

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary Shares in Flowtech Fluidpower plc, please send this document and the accompanying Form of Proxy as soon as possible to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded to, or transmitted in or into, any jurisdiction where to do so might violate the relevant laws and regulations in that jurisdiction. **In particular, such documents should not be forwarded to, or transmitted in or into, the United States.** If you have sold or otherwise transferred part only of your holding of Ordinary Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document should be read as a whole and in conjunction with the accompanying Form of Proxy and the Notice of General Meeting set out at the end of this document. You are recommended to read the whole of this document but your attention is drawn to the letter from the Non-Executive Chairman of the Company to Shareholders which is set out in this document and which recommends you vote in favour of the Resolutions to be proposed at the General Meeting.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including as regards the right to receive all dividends or other distributions declared, made or paid after Admission.

The Firm Placing Shares are expected to be admitted to AIM and to commence trading at 8.00 a.m. on 15 March 2018. The Conditional Placing Shares are expected to be admitted to AIM and to commence trading at 8.00 a.m. on 4 April 2018.

Flowtech Fluidpower plc

(Incorporated and registered in England and Wales with registered no. 09010518)

**Firm Placing of 3,235,284 new Ordinary Shares and
Conditional Placing of 3,235,305 new Ordinary Shares
at a price of 170 pence per Ordinary Share**

and

Notice of General Meeting

Nominated Adviser and Joint Broker

Zeus Capital

Joint Broker

finnCap

The Company and the Directors, whose names appear on page 9 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Zeus Capital Limited and finnCap Limited, who are both authorised and regulated by the Financial Conduct Authority and are member firms of the London Stock Exchange, are acting exclusively for Flowtech Fluidpower plc and for no one else in relation to the matters described in this document and will not be

responsible to anyone other than Flowtech Fluidpower plc for providing the protections afforded to clients of Zeus Capital Limited and finnCap Limited or for providing advice on any other matter referred to herein. Zeus Capital Limited and finnCap Limited have not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Zeus Capital Limited or finnCap Limited for the accuracy of any information or opinions contained in this document or for the omission of any information. Zeus Capital Limited, as nominated adviser and joint broker to the Company, and finnCap Limited, as jointbroker to the Company, owe certain responsibilities to the London Stock Exchange which are not owed to the Company or the Directors or any other person. No representation or warranty, express or implied, is made by Zeus Capital Limited or finnCap Limited or any of their directors, officers, employees or agents as to any of the contents of this document.

Notice of the General Meeting of Flowtech Fluidpower plc to be held at 11.00 a.m. on 3 April 2018 at the offices of DLA Piper UK LLP, 1 St. Peter's Square, Manchester M2 3DE, is set out at the end of this document. To be valid, the Form of Proxy for use at the General Meeting, which accompanies this document, must be completed, signed and returned so as to be received by the Company's registrars, Link Asset Services by no later than 11.00 a.m. on 28 March 2018. The completion and return of the Form of Proxy will not prevent you from attending and voting at the General Meeting in person, if you so wish (and are so entitled). A summary of the action to be taken by Shareholders is set out in paragraph 10 of the letter from the Non-Executive Chairman of the Company included in this document and in the Notice of General Meeting.

This document does not constitute a prospectus, neither does it constitute an admission document drawn up in accordance with the AIM Rules. This document does not constitute an offer to sell or the solicitation of an offer to buy any security. The distribution of this document in, into or within jurisdictions other than the United Kingdom may be restricted by law or regulation and, therefore, persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of the relevant jurisdiction.

The Placing Shares will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States or qualify for distribution under any of the relevant securities laws of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Accordingly, subject to certain exceptions, the Placing Shares may not be, directly or indirectly, offered, sold, taken up, delivered or transferred in or into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Shareholders who are residents or citizens of any country other than the United Kingdom and any person (including, without limitation, custodians nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the United Kingdom should seek appropriate advice before taking any action.

This document includes "forward-looking statements" which include all statements other than statements of historical facts, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules.

