place with national installers, and are in discussion with more, independent boiler installers also represent an excellent route to market for the Flow boiler. Many customers go to their local plumber or installer first, to ask for a recommendation on which boiler to buy. Giving installers the opportunity to recommend and fit the Flow boiler opens up a sales channel with extremely strong potential. Our national sales team has only been in operation for a few weeks but has already had interest from a large number of installers. Over 1000 installers have expressed interest in completing the training. Once they have been trained, they will be in a position to recommend the Flow boiler to their customers after launch, which should drive significant sales. Our team will continue to target this lucrative market to expand our installer base still further.



## International expansion

The Flow boiler has the potential to be a worldwide success. Launching first in the UK, we then plan to target the European boiler market, where there are over 9 million boiler sales every year, as well as the North American and Asian markets. In order to achieve this level of international expansion, the Group considers it essential to put in place agreements with large players in our key target markets. Our business development team have been working hard to achieve this goal and we will release more information about their progress in the coming months.

Global heating market values 2012



## Jabil: production update



As we move towards production, our focus is firmly on establishing volume capability. If the Flow boiler, as we predict, is to become the first choice for all UK consumers, then we require high volume capacity. The new components we've sourced from European manufacturers enhance the operation of the boiler and also, primarily due to the manufacturers' scale, facilitate volume manufacture. These new components fit within the existing design of the boiler, which has been locked down with Jabil. It is these components that are now being tested. The design of the boiler remains the same – effective, robust and ready to be scaled up into volume manufacture.

## Dr Simon Skillings to join the Flow team



We're very pleased to announce that Dr Simon Skillings has joined our team as an advisor, to help shape strategy and policy for the Group. Dr Simon Skillings is Director of Trilemma UK Ltd. He has worked in the energy industry since 1984. After spending some time in the Research Division of the CEBG, he worked on the privatisation process in 1989. During the 1990's he worked for Powergen and held a variety of strategic, trading and regulatory roles. Following the takeover of Powergen by E.ON in 2002, he was appointed Director of Strategy and Energy Policy for the UK business and a member of the Top Executive Group of E.ON AG. Simon has worked independently since 2007, including a variety of assignments for industry, Ofgem and the UK Government. He is currently a Senior Associate with E3G, a not-for-profit organisation working on sustainability issues, and an Honorary Fellow at Exeter University. We believe that Simon has the skills and experience to play a major role in driving the Flow business forward and we'd like to welcome him aboard.

## Flow achieves top 5 industry customer service stats placing

Company	Q1 2014 complaints per 100,000 customers
Green energy	184
Ecotricity	193
Good Energy	211
<b>Flow Energy</b>	<b>223</b>
Co-op	349
loCO2	647
First Utility	1182
Scottish Power	1357
OVO	1781
SSE	2760
British Gas	3084
Spark	3178
E.ON UK	3276
EDF Energy	4614
Npower	8237

Flow Energy is bucking the trend for poor customer service in the energy industry with some of the best customer service stats around. All energy companies are obliged to publish their complaint stats on a quarterly basis and Flow Energy has achieved a top five placing, coming in fourth, easily beating all the Big 6, as well as smaller suppliers like Ovo, First Utility and the Co-op. At Flow, we always set out to create a different kind of experience for the customer, one which is very much focused on honesty, openness and providing solutions that benefit our customers. We think these stats show we've managed to do that. We achieve as good scores as some of the most ethical and trusted energy brands. We believe we can continue to engender this level of customer trust when we launch the Flow boiler, attracting customers both on our product offering and our reputation for excellent service.



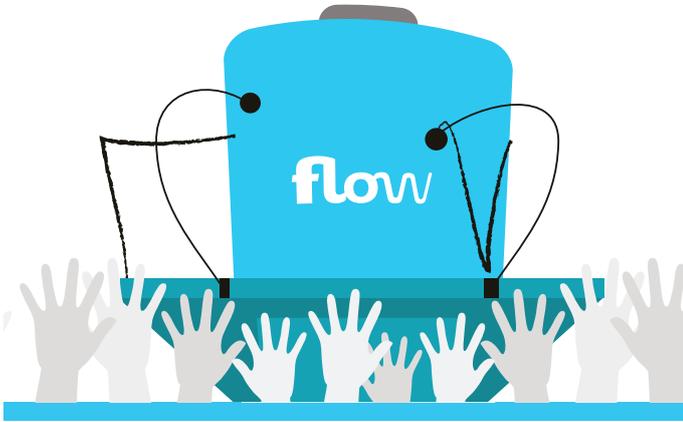
**Diary date: 13th September**

Shares magazine Stock Market Show

Business Design Centre, London

Flowgroup will be part of the first Shares Magazine Stock Market Show in September. Come along to hear Tony Stiff's presentation and to meet some of the team on the stand.

## Growing recognition from key players



We believe that the Flow boiler is a game-changing technology that can play a key role in solving some of the energy-related issues the UK faces. There is also now growing recognition of the potential power of Flow's technology in wider circles too. Our senior team have attended several meetings with government ministers and MP's, all of whom have been extremely impressed with the potential of the Flow boiler to allow the UK to move to low carbon, localised generation on the way to a renewable future. We believe that generating this level of interest among policy makers may well result in the Flow boiler receiving direct or indirect policy support and we will continue to meet with government figures in order to maximise the potential of this area of activity.

## Flow Battery ships units to Trane, Canada



Factory acceptance at Trane, Canada

Following the placing of an initial order earlier this year, Flow Battery have now shipped a DC100 unit to Trane in Canada for a national telecoms client. This is a 100kW unit which will be used within a telecoms switching station. Trane have also ordered a second unit – an SU50. This is a 50kW rated fully integrated UPS (uninterruptible power supply) and is a new design and build product for Flow Battery, expanding their product range still further. Developing a relationship with Trane, a very large, very successful company that embraces new technology solutions, will we believe, open up many more opportunities.

## Flow on film with ITN



Energy UK, the energy industry's trade body, has commissioned a film about the energy industry, to be produced by ITN and premiered at the Energy UK annual conference in October. Several energy companies have been asked to participate, including Flow. The film, for the most part, will focus on how to rebuild trust in the energy industry. However, our message will be very different. While other energy companies will no doubt talk about better communication, clearer tariffs and tailored messaging, Flow will talk about its revolutionary microgeneration technology platform that will change the UK energy industry forever. Because, of course, we won't rebuild with small tweaks to our customer offer. We'll rebuild trust by empowering customers to generate their own electricity, giving them a stake in the energy industry and providing them with an opportunity to shape the energy future. Following its premier at the Energy UK conference, the film will be available on the Flowgroup website and will also be distributed to a wide selection of policy makers and industry decision makers. We expect the film to significantly increase Flow's profile and to take our message to a wide and influential audience, with all the benefits that will bring for our brand and for sales.

## Test centre upgrade



We have upgraded our boiler test centre in Unit 12 at Capenhurst to operate at full capacity, with 10 Flow boilers working continuously. These boilers are constantly monitored, generating useful reliability and performance data. Unit 12 is a stone's throw from the R&D workshop where the Flow boiler was developed and where future versions will be designed. Both facilities offer an impressive illustration of the scale and scope of the Flow operation.



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