



Flotech Extends Global Leadership in Biogas Upgrading Systemsdriving energy technology

Business Performance Review 2008-09 and Focus Forward

Renewable energy technology specialist, Flotech Group, is poised to achieve fresh growth after making strong gains in extending its competitiveness as the global leader in biogas upgrading systems.

It has a proven competency in robust biogas upgrading systems to produce renewable energy that meets international standards for purity. This clean biomethane gas may then be used to fuel public transport fleets, national power grids and communities.

Flotech has a sound financial platform to build on. Strong demand for Flotech's expanding range of biogas upgrading systems, smaller FPSO projects which earned healthy margins, prudent financial management to lower cost of

products and favourable exchange rates, contributed to a credible result with growth in revenues and profitability in the year to March 31 2009.

In the past 12 months, Greenlane

Biogas has delivered core upgrading technology to the world's single largest biogas upgrading plant in Güstrow, Germany and is soon to commission a massive project in Madrid. It also opened an office

IN THIS ISSUE:

Business Performance Review

Focus on Energy Solutions

Performance Highlights & Prospects

Outlook

Strategic Priorities & Competitive Appeal

Interview with Morgan Jansson - MD Flotech Sweden



Madrid Biogas Plant

in North America and won early sales for its range of proprietary, revolutionary Manuka upgrading plants.

The innovative units are examples of Flotech's pioneering philosophy and competency to develop and implement world - leading technology to upgrade raw gas from biomass to produce biomethane gas.

These new transportable, compact plants are literally off the Greenlane shelf. They are cheaper than customised or individually designed plants and ideal for safe and simple energy conversion for communities, commercial, agricultural and industrial sectors, public bus and vehicle fleets and power grids.

Focus on Energy Solutions

Flotech is an unusual business in that while it originated in New Zealand, it is highly internationalised. The renewable energy markets in which it specialises are enjoying incredible opportunities as governments and private entities in major developed countries rapidly step up their investments.

Flotech is well positioned to quickly and ably respond to the market demands with product and service solutions available across its four core business streams - gas compression systems, aftercare and heat exchange. It's robust biogas upgrading systems produce renewable energy that meets international standards for purity to fuel public transport fleets, national power grids and communities.

Performance Highlights and Prospects

- Revenue and profits increase with sound financial performance and solid balance sheet
- Encouraging early sales of Greenlane Biogas patented off the shelf Manuka biogas upgrading plants
- Delivered core upgrading technology to the world's single largest biogas upgrading plant in Güstrow, Germany, five times bigger than projects under taken by any competitor in Europe and maintained leadership in small to medium plants
- Greenlane commands 52% market share in Europe and 17% of the global biogas upgrading market
- Expanded into North America
- Healthy gas compression systems' orderbook with quick to market solutions available
- Enhanced AfterCare service, monitoring and maintenance offering
- Building core competencies in design, project management, quality assurance, innovation, supply chain operation, market knowledge and tailoring relationships.

Gas Compression Systems

This division, the core revenue generator, produced a healthy result in 2008-09 that achieved stretch sales targets despite the slide in global oil prices.

Flotech quickly responded to the changes in demand in oil exploration and floating platform services, recognising the market shift to

smaller, less expensive compression packages. It was able to win new customers with quick to market FPSO solutions thus maintaining good work flow and forward orders in the short to mid term.

Early in 2009 Flotech won a significant contract for a power plant in Brazil as a result of a long term



Flotech gas compression system being tested at the Auckland plant

customer's referral. The job involves providing nine large compressors delivering clean natural gas at 350 bar to replace diesel fuel. Another major project is due to start in New Zealand early in 2010 for a gas storage unit requiring four gas injection compressors.

Flotech's approach to the sector is to be nimble in providing standardised packages that can be rapidly and efficiently delivered by manufacturing components in regional hubs or via outsourcing partnerships. All the while staying abreast with new innovations that will add value to the customer.

AfterCare

Integral to its overall offering and a valuable revenue stream is the AfterCare division, supplying parts, technical support, maintenance and remote management services to customers.

Condition monitoring systems with remotely managed access and diagnostics have become a standard customer expectation. Flotech operates systems that enable their in-house engineering and technical experts to predict problems, activate early interventions, fix faults and check efficiencies on installations from anywhere in the world.

Flotech also offers maintenance contracts, self service monitoring kits the client can operate and in-field upgrades as well as fast to customer delivery of spare parts.

Greenlane Biogas

Wholly owned Greenlane Biogas is running hot, consolidating its position as an early mover in the renewable energy sector and accelerating its clear leadership position to grow revenues.

Sales have been encouraging of the breakthrough Manuka range of standardised and containerised biogas upgrading plants. Customers, including public vehicle fleet operators and municipalities are

using the units - which are available ex-stock from Greenlane - in Sweden, the UK where a licensing distribution agreement is also in place, France, Japan and Asia. The plan is to quickly gain wide distribution through a series of strategic licensing arrangements.

Greenlane has a real competitive advantage and market credibility. It has an unmatched 20-year track record in delivering proven, clean and cost effective renewable energy



A Manuka unit installed at Motala, Sweden





technology. This uses water to purify biogas that can be converted to biomethane suitable for pipeline quality gas and vehicle refuelling.

It has also delivered projects that are unmatched in scale. The Güstrow project is five times bigger than any competitor in Europe has completed. Greenlane also maintained its leadership in small and medium sized plants with orders for 10 new projects in the year to date.

Greenlane now commands 52%

share of the global biogas upgrading market in Europe and 17% globally. It has designed, manufactured and installed the equivalent of 100 million litres of petrol per year using its proprietary water scrubbing technology which is carbon neutral.