In accordance with the AIM Rules, this document will be available to Shareholders on the Company's website <http://www.flowtechfluidpower.com> from the date of this document, free of charge.

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PLACING STATISTICS

Placing Price	170p
Number of Ordinary Shares in issue at the date of this document	52,819,000
Aggregate number of Placing Shares to be issued	6,470,589
Number of Placing Shares to be issued pursuant to the Firm Placing	3,235,284
Number of Acquisition Shares to be issued pursuant to the Acquisition	292,942
Number of Placing Shares to be issued pursuant to the Conditional Placing	3,235,305
Aggregate number of Ordinary Shares in issue following Admission*	59,582,531
Aggregate number of Placing Shares expressed as a percentage of the enlarged share capital following Admission*	10.9 per cent.
Aggregate gross Placing proceeds*	£11.0 million
Gross Placing proceeds from Firm Placing*	£5.5 million
Gross Placing proceeds from Conditional Placing*	£5.5 million

* Assuming that all of the Placing Shares and Acquisition Shares are issued and that no other Ordinary Shares are issued prior to Admission

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2018</i>
Circular and Form of Proxy posted to Shareholders	14 March
First Admission and dealings in the Firm Placing Shares	8.00 a.m. on 15 March
CREST stock accounts expected to be credited for the Firm Placing Shares (where applicable)	15 March
Acquisition of Balu	expected 19 March
Second Admission and dealings in the Acquisition Shares expected to commence on AIM	8.00 a.m. on 20 March
CREST stock accounts expected to be credited for the Acquisition Shares (where applicable)	20 March
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 28 March
Posting of share certificates for Firm Placing Shares by Link Asset Services (where applicable)	29 March
General Meeting	11.00 a.m. on 3 April
Posting of share certificates for the Acquisition Shares by Link Asset Services (where applicable)	3 April
Third Admission and dealings in the Conditional Placing Shares expected to commence on AIM	8.00 a.m. on 4 April
CREST stock accounts expected to be credited for the Conditional Placing Shares (where applicable)	4 April
Posting of share certificates for Conditional Placing Shares by Link Asset Services (where applicable)	18 April

Notes:

1. The statistics above assume the passing at the General Meeting of the Resolutions in relation to the Conditional Placing Shares and the Admission of the Placing Shares and the Acquisition Shares.
2. Some of the times and dates above are indicative only and if any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service.
3. All of the above times refer to London time unless otherwise stated.
4. Events listed in the above timetable following the General Meeting are conditional on the passing at the General Meeting of the Resolutions.
5. All references to legislation in this document are to the legislation of England and Wales, unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.
6. All references in this document to "£", "pence" or "p" are to the lawful currency of the United Kingdom

DEFINITIONS

The following definitions apply throughout this document and the Form of Proxy, unless the context requires otherwise:

“Act”	the Companies Act 2006
“Acquisition”	the acquisition of the entire issued share capital of Balu and its trading subsidiaries Beaumanor and Derek Lane
“Acquisition Agreement”	the acquisition agreement dated 13 March 2018 made between the Seller (1), Paul Douglas McGreevy (2), Adrian McGreevy (3), the Company (4) and Fluidpower Limited (5), pursuant to which Fluidpower Limited has agreed to acquire the entire issued share capital of Balu from the Seller
“Acquisition Shares”	292,942 new Ordinary Shares, to be allotted and issued pursuant to Acquisition
“Admission”	admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules on each date pursuant to the Firm Placing and the Conditional Placing
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies, which sets out the rules and responsibilities for companies whose shares are admitted to trading on AIM, as amended from time to time
“Balu”	Balu Limited, a private limited company incorporated in England and Wales with company number 05808696
“Beaumanor”	Beaumanor Engineering Limited, a private limited company incorporated in England and Wales with company number 01180154
“Board” or “Directors”	the board of directors of the Company
“Circular” or “this document”	this circular of the Company giving (amongst other things) details of the Placing and incorporating the Notice of General Meeting
“Company” or “Flowtech”	Flowtech Fluidpower plc, a public limited company incorporated in England and Wales under registered number 09010518
“Completion of the Acquisition”	completion of the Acquisition Agreement in accordance with its terms
“Conditional Placing”	the conditional placing by Zeus Capital and finnCap (on behalf of the Company) of 3,235,305 Ordinary Shares at the Placing Price subject to, <i>inter alia</i> , the passing of the Resolutions and Admission
“Conditional Placing Shares”	the 3,235,305 new Ordinary Shares, to be allotted and issued pursuant to the Conditional Placing
“CREST”	the relevant system (as defined in the Regulations) which enables title to units of relevant securities (as defined in the Regulations) to be evidenced and transferred without a written instrument and in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the Regulations)

