



29 April 2016

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

Agreements with Daikin Europe NV for expanded heating product range

Flowgroup plc (AIM: FLOW), which provides innovative energy technologies, energy supply and energy services, announces that its subsidiary Flow Products Ltd (FPL) has signed two agreements with Daikin Europe NV and its UK subsidiary. These agreements give FPL access to an expanded heating product range, supplementing its core microCHP technology, allowing it to target all of the gas-fired heating market more quickly and which could potentially result in accelerated profitability.

Daikin is a world leader in heating and cooling technology. With annual revenues of 1,915 billion JPY (\$17.9B) from sales in over 140 countries of products manufactured in 80 worldwide production bases, Daikin is a true global player with an impressive reputation for quality, innovation and technology delivery.

In order to maximise the impact of an expanded product range under these agreements, Flowgroup has selected complementary products that have both mass market reach and innovative features.

Connected Combination and System boilers

The first agreement is an OEM agreement for the UK, under the terms of which Daikin Europe NV (DENV) will supply FPL with an innovative and comprehensive range of mass market Combination and System boilers under the Flow brand. DENV has agreed that it will not offer boilers in the range to other parties other than the Daikin brand. All boilers in the range will be capable of remote diagnostics and can be controlled from a consumer's smartphone. This functionality will also allow them to be remotely monitored and accessed by service engineers, increasing convenience and reducing bills for consumers and decreasing service visits and costs for installers. The range includes a Combination boiler that is currently the smallest and lightest on the market. Ten Combination boilers have already been received in order to carry out field trials, and under the agreement both Parties have agreed to bring the products to the market as soon as possible in 2017.

Hybrid heat pump technology

The second is a non-exclusive distribution agreement between FPL and Daikin Air-conditioning UK (DAUK) to market its range of Daikin Hybrid boilers. The Daikin Hybrid combines a gas-fired boiler with an air source heat pump and intelligently chooses which technology to use, depending on which is most economical, based on temperature and other factors. It attracts the Renewable Heat Incentive (RHI) which can be worth several hundred pounds annually for this product (based on average UK residential heating demand) and will be offered bundled with a competitive energy supply contract from Flow Energy to provide maximum value to customers, in a similar way to the electricity-generating Flow boiler offering. This product is perfectly aligned with Flowgroup's commitment to providing low carbon technology under innovative and affordable business models. The first Flowgroup installs of Daikin Hybrid boilers are planned for Q2 2016.

Disruptive delivery model

Flowgroup has created a disruptive delivery model, initially for its electricity-generating Flow boiler, whereby innovative heating products are provided directly to consumers via its Brand Ambassador network of dedicated and highly skilled installers. Our decision to remove wholesalers from our supply chain has several key advantages, including increased margin and better value for customers. An additional route to market for the Group's products is provided by the Group's rapidly-expanding home energy business, which now has in excess of 180,000 customer fuel accounts. As the microCHP Flow boiler is being prudently and gradually introduced into the market, Flowgroup believes that it is value enhancing to leverage its disruptive delivery

model and energy customer base by offering a broader product range so that it can provide solutions to the whole of the market, accelerating profitability and creating increased shareholder value.

Complementary technologies

Flowgroup's existing core microCHP technology has launched into the market and the first commercial installs of the Flow boiler have been completed. Installations will now continue with higher volumes planned for the winter period. The innovative new products announced today complement the Flow boiler and have the potential to allow faster expansion of Flowgroup's heating business by giving customers choice and providing products that will be appropriate for an even wider range of homes. All products will be available to consumers via Flowgroup's national Brand Ambassador network.

Tony Stiff, CEO of Flowgroup, commented: *"These deals represent an exciting step forward for Flowgroup. While we establish our core microCHP technology platform in the marketplace – a platform which remains the cornerstone of our product strategy - we can now potentially accelerate growth and profitability in our Products division by leveraging our Brand Ambassador network to deliver more innovative heating products to the whole of the market more quickly.*

"A major element in securing this deal was our innovative approach to products, customer offers and product delivery. Daikin was attracted to our vision for the future of energy and how products can play a key role in generating value, particularly when combined with energy supply. We believe that, like our partnership with Jabil, the manufacturer of our microCHP boiler that has a stake in our business, this partnership with a global business like Daikin will offer many more opportunities on top of the one we present today and we believe that it has the potential to add significant shareholder value."

Flowgroup plc

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