

flowgroup

Shareholder newsletter

Message from Tony Stiff, CEO

It is with great pleasure that we can announce the launch of the Flow boiler.

This is the world's first affordable electricity generating boiler, something which has long been a sought after prize in the global heating industry. Our launch price of £3,675 represents excellent value for money, considering the potential for the Flow boiler to generate around a total of £500 from energy savings and FiT revenue annually.



We are now reviewing our options to accelerate the cost down and product introduction programmes to put ourselves in a position to capture more of the boiler market and to introduce complimentary products for the smart, efficient home.

While the UK market represents our initial and primary target for the Flow boiler, we have analysed a range of markets. Putting in place test agreements with a major European utility and with NRG Energy in the US, both of which are proceeding to plan, signalled our intent with regard to our international ambition. Subsequent further research demonstrates strong potential for growth in attractive markets. Creating a successful UK business will, we believe, provide a springboard for international expansion. Energy industries around the world face the same challenges that ours faces in the UK – a need to decarbonise, a struggle to meet peak demand, pressure to reduce prices. Since we believe the Flow boiler provides a solution to these problems, we will primarily be targeting international utilities with the aim of creating partnerships with organisations with large customer bases.

Our vision is to exceed 1m annual sales of our game-changing boiler worldwide.

flowgroup

Share price
43.5p

52 week high/low
50p / 13p

FTSE Sector
Electronic and electrical equipment

Shares in issue(m)
239.49m

Market cap
£104.2m

NOMAD/Financial Adviser
/Broker
Investec Bank plc

Financial Adviser/Broker
Cenkos Securities

Key milestones achieved in 2015



Flow boiler launched to UK market

Initial sales & marketing campaign launched

Key objectives for 2015

Roll out full national sales & marketing programme

Create national installer network

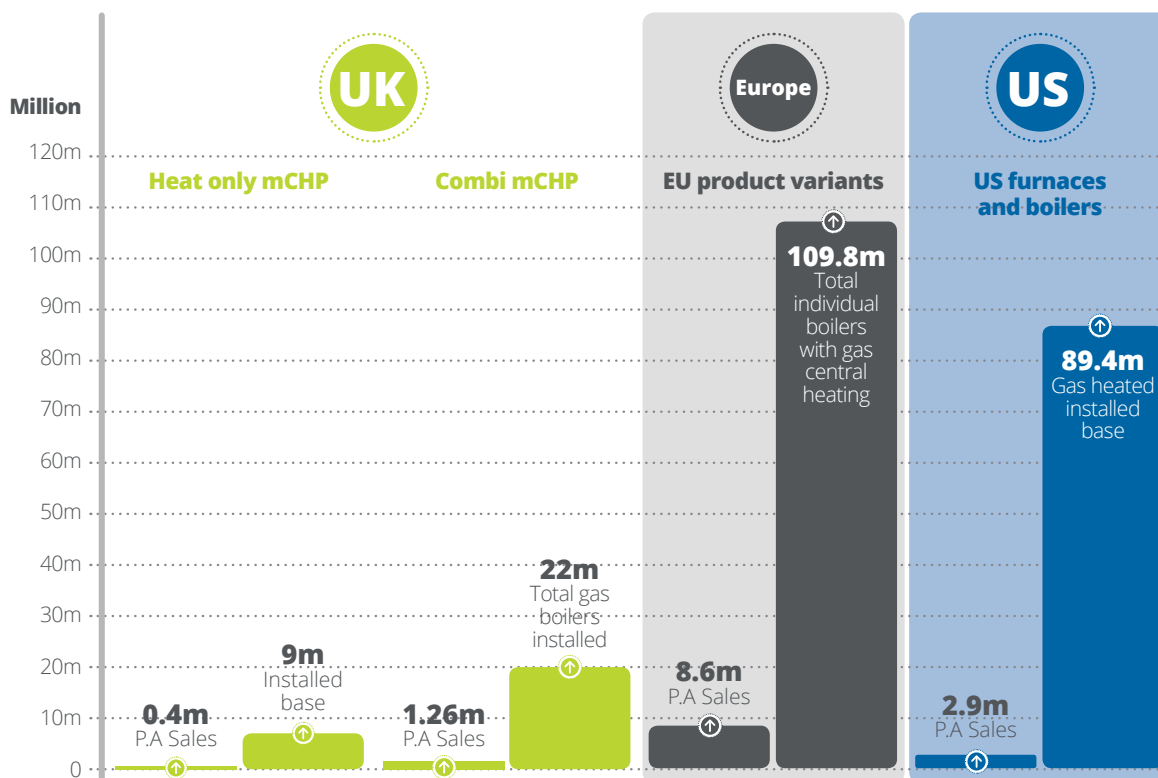
Increase awareness of Flow boiler and Flow brand