“Derek Lane”	Derek Lane & Co Limited, a private limited company incorporated in England and Wales with company number 07847352
“Enlarged Share Capital”	the issued share capital of the Company immediately following Third Admission
“Existing Ordinary Shares”	the 52,819,000 Ordinary Shares in issue at the date of this document, all of which are admitted to trading on AIM
“Fluidpower”	Fluidpower Limited, a private limited company incorporated in England and Wales with company number 01672034
“finnCap”	finnCap Limited, a company incorporated in England and Wales with company number 06198898, authorised and regulated by the Financial Conduct Authority
“Firm Placing”	the firm placing by Zeus Capital and finnCap (on behalf of the Company) of 3,235,284 Ordinary Shares at the Placing Price
“Firm Placing Shares”	the 3,235,284 new Ordinary Shares, to be allotted and issued pursuant to the Firm Placing
“First Admission”	admission of the Firm Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules (which is expected to take place at 8.00 a.m. on 15 March 2018)
“Form of Proxy”	the accompanying form of proxy for use by Shareholders in relation to the General Meeting
“General Meeting”	the general meeting of the Company to be held at 11.00 a.m. on 3 April 2018, notice of which is set out at the end of this document
“Group”	the Company, its subsidiaries and subsidiary undertakings
“London Stock Exchange”	London Stock Exchange plc
“Notice of General Meeting”	the notice of General Meeting, set out at the end of this document
“Ordinary Shares”	ordinary shares of 50 pence each in the capital of the Company
“Placing”	together the Firm Placing and the Conditional Placing
“Placing Agreement”	the conditional agreement dated 13 March 2018 relating to the Placing, between the Company, Zeus Capital and finnCap
“Placing Price”	170 pence per Placing Share
“Placing Proceeds”	the aggregate net proceeds of the issue of both the Firm Placing Shares and the Conditional Placing Shares pursuant to the Firm Placing and the Conditional Placing
“Placing Shares”	6,470,589 new Ordinary Shares, to be allotted and issued pursuant to the Firm Placing and the Conditional Placing
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No.3755), as amended
“Resolutions”	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting

“Second Admission”	admission of the Acquisition Shares to trading on AIM becoming effective in accordance with the AIM Rules (which is expected to take place at 8.00 a.m. on 20 March 2018)
“Seller”	Sambasiva Gounder Thirumalai
“Shareholders”	the holders of Ordinary Shares from time to time, each individually a “Shareholder”
“Third Admission”	admission of the Conditional Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules (which, subject to the passing of the Resolutions at the General Meeting, is expected to take place at 8.00 a.m. on 4 April 2018)
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“Zeus Capital”	Zeus Capital Limited, a company incorporated in England and Wales with company number 04417845, authorised and regulated by the Financial Conduct Authority

All references in this document to “£”, “pence” or “p” are to the lawful currency of the United Kingdom.

