



05 March 2014

**Flowgroup plc
(the "Company" or the "Group")**

Pre-close statement

Flowgroup plc (AIM: FLOW), which develops and commercialises alternative and efficient energy products, reports a pre-close update ahead of its results for the financial year ending 31 December 2013, which are expected to be announced on 08 May 2014.

The Company has made significant operational and financial progress during the period with revenue expected to be slightly ahead of analyst forecasts. Furthermore, the Company is on schedule for the commercial launch of the Flow Boiler in the second half of 2014.

A year of significant achievement

The year to 31 December 2013 saw a number of significant achievements for the Company: the successful launch and commercialisation of its energy business, Flow Energy; the launch of the domestic pilot of its microCHP Flow boiler; its production agreement with Jabil for the manufacture and assembly of up to 390,000 Flow microCHP boilers; and the signing of a framework agreement between National Grid and the Group's Flow Battery division.

Flow Energy

The energy business continues to exceed expectations with annualised revenues of no less than £30m. Having conducted detailed analysis of the current market, the Group considers that conditions are favourable and will therefore enter the energy market again in April with a competitive tariff. Gaining new energy customers increases the Group's revenue and provides more qualified customers to whom to market the Flow boiler.

Flow Boiler

The Flow boiler pilot was launched and expanded throughout the period and has already generated a significant amount of real-world data from a wide range of domestic homes. These data will be used to perfect the Company's installation procedures and documentation before commercial launch in the second half of 2014.

Reliability and performance of the boiler unit has been according to the design and whilst the pilot will continue for the remainder of the year, the Group expects to finalise the design of the mass production version of the boiler and deliver volume production designs to Jabil in March.

A broad range of the Group's employees are currently working closely with Jabil to effect the technology transfer of the boiler to Jabil and to assist the build of a high quality volume production capability. Jabil's 130,000 square foot facility in Livingstone, Scotland, is expected to commence production in the second half of this year.

Flow Battery

Flow Battery, the Group's award-winning compressed air backup power business, also enjoyed success in 2013. In November, Flow Battery was awarded a three year framework agreement by National Grid UK, to replace conventional lead-acid backup power units in National Grid's substation network in England and Wales as they reach the end of their service life. Flow Battery is pleased to announce that it has now received the first orders under the agreement. With over 3,200 battery systems across 303 National Grid substations, this contract has the potential to provide a strong revenue stream for the Group over the coming years.

Group Strategy and Outlook

The Group regards the emergence of the 'connected home' as having a significant and direct correlation to the Group's activities and technologies. The Group will continue to develop the 'smart' capability of its boiler, enabling integration with third-party connected home technologies such as internet connected 'smart' thermostats and energy monitors.

Market Expansion

The Group's research and development activities regarding the boiler will continue beyond the final design of the boiler in March 2014. The Group's boiler roadmap, which sets out the development of several different versions of the Flow boiler for UK and international markets, includes the development of more powerful versions of the boiler and a combination ("combi boiler") version, which will allow the Group to increase significantly its potential UK market size.

Furthermore, designing boilers for the North American and European markets will also allow the Group to target large overseas markets with the latter market opportunity exceeding nine million boiler sales annually. Broad interest in the potential for the Flow boiler to be used in small commercial installations has also become clearer and the Group will be analysing this large potential market in more detail during 2014.

Installation partnerships

Building on the existing relationships the Group enjoys with Calor and Carillion, the Group is in discussion with a range of additional installation partners. Direct sales will be driven via a multi-channel marketing campaign to a new, upgraded website and an expanded call centre. As well as providing extra installation resource, the Group plans that its installation partners will also provide a strong sales channel to supplement direct sales.

Tony Stiff, CEO of Flowgroup, said:

"We've consistently spoken about our technology platform as having the potential to underpin Flowgroup's development into a large, global company. We believe that, in 2014, we'll see that profile of company begin to emerge. Our launch in the second half of this year will be the first time that microCHP technology has been commercialised in an affordable form for the mass market. That represents a significant opportunity to gain market share in the UK and beyond and generate strong returns for shareholders."

Flowgroup plc

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