Develop international opportunities

Develop UK sales partnerships



Residential Gas Fired Boiler Market



To facilitate adoption of our technology in the UK, we are launching with our unique 'pays for itself' model where customers receive back the cost of the boiler in reduced home energy bills over five years. We believe that this proposition is beneficial enough to overcome the natural concerns customers have about new technologies. The interest we have received so far from over 10,000 customers, many of who have now been contacted to move them further through the acquisition process, is an indication that this belief is well founded.

Our planned overseas expansion in time would give us access to some very big markets. In order to target those markets, we will develop a broader suite of products. Our product roadmap clearly demonstrates our requirements and the potential of the markets these technological developments would open up.

On a recent trip to America with members of my senior team, I saw how energy companies with real vision for the future have the potential to significantly disrupt a market that is crying out for innovation.

We believe that we can be a disruptive force in the energy market globally with a unique product that could genuinely change the game.



Successful energy companies of the future will provide:

Products Services Vision

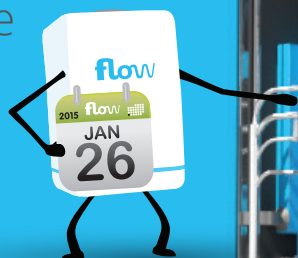


26th January 10am

The Flow boiler is here

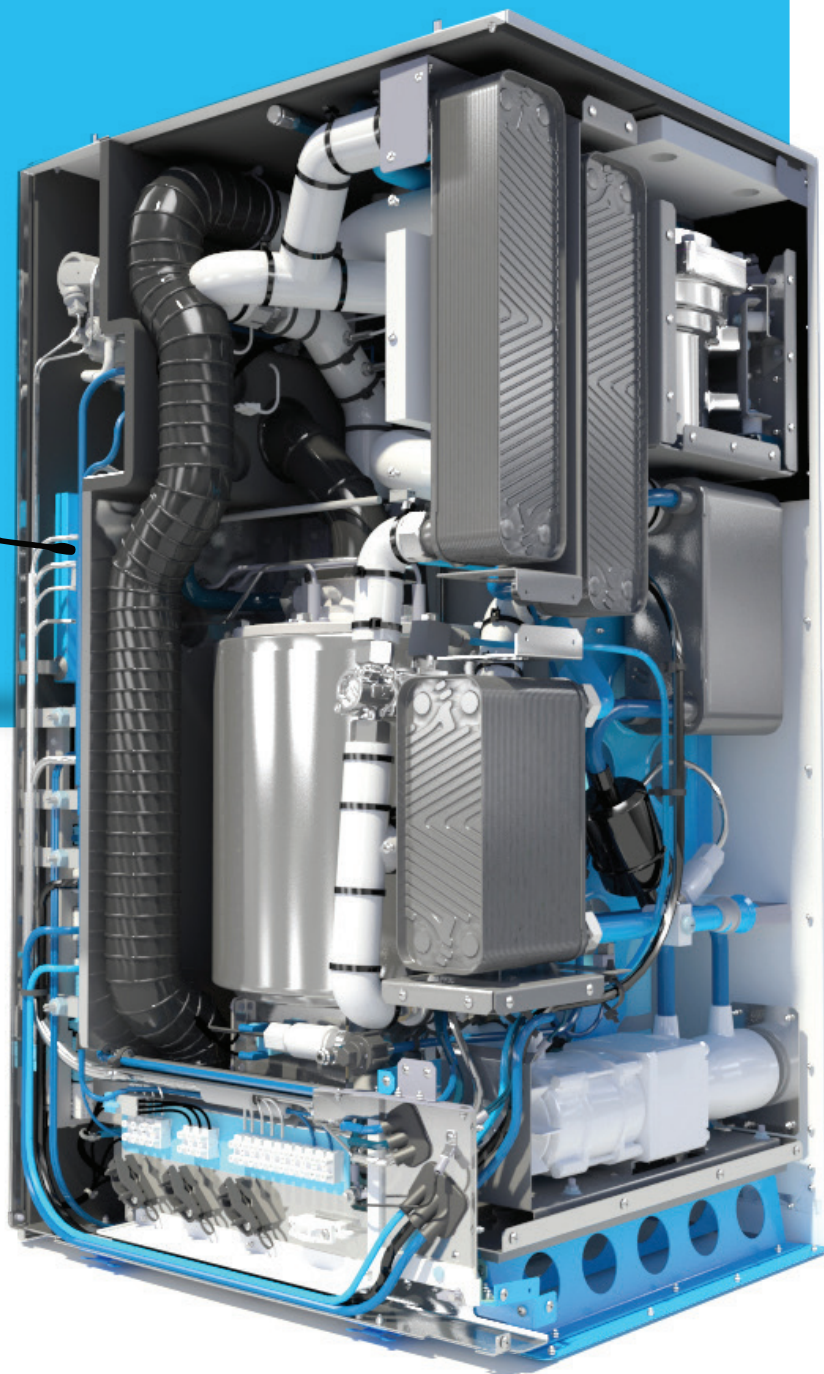
After years of vital development, the Flow boiler has launched.

Customers will now be able to choose their package, arrange a home survey and book an installation.



Prices and packages

The launch price of the Flow boiler is £3,675. With an estimated benefit of up to £500 a year in the right kind of home (£500 being made up of the value of the electricity generated plus Feed-in Tariff payments), this represents a significant return for customers over a 10 year period, being the average life expectancy of a boiler.





Customers can choose one of our two launch packages – **Flow Finance & Flow Freedom.**

Flow Finance

Customers can choose to take out a personal loan for the cost of the boiler with our trusted finance partner, Zopa. If they do, they will also switch their home energy supply to Flow and assign Feed-in Tariff payments to us for five years. The customer makes the loan payment every month. And, every month, Flow reduces the customer's home energy bill. The typical cost of the loan agreement is £4,529.89. Over the five years, the customer will see a reduction in their home energy bill of £4,800.

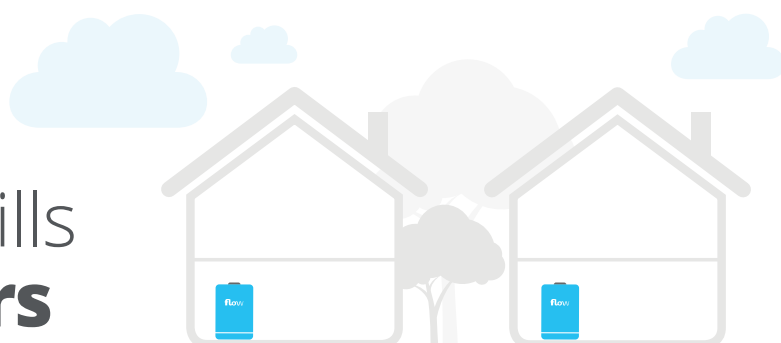
Flow Freedom

Alternatively, customers will simply be able to buy the Flow boiler. Again, they'll pay £3,675. If they switch their home energy supply to Flow and assign Feed-in Tariff payments to us for five years, they'll see a reduction in their home energy bill of £4,800 over those five years.

