



14 December 2015

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

Relaunch of Flow boiler and new boiler home energy tariff

Flowgroup plc (AIM: FLOW), which provides a range of innovative energy technologies, energy supply and energy services, announces the relaunch of its game-changing, electricity-generating Flow boiler to the UK market alongside the launch of a new boiler home energy tariff, expected to be one of the most competitive tariffs for gas and electricity on the market.

The Company's sales and marketing campaigns, and its new tariff, will launch on 4th January 2016 with first customers installations commencing in March 2016, progressively ramping up installs through the following six months, before moving to higher volume sales in winter 2016. Details of the launch packages will be published on the Company's website from 4th January 2016.

Commenting on the launch, Tony Stiff, CEO of Flowgroup, said:

"The Flow boiler has great potential as a game-changing technology addressing three major energy issues: it increases security of supply, it reduces the cost of energy in the home, and on an environmental level it reduces CO₂ emissions. Whilst we know that our product is scalable we need to take a considered and measured approach to our first year from launch to ensure that the end-to-end process is tested, refined, and perfected before higher production volumes. The improvements and cost reductions recently implemented and in our future plans are vital to maintain the 'boiler that pays for itself' model which offers customers a next-generation boiler with no upfront cost. We think that our boiler proposition, whereby customers only pay for the cost of installation, will be very popular."

David Kipling, Jabil Vice President Corporate Investment said:

"In the past six months Jabil and Flow have worked well as a team in preparation for the Flow Boiler relaunch. Significant progress has been made in supply chain, resilience, logistics, design and cost. Jabil looks forward to supporting Flow in meeting its volume needs in 2016 and beyond."

VAT Update

Following the European Court of Justice ruling on 4th June that the UK's reduced 5% rate of VAT on energy-saving products is in breach of EU laws, the Company announced a delay to the full launch of the Flow boiler. The Company notes that HMRC has begun a consultation (9th December 2015 to 3rd February 2016) to consider revised legislation to retain as much of the existing relief as possible. The current rate remains at 5% until implemented, with the earliest implementation date of 1st August 2016. The Company will be responding to this consultation.

Since June, the Company has worked closely with its production partner Jabil to put in place a range of production enhancements and improvements to its technology platform that the Company believes creates a clear path to a product with a reduced unit cost at volume production, creating the potential to counter any possible rise in VAT. The Company is therefore satisfied that it has made sufficient progress to move to relaunch.

Launch details

The Company's sales and marketing campaigns will launch on 4th January 2016, both online and offline. These include promotion via its Brand Ambassador network, with both in-store and in-home promotional material. Existing orders already booked will be satisfied first, with new customers being able to order a Flow boiler from 4th January 2016. The first installs will commence in March 2016 and will progressively build through the following six months, ensuring the effectiveness of systems and processes, whilst proactively gathering customer feedback to continuously improve our sales process, in advance of higher volume sales moving into winter 2016.

The boiler that pays for itself

In rescheduling the launch the Company believes it has achieved its aim of protecting the viability of its key launch offer, 'the boiler that pays for itself.' This offer allows customers to install a Flow boiler and effectively only pay for installation, receiving a fixed reduction in their home energy bill over five years that exceeds the cost of the Flow boiler if bought outright or if financed via the Company's finance partner, Zopa. The deal requires customers to switch home energy supply to Flow, and the Company is also announcing today that its home energy tariff for the launch of the Flow boiler packages will be one of the most competitive tariffs on the market, adding even more value to the overall package and further encouraging adoption of its technology. The Company continues to believe that this compelling launch offer will play a significant role in the success of the Flow boiler.

Sales in the home

Another key element of the Company's strategy is its Brand Ambassador programme, the creation of a nationwide network of high quality Gas Safe registered installers who will sell the Flow boiler, smart home technology and energy packages in the home. Virtually all boiler sales are made by installers who are invited into customer homes to provide help, advice and recommendations on heating products. The Company believes this approach can deliver sales efficiently and effectively. The Company's sales team has recruited an impressive range of motivated Brand Ambassadors across the UK, who will clearly explain, face-to-face, the benefits of the Flow boiler and packages, directly to customers. In order to retain control of the customer experience while using third parties, all Brand Ambassadors will be provided with a proprietary software-based in-home sales solution that will provide an end-to-end process for surveying, quoting and sales. In another innovation, Flow will provide its boiler directly to its Brand Ambassadors, bypassing the traditional merchant channel, retaining more value to increase profitability and to enhance incentives for Brand Ambassadors.

Certifications

The Flow production boiler has now been granted CE marking. Testing for MCS certification, an eligibility requirement for the Government's Feed-in Tariff, is underway with a production unit of the Flow boiler. The Company expects this to be completed in March 2016, meaning that the first customer installs of the Flow boiler should attract the dedicated mCHP Feed-in Tariff.

Our vision

Decentralised generation has significant benefits for consumers through lower costs and for the country as a whole through lower emissions. Therefore, a domestic gas boiler, like the Flow boiler, that generates low cost, low carbon electricity has the potential to gain significant market share. A recent study by CODE (Cogeneration Observatory and Dissemination Europe) stated that mCHP boilers could replace over a third of the current installed base in Europe of 115 million boilers. We believe Flow is leading the market in mCHP towards this goal with a product that is at a significantly lower price point than any other solution and importantly is market-ready. The Company believes that it has the potential to make significant inroads into both the UK and European market and that the Flow boiler and future variants will be a strong driver for growth.

Tony Stiff, CEO of Flowgroup, commented further: *"We now come to market with what we consider to be an even stronger product with a reducing cost profile. As is sensible with any new product, we will take a prudent approach in the first six months commencing March 2016, increasing sales and installs as we go into winter – and then looking to expand into the European market as soon as we have created a firm base in the UK. We believe that successfully installing Flow boilers, providing proof of the effectiveness of our technology, will attract a large amount of interest to our business, from customers, Government, the industry and investors and that 2016 will prove to be the year in which the true value of our business will be realised."*

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