It has expanded into North America, operating from a Vancouver base with its own locally recruited sales team under the direction of a highly competent executive with direct energy sector experience and an engineering and management background. The first



Greenlane delivers clean and cost effective renewable energy technology, pure enough to fuel vehicles.

projects in North America are already being implemented.



Even Greenlane's largest model, the Totara, can be delivered as a containerised module that is easy to install

Outlook

Looking forward, the biogas upgrading sector is especially buoyant with excellent prospects both short and long term, not only for the building of larger plants but carving out a unique new niche with the launch of the plug and play biogas upgrading units, marketed under the Manuka brand range.

Flotech's gas and compression division which has continued to perform strongly is expected to face increasing competition as North American suppliers vie for work out of their home market, but the company is well positioned. It has long established relationships with GE as a supplier and with its customers and also knows how to adapt and maintain momentum for quick to market solutions.

The Group's AfterCare sector is also poised to grow exponentially with remote monitoring and service provision options available.

Strategic Priorities and Competitive Appeal

Flotech has its eyes focused on the customer and the exciting opportunities ahead as a fleet, capable, innovative renewable energy technology specialist able to build on its credible track record of performance.

The main challenge is a happy one - to grow fast enough to continue to enhance its market leading position.

Competencies to fit the customer

- The goal is to be a competency based business offering tailored relationships and a standardised product offering like the design and manufacture of a car with optional add-ons.
- The product and service offering must continually be improved and extended to meet emerging needs and Flotech is committed to investing in research and development to bring innovations to market as quickly as possible.

Group structure to support growth

- New Zealand is the design, testing and prototyping hub for the Group's products, software, instrumentation and services with regional offices strategically located in key markets delivering sales, service and support on the spot.
- We believe it is vital to have deep, local knowledge to identify the best and most appropriate solutions for a specific market. We employ people from over 30 different countries and really can provide relevant experts who speak your language and understand the local culture be it in places as diverse as Sweden, Spain, Malaysia, China, North America or Japan.
- We have continued to strengthen our financial, leadership, human capital

development and management and administrative support services for the Group.

- We run a highly innovative professional development and mentoring programme for graduates and recruits to ensure that Flotech has people who have relevant competencies and a broad understanding of the whole business, not just functionally but also of the key value drivers.

Cost efficiency

- The focus is on continually reducing costs and gaining efficiencies across the value chain.
- New Zealand operations are being consolidated in one facility.
- We continually review our supply and sourcing relationships.
- Manufacturing is increasingly being outsourced to trusted partners in Southeast Asia, Europe and North America.

Partnering

- We are open to partnerships or joint venture type arrangements where there are benefits in terms of extending market reach, providing scale and value - adding services. This should assist ability to take on bigger projects, injecting complementary skills and competencies and gaining supply and manufacturing efficiencies.

- In 2009 we formed a working relationship with VME Process, a US-Malaysian owned firm similar in size to Flotech. The aim is to expand FPSO opportunities for the compression division. Using Flotech's compression technology, Singapore based VME will be able to offer a complete oil and gas production solution.

Greenlane Licensing

- We need to respond to rapidly growing global demand and licensing is part of our marketing strategy. We have secured several licensing arrangements and are seeking to identify a strategic partner as an EPC licensee so we can gain critical mass as quickly as possible and really fulfil the revenue potential from our unique new plants.

Greenlane North America

- We recently launched the biogas business into North America where there is huge potential - and government incentives - to provide renewable energy systems. Greenlane has won the business to convert agricultural waste into pipeline - quality biomethane for the first agricultural biogas upgrading project in Canada. The project will generate enough renewable gas to heat over 1000 homes.



Interview with MD Flotech Sweden, Morgan Jansson



Greenlane®

How did you win the Güstrow project?

We were the only company with the sector experience and competency in delivering really large scale biogas upgrading plants. Our technology was seen to be world-leading, proven and fit for purpose. We have a solid track record internationally of successful installations that is verifiable. We also were business fit and could slot into the corporate model of the project's EPC contractor, EnviTec Biogas. EnviTec did not want a turnkey job but a partner to work alongside them who could add value with their practical in-field knowledge and insights. We are not a huge multinational but a lean, flexible and innovative business with an extensive history as a pioneer in renewable energy.

How will Greenlane Biogas deliver ongoing growth in an increasingly competitive marketplace?

We were one of the first in the world to realise that the demand for clean, pure, renewable energy would surge. We have been investing in developing, improving and looking for new applications for our proprietary water scrubbing technology to make methane

from waste for over 20 years. Our technology is safe, sound and simple as well as cost competitive, energy efficient and portable. We intend to extend our first mover advantage. As a result of our research and global experience we have come up with the next generation of upgrading plants, the Manuka range. The plants are available in a range of standard designs and capacities that fit in a container. They are relatively cheap, quick to install and very efficient to operate. They are used to fuel vehicles, generate energy or inject into a natural gas grid for community, commercial, industrial and agricultural usage.

What has been the response for these transportable plants?

We have had encouraging early sales in Sweden, the UK, France, Japan and Asia and across Europe, and see huge potential in North America where we have just opened our first office. We are also targeting smaller communities, including farmers, because these revolutionary new plants are small, affordable and match the move to convert waste to biomethane. They come



Morgan Jansson

on the back of a truck and sit on a concrete platform - it's that convenient.

Is licensing the way you are going to sell volumes?

We need to respond to rapidly growing global demand and licensing is part of our marketing strategy. We have secured several licensing arrangements so far and are seeking to identify a strategic partner as an EPC licensee so we can gain critical mass as quickly as possible and really fulfil the revenue potential from our unique new plants.