LETTER FROM THE NON-EXECUTIVE CHAIRMAN OF FLOWTECH FLUIDPOWER PLC

FLOWTECH FLUIDPOWER PLC

(Incorporated and registered in England and Wales with registered no. 09010518)

Registered Office

Pimbo Road
Skelmersdale
WN8 9RB

Directors:

Malcolm Diamond MBE, *Non-Executive Chairman*

Sean Fennon, *Chief Executive Officer*

Bryce Brooks, *Chief Financial Officer*

Nigel Richens, *Non-Executive Director*

14 March 2018

Dear Shareholder

Firm Placing of 3,235,284 new Ordinary Shares and Conditional Placing of 3,235,305 new Ordinary Shares at a price of 170 pence per Ordinary Share

and

Notice of General Meeting

1. INTRODUCTION

On 13 March 2018, Fluidpower, a wholly owned subsidiary of the Company, entered into the Acquisition Agreement to acquire the entire issued share capital of Balu and its trading subsidiaries, Beaumanor and Derek Lane, for a total consideration of approximately £10.2 million (the "Acquisition").

Pursuant to the Acquisition, the Company had agreed to allot the Acquisition Shares at the Placing Price, which constituted a portion of the consideration under the Acquisition Agreement, of approximately £0.5 million.

As part of the transaction, Flowtech also announced that Zeus Capital and finnCap had coordinated a Firm Placing and Conditional Placing to raise up to £11.0 million by way of the issue of an aggregate 6,470,589 new Ordinary Shares at the Placing Price of 170 pence per Ordinary Share.

The Firm Placing Shares and the Conditional Placing Shares have been placed with certain existing and new institutional and other professional investors.

The Firm Placing and the allotment of the Acquisition Shares are both being made pursuant to existing authorities to allot shares and disapply pre-emption rights under section 551 and section 570 of the Act, which the Directors were given at the Company's Annual General Meeting of the Company held on 25 May 2017. Accordingly, completion of the Firm Placing and allotment of the Acquisition Shares are due to take place on First Admission which is expected to occur at 8.00 a.m. on 15 March 2018 and the Second Admission which is expected to occur on 8.00 a.m. on 20 March 2018.

However, the Conditional Placing is conditional, *inter alia*, on the passing of the Resolutions by the Shareholders at the General Meeting, which has been convened for 3 April 2018, notice of which is set out at the end of this document and Admission. If the Resolutions are passed, the Conditional Placing Shares are expected to be allotted immediately after the General Meeting, conditional on Third Admission, which is expected to occur at 8.00 a.m. on 4 April 2018.

The Acquisition (and the allotment of the Acquisition Shares) and the Firm Placing are not conditional upon approval of the Conditional Placing and there is, therefore, a possibility that the Acquisition may complete, the Acquisition Shares be allotted, and the Firm Placing Shares be issued but that the Conditional Placing Shares not be issued.

The purpose of this document is to explain the background to the Acquisition and the Placing, and to set out the reasons why the Directors believe it to be in the best interests of the Company and its Shareholders and, further, why they recommend that you vote in favour of the Resolutions at the forthcoming General Meeting, which will be held at the offices of DLA Piper UK LLP, 1 St. Peter's Square, Manchester M2 3DE. The Notice of General Meeting is set out at the end of this document. The Directors intend to vote in favour of the Resolutions in respect of their legal and/or beneficial shareholdings amounting, in aggregate, to 413,000 Ordinary Shares representing approximately 0.8 per cent. of the Existing Ordinary Shares.

2. INFORMATION ON BALU, BEAUMANOR AND DEREK LANE

Balu is the parent company of two trading entities; Beaumanor and Derek Lane.

Beaumanor, founded in 1974 and based in Leicester, is an importer and distributor of fluid power equipment in the UK. It has a large customer base with no major customer concentration and sources products from a range of suppliers. It provides products through its website and a biennial catalogue, and is one of Flowtech's largest competitors in the "catalogue-based" market. It employs 44 staff. The unaudited financial statements for the year to 31 January 2018 showed revenue of £8.1 million and proforma EBIT of £1.2 million.

Beaumanor will be part of the Flowtechnology Division and Beaumanor management will report directly to Flowtech CEO, Sean Fennon, who will have specific responsibility for the Beaumanor integration plan.

Derek Lane, founded in 1979 and based in Newton Abbot, Devon, is a supplier of fluid power products and engineered solutions. Derek Lane's largest customer supports Ministry of Defence naval contracts in the Devon area. It employs 28 staff. The unaudited financial statements for the year to 31 January 2018 showed revenue of £3.3 million and proforma EBIT of £0.2 million.