Continuing reductions in home energy bills **after five years**

After the initial five year period, customers can switch away from Flow for their home energy and receive all the benefit of the value of the electricity their boiler generates plus FiT payments.

Or they can stay with Flow for their home energy and share the value of the generation and the FiT 50/50. In return for its half share, Flow will continue to warrant the electricity-generating power module inside the boiler.



Unique packages for a unique product

These packages encourage adoption of what is to consumers a new technology. They also incentivise customers to both install a Flow boiler and switch their home energy supply to Flow. This approach is in line with our aim to create a new kind of energy company, combining energy supply with energy efficient products.

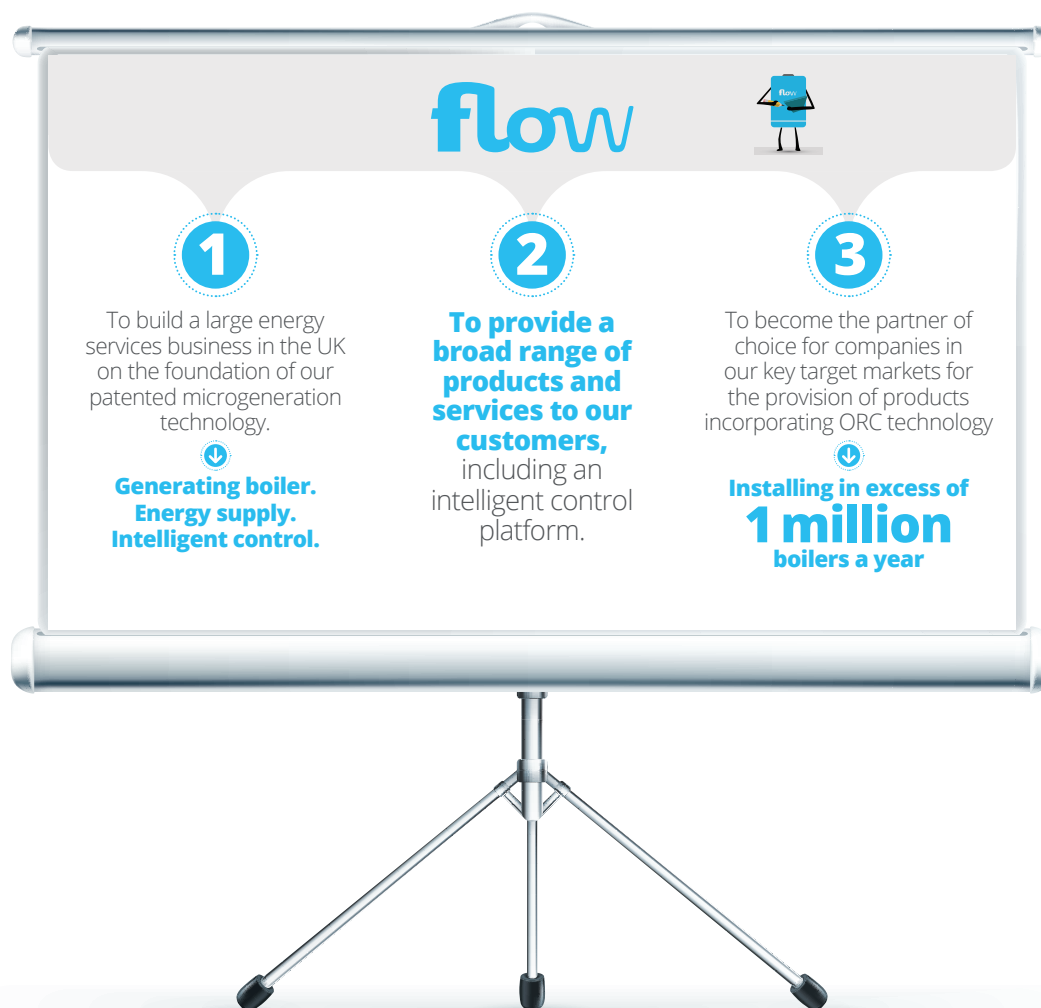


Our **strategy**

In the UK market, we are in a position to offer both our ground-breaking electricity generating boiler and home energy. We believe this will allow us to create long term profitable relationships