

23 June 2016



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

AGM Statement

Flowgroup plc (AIM: FLOW), which provides a range of innovative energy technologies, energy supply and energy services, will hold its Annual General Meeting today at 10am at South Kiln Felaw Maltings, 42 Felaw Street, Ipswich, IP2 8SQ.

Following the formal proceedings of the meeting the Chief Executive, Tony Stiff, will issue the following statement:

Flowgroup is focused on building strength and creating value across the Group. We will continue to grow our energy business, Flow Energy; continue to install electricity-generating Flow boilers while lobbying for a continuance of the current Feed-in Tariff regime; and establish and grow our smart boiler business, delivering our central Energy for Life strategy.

Energy update

Flow Energy has grown very rapidly since the start of the year, from 100,000 customer fuel accounts on 1 January 2016 to over 214,000 customer fuel accounts either on supply or being processed through the switching cycle by 23 June 2016, with annualised revenues of over £106m. This is an impressive achievement and the Group believes it can continue to deliver accelerated growth as the Big Six suppliers continue to lose customers. The market share enjoyed by the Big Six was 98% in 2013 but has now fallen to 84%. We believe it has further to fall as challenger suppliers like Flow attract customers with a combination of competitive pricing and good customer service.

With good customer service as a key differentiator in a competitive market, we are pleased that Flow Energy continues to prove its customer service credentials. While other suppliers have struggled to keep service levels up during periods of rapid growth, Flow Energy was awarded Which? Recommended Provider status for energy in January 2016, and in June 2016 took second place in the Citizens Advice Energy Supplier Performance League table, the only challenger supplier ever to appear in the top six. We will continue to invest in our customer service team to maintain our high levels of service. We have grown overall employee numbers in Ipswich to 209 and have taken additional space in our existing offices in preparation for the planned and continuing growth.

We believe that the reputation we have built for excellent customer service combined with the wholesale energy agreement we have in place with Shell and our experienced management team, will enable us to deliver a large energy supply business over the coming years, providing a range of important value-enhancing benefits to the Group, including increased revenue and brand awareness. We believe that we are one of the first of a new generation of energy businesses looking to maximise the opportunity presented by a domestic energy supply market experiencing a fundamental period of change as it moves from an old supplier model focused on the margin available from retailing gas and electricity to one focused on providing a broad range of complementary products and services for the home.

mCHP update

Following the announcement of our first commercial installs in April of this year, we have continued to install Flow mCHP boilers in new customer homes. Our initial installation target for the end of June was 100 units and our current number of installed units stands at 20. We have taken a prudently cautious approach to offering finance in the home and have allowed more time to ensure that our internal compliance with the FCA

processes for selling finance in the home is as rigorously implemented as possible. These processes will be in place shortly to allow finance to be offered at the point of sale in the home. Being able to offer finance is a key component of our 'boiler that pays for itself' strategy and it is crucial that the process is compliant, to protect the future value of the business. Once our finance offer is in place, we will accelerate our installation programme, targeting the significant sales pipeline we currently have. We have over 10,000 potential customers in our sales pipeline, generated by traffic to our website, with over 2,100 potential customers moved forward to home survey stage. Our Flow Brand Ambassadors have access to our full marketing resource that they can use to promote the Flow boiler in their local areas and generate their own leads. Flow will supplement this activity with its own broad marketing campaigns to engage and attract customers. The Flow boilers that we have installed are performing well and installations went smoothly. We have designed installation procedures using the extensive experience we gained from our pilot programme. Our Flow Brand Ambassadors, who installed all 20 new boilers, have reported that installation is straightforward and that they have experienced no issues.

We continue to develop our strategy for the Flow boiler in Europe. As part of this strategy, production units have been sent to Trillary in Italy and to our previously-announced European client for testing. We are also in discussions with a potential German partner. We believe that the European market, where customer incentives for the adoption of microCHP technology are higher than in the UK, represents significant opportunity for the Flow boiler.

Partner update

We continue to work closely with all our partners to develop our business. It remains a testament to our business that our partners are all large global players with long histories of success in our key markets.

Our engineering and design teams are working closely with the Jabil team on our cost reduction programme and to continue to refine and enhance the design of the Flow boiler to increase its electricity generation capability.

