



9 December 2015

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

Five year contract with Shell for the provision of wholesale energy (gas and electricity)

Flowgroup plc (AIM: FLOW), which provides a range of innovative energy technologies, energy supply and energy services, announces that its subsidiary Flow Energy Limited (FEL) has signed an exclusive conditional agreement with Shell Energy Europe Limited ("Shell") for the provision of energy which will potentially enable significant growth in the Company's energy supply business and increase the customer base for its mCHP Flow boiler.

Under the terms of the agreement, Shell will provide access to wholesale energy (gas and electricity) on extended credit terms and without the requirement for cash margining.

The agreement is for five years and could be extended by Shell for a maximum of three further one year periods, dependant on volume targets. Shell will receive a warrant to subscribe for shares (or the equivalent in cash at Shell's call) in FEL equivalent to 10% of the growth in value of FEL from today's date until after a liquidity event (asset sale, IPO or sale) or on termination of the supply agreement or default by FEL. The agreement contains a number of financial covenants, representations and warranties given by FEL and events of default as would usually be included in commercial banking arrangements. In addition Shell has been granted security over the business and assets of FEL and over the shares in FEL held by Flowgroup. The agreement is conditional on the satisfaction, or waiver, of certain conditions which include the filing of security documents and the activation of bank accounts. The parties anticipate that these conditions will all be satisfied by the long stop date of 31 January 2016.

Tony Stiff, CEO of Flowgroup, commented: *"We believe that the current domestic energy market is favourable to the growth of smaller suppliers, and that the value ascribed by the market to an energy customer is rising as the potential for the cross-selling of a wider variety of energy related products and services has increased. Some analysts suggest that as many as five million customers will switch away from the Big 6 suppliers over the next five years.*

"With increasing brand awareness, an excellent reputation for customer service, the management and systems already in place to support growth, and now this agreement with Shell, we believe we are in an excellent position to build a large energy supply business.

"We believe today's announcement could lead to a significant increase in the Company's revenue, cashflow and value prospects and also provide a readymade route to market for the Company's electricity-generating Flow boiler, as well as the broader range of energy products the Company intends to offer to its customers."

Flowgroup plc

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