with our customers, which we may be able to leverage in the future to provide a broader range of energy efficient products, including an intelligent control platform for the boiler that could also function as a control platform for the efficient, connected home. Our approach to sales in the UK can be summarised as follows.

- **Innovative launch offer.**
- **Significant marketing campaigns to support product and brand awareness**
- **Sales from independent installer networks**
- **Volume sales through larger installer networks**
- **Affinity partnerships with big brands**
- **Tie ins with social housing networks**

Outside of the UK our strategy is to partner with major utilities. The test agreements we have in place with NRG Energy in the US and a major European utility are in line with that strategy. Our vision is to exceed the sale of 1m boilers per year on a global basis through partnerships worldwide and by exploiting the full potential of the mature and large UK market.





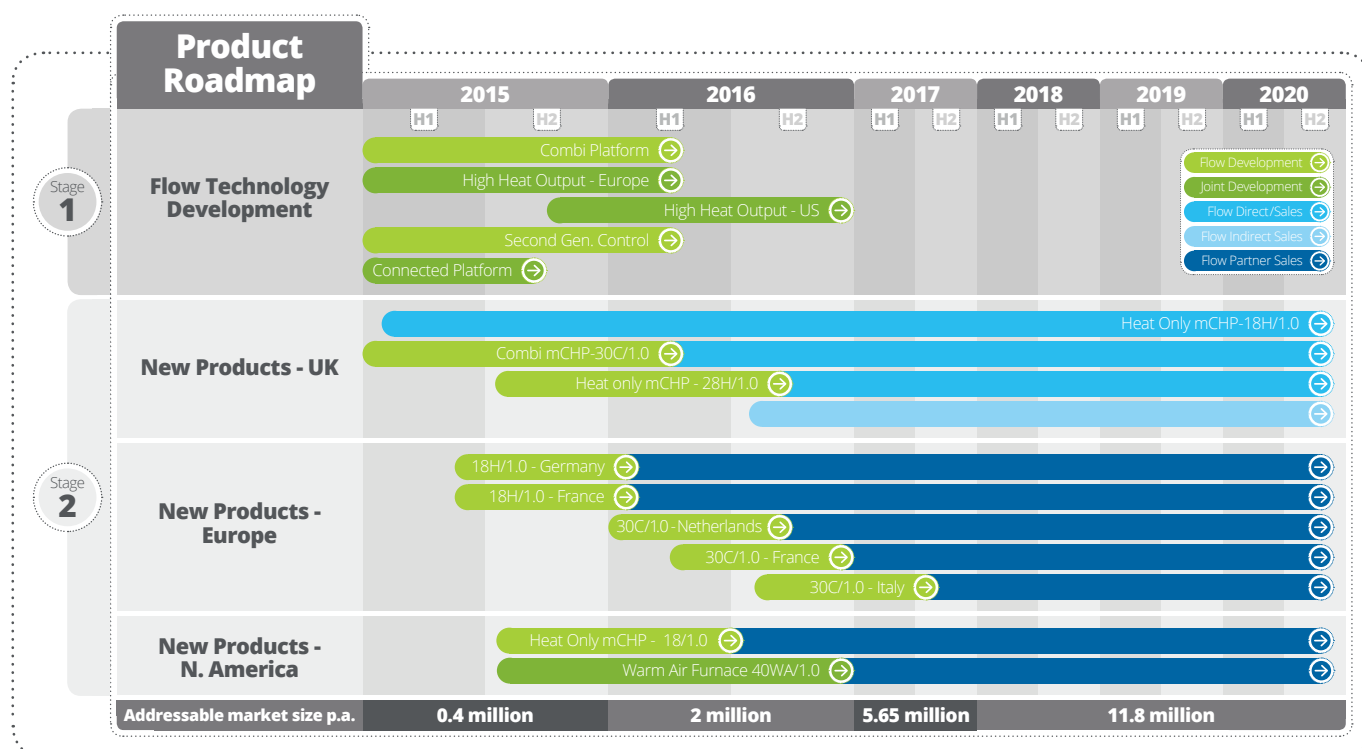
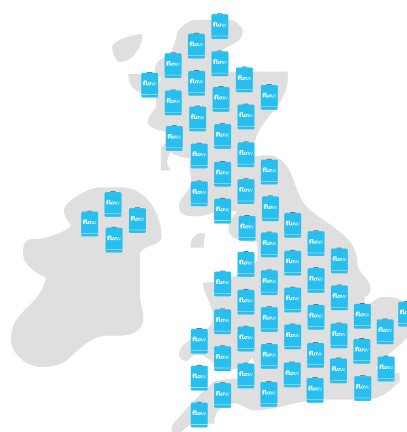
Product Roadmap