After signing two agreements with Daikin for the provision of additional ground-breaking heating solutions to supplement the Flow boiler in April 2016, the development of our expanded smart boiler business is progressing well. The first sales of the Daikin Hybrid product are planned for Q3 2016 in time for the seasonal increase in boiler sales. Adding the Daikin products to our portfolio allows us to target the whole of the residential gas fired market and gives us the opportunity to grow our smart boiler business much more quickly. Daikin is a world leader in heating and cooling technology and their products perfectly complement our own game-changing mCHP technology.

Our Flow Brand Ambassador network continues to grow as we recruit more experienced and high quality heating engineers to sell and install Flow's heating product range in the home. Our entire national network of Flow Brand Ambassadors is in the process of being provided with Flow BiT (the Flow Business Integration Tool). This gives our Brand Ambassadors the ability to provide a seamless customer experience through one electronic platform from home survey through to boiler sale, install and more. Importantly, it gives our Brand Ambassadors the ability to sell energy in the home, providing more value for customers and opening a new face-to-face acquisition channel for Flow Energy.

We continue to work closely with Fifthplay to develop our connected home offer. Fifthplay has recently launched a range of home sensors which we will add to our existing range and we will work to enhance our offer in conjunction with Fifthplay on an ongoing basis

Energy for Life

With the continuing success of Flow Energy, the launch of the Flow boiler, the development of our Brand Ambassador network, our recent deal with Daikin to provide further innovative heating products and the launch of our connected home product range, we can now deliver our Energy for Life strategy. The core

concept of our Energy for Life strategy is our ability to deliver value to customers across the energy space on an enduring basis, increasing both revenue and brand loyalty from those customers and maximising their value to the Group. With a wider range of heating products via our deal with Daikin to supplement the Flow boiler, we can now offer a heating solution to the whole of the residential market, bundling those solutions with home energy supply and connected home products where appropriate. The ability to provide such a comprehensive offer is what sets Flowgroup apart from the vast majority of its competitors in its core markets and we believe it is something that could drive significant shareholder value.

mCHP Feed-in Tariff consultation

Following the publication by the Department of Energy and Climate Change (DECC) of a consultation on proposed changes to the Feed-in Tariff (FiT), we have met with officials from DECC and are currently in the process of making further representations to them, while also lobbying government both in Westminster and Edinburgh during the current consultation period. Along with seven other industry stakeholders, we will be issuing an industry statement in favour of maintaining the current structure of the mCHP FiT. We believe that the argument in favour of retention of the 30,000 unit cap is strong and we will continue to make our case to relevant parties.

Outlook

Our strategy remains the same – to disrupt the energy and heating markets by offering high quality, competitively priced products and services on an enduring basis, delivering customer value across the energy space in innovative ways. We are targeting significant growth in Flow Energy in 2016/17, and will continue to develop our mCHP business both in the UK and abroad, alongside establishing our smart boiler business in the UK. We will continue to monitor the Feed-in Tariff consultation and will consider a broad range of strategies for our mCHP product as part of our smart boiler business in light of the possible outcomes of the DECC consultation. While we are still a relatively small company whose plans can be unexpectedly affected by outside events, we also believe we are a business with significant potential to drive value for our shareholders.

The cash position within the Group remains strong, and is forecast to be £14.0M gross at the half year, of which around £3.0M will be ring-fenced to satisfy the agreed Shell covenants. We expect to deliver results in line with Analyst expectations for year ending 2016.

Flowgroup plc

Tony Stiff, Group Chief Executive Officer
Nigel Canham, Chief Financial Officer

www.flowgroup.uk.com

Tel: +44 (0)20 3137 4525

Cenkos Securities plc (NOMAD and Broker)

Stephen Keys / Christopher Golden (Corporate Finance)
Julian Morse (Sales)

Tel: +44 (0)20 7397 8900

Walbrook PR Ltd (Media Relations)

Paul McManus
Nick Rome

Tel: +44 (0)20 7933 8780 or flowgroup@walbrookpr.com

Mob: +44 (0)7980 541 893

Mob: +44 (0)7748 325 236