

9 February 2017



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

MicroCHP Feed-in Tariff (FIT) update

Flowgroup plc (AIM: FLOW), which provides a range of innovative energy technologies, energy supply and energy services, notes the announcement yesterday by the Government of its conclusions following its Feed-in Tariff review.

In May 2016, the then Department of Energy and Climate Change (DECC), now part of the Department for Business, Energy and Industrial Strategy (BEIS), published a consultation document (the "Consultation") which included a review of support for the microCHP Feed-in-Tariff (FiT), whereby it was suggested that the number of qualifying microCHP units would be capped at a much lower level, thereby reducing the support significantly. As per our previous company updates, the outcome of this Consultation was important for the future of our microCHP business. BEIS has published its response to the Consultation, with the following results:

- The tariff rate remains the same at 13.61p/kWh
- The proposed reduction in the number of units supported by the FiT from 30,000 units to 3,500 has been amended to a reduction to 15,000 over the remaining period of the FIT (April 2017 and April 2019)
- Revised cap of 15,000 is based on 20MW installed capacity with assumed average power output of 1.3kWe
- The proposed budget cap for microCHP of £1m has been changed to £9.8m of the overall £100m FIT cap

The changes come into effect on 1 April 2017.

Flowgroup welcomes today's announcement, which it believes is the result of significant co-ordinated industry pressure, in which the Company played a key role. The Company continues to believe that the increase in manufacturing costs of the Flow microCHP, caused by the recent fall in the value of Sterling against the Euro and the US Dollar, makes the microCHP model uneconomic in the UK market in the near term. However, continuation of the microCHP FiT at the above rates and volumes, and its applicability to the Flow microCHP Boiler, does give the Group the opportunity to potentially deploy more of its manufactured microCHP stock into the UK market. While the majority of this stock is planned to be used in European trials with the Group's partners, some could be installed in UK homes, generating more operational data as well as customer feedback, all of which will assist with our plans for a future European launch.

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