The launch version of the Flow boiler is suitable for 3-5 bedroom homes with higher than average gas usage.

Our product roadmap lays out our product development strategy, both in the UK and in international markets, where different versions of the Flow boiler are required to integrate with local heating systems. It includes new iterations of the boiler and developments in our control system for the boiler, as well as the potential to create a control platform that could integrate with connected products in the smart home. All these developments would significantly increase our addressable market size.

Out of the 1.6m boiler sales in the UK every year we believe we can target

480,000
with our launch version.





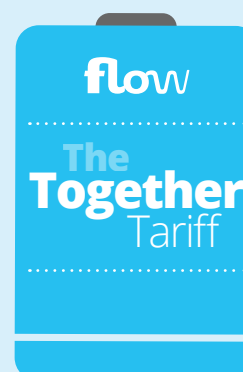
Cost down programme

Our launch price of £3,675 represents good value, considering the long term value the boiler generates and the packages we are offering

However, we are now reviewing our options to accelerate the cost reduction programme to reduce the manufacturing cost of the Flow boiler, to a level at which we have the flexibility to offer a sale price that is not significantly higher than a standard boiler.

Considering the potential benefit of £500 a year from the Flow boiler, a lower sale price will produce a rapid payback for customers.

As part of our bundled package we're launching a new energy tariff alongside our boiler. **This is the Together Tariff.**



Customers installing a Flow boiler and moving their home energy to Flow will be switched to the Together tariff, which will initially be fixed until 31st March 2016. When this tariff expires, customers will continue to be offered competitive deals until the five year boiler agreement period is up.

The Together Tariff is modelled on our existing Thames tariff. It represents a good deal for customers and also provides margin that is used to pay back the cost of the boiler under our innovative packages.

The home energy market

While the Together Tariff will be available to customers who are not installing a Flow boiler, we will not be actively promoting it. Taking on new energy-only customers is a relatively cash-intensive proposition and our resource is better directed to our sales and marketing campaigns for, and continuing development of, the Flow boiler.

However, we believe that the energy market is changing significantly and quickly, as customer behaviour and perception of home energy changes. The shape of the market looks different than it has previously, with the continuing rise of other small suppliers. The focus of customers on service and customer experience alongside price means that companies like Flow, who have a strong reputation for providing good customer service, can be successful. Therefore we will be analysing the energy market in close detail over the coming weeks to assess the potential it might hold for us in 2015 and beyond.

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Shareholder newsletter

The next quarterly shareholder newsletter will be released in **April 2015**

Feedback or questions:
please contact
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or **020 7933 8780**