



20 July 2017

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

AGM Statement

Flowgroup plc (AIM: FLOW), Flowgroup plc (AIM: FLOW), which provides residential gas and electricity supply and other energy services to over 250,000 customer fuel accounts, will hold its Annual General Meeting today at 10.00 a.m. at Flow Energy, North Kiln, Felaw Maltings, 46 Felaw Street, Ipswich, IP2 8PN.

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

Flowgroup completed a successful fundraise in June 2017, raising net proceeds of over £25 million, which has recapitalised the Group's balance sheet and positions the Flow Energy business for growth. In addition, on 20 June 2017, we were pleased to welcome Bradley Tirpak, Brian Carroll and Jamie Brooke to the Board, whose experience we believe will be of great benefit to the Group.

Flow Energy update

Flow Energy grew rapidly in 2016, increasing customer fuel account numbers from approximately 100,000 fuel accounts to over 250,000 fuel accounts and increased revenues 145 per cent. from £40.4 million in 2015 to £98.8 million in 2016. Our medium-term target is to grow to 1m customer fuel accounts and make the business a viable challenger to the 'Big Six' energy suppliers in the UK market. Whilst the market is competitive, we believe we can continue to grow by offering lower prices and better customer service than the 'Big Six' suppliers. We have started to open a range of new, direct acquisition channels, bypassing the price comparison sites to target customers directly.

While we grow the business, we will seek to ensure that we control costs whilst continuing to deliver the levels of service that our customers have come to expect, which have historically won us a Which? energy provider award. We will also continue to enhance our digital, self-service account management offer and improve other parts of our digital infrastructure to efficiently service our customers.

Our focus on price and service has helped us grow Flow Energy to over 250,000 customer fuel accounts and the retention of customers is key to our success. We believe that our direct acquisition campaigns will control customer acquisition costs, reduce churn and increase gross margins. As we grow, we aim to reduce the cost to serve each customer and offer other services to build the lifetime value of our customers and build shareholder value. We look forward to providing a further update in our interim results.

Flow Products update

During our strategic review process, we announced that our microCHP technology was no longer economic in the UK market due to a reduction in UK government feed-in-tariff, Brexit and an increase in VAT. We have significantly reduced the Flow Products team from 58 to 17 employees and have reduced other ongoing costs accordingly. The Flow Products team is now focused on working with European partners on commercialisation of the microCHP technology. We are also investigating a sale of the microCHP technology in order to allow the Group to concentrate its resource on its core Flow Energy supply business.

Outlook

Flowgroup is now focused on growing Flow Energy and increasing shareholder value. We believe that the UK energy supply opportunity is around 50 million customer fuel accounts and is rapidly changing. We also believe that the number of customers switching from the 'Big 6' energy suppliers to 'challenger' suppliers,

such as ourselves, will continue as customers begin to understand the savings and better service available in the market. We will continue to position Flow Energy to attract these customers.

Flowgroup plc

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