Derek Lane will be part of the PMC Division and management will report directly to Nick Fossey, Managing Director UK & Ireland.

3. STRATEGIC RATIONALE FOR THE ACQUISITION AND PLACING

The Company's long-term growth model is based on both organic growth, coupled with complementary acquisitions in the UK and Europe in a fragmented market place. The Acquisition is in line with this strategy.

The Board considers Balu and its trading subsidiaries to be a clear strategic fit with Flowtech and believes the Acquisition will provide a number of commercial, operational and financial benefits which are expected to create value for Shareholders. In particular:

- creating a coordinated approach to three major catalogue brands in the UK market place;
- widen target customer base using separate trading "styles" from the same platform;
- replicating the Flowtechnology model to deliver cost and service synergies;
- create a second Logistics Centre in Leicester to deliver stock optimisation and supply chain improvements across the Group, as well as establish a substantial operational site in the important Midlands region of the UK; and
- operationally de-risk the main Skelmersdale site.

4. DETAILS OF THE ACQUISITION

On 13 March 2018, the Group entered into the Acquisition Agreement with the Seller to acquire the entire issued share capital of Balu, for an aggregate sum of approximately £10.2 million comprised of £2.0 million net debt absorbed and £8.2 million equity consideration to be satisfied as follows:

- c.£4.65 million cash paid on Completion of the Acquisition, subject to certain completion adjustments (inclusive of a deposit amount of £300,000 which was paid to Seller on entry by the parties into the Acquisition Agreement);
- c.£0.5 million paid by means of the Acquisition Shares at the Placing Price. The Seller has agreed not to dispose of any of the Consideration Shares for a period of 12 months (except under limited circumstances with the approval of the Board) from Completion of the Acquisition and thereafter orderly market arrangements for a further period of 12 months;
- c.£1.0 million cash to be paid approximately one month after Completion of the Acquisition, subject to certain completion adjustments;
- c.£1.7 million cash to be paid 6 months after Completion of the Acquisition, subject to certain completion adjustments; and
- c.£0.35 million cash paid pending the resolution of a corporation tax claim which is expected to be resolved within 12 months of Completion of the Acquisition.

The Seller will leave the business on Completion of the Acquisition and is subject to a non-compete covenant lasting for 2 years from Completion of the Acquisition. The Managing Director of Balu will leave the business on Completion of the Acquisition, and the Financial Director will leave after remaining at Balu until 29 March 2018 and are both subject to a non-compete covenant lasting for 12 months from Completion of the Acquisition.

Other than the individuals outlined above, the main operating management teams in Beaumanor and Derek Lane will continue in the business. The Sales Director and Operations Director of Derek Lane will also retain an aggregate 10 per cent. minority interest in Derek Lane.

Completion of the Acquisition and the allotment of the Acquisition Shares are conditional on First Admission and the receipt of proceeds from the Firm Placing. Pursuant to the terms of the Acquisition Agreement, Completion of the Acquisition would occur and the condition would be satisfied by the transfer of the initial consideration price of £4,650,000 to the Seller (less the deposit amount of £300,000, which had been paid to Seller on entry by the parties into the Acquisition Agreement). If the condition is not satisfied on or before 20 March 2018 the Acquisition will not proceed.

5. DETAILS OF THE PLACING

The Company proposes to raise £11.0 million (before commissions, fees and expenses), by way of a Firm Placing and Conditional Placing of an aggregate 6,470,589 new Ordinary Shares at the Placing Price.

The Firm Placing and the allotment of the Acquisition Shares are both being made pursuant to existing authorities to allot shares and dis-apply pre-emption rights under section 551 and section 570 of the Act, which the Directors were given at the Company's Annual General Meeting of the Company held on 25 May 2017. Accordingly, completion of the Firm Placing is due to take place on First Admission which is expected to occur at 8.00 a.m. on 15 March 2018 and, subject to satisfaction of the condition under the Acquisition Agreement being the transfer of the initial consideration price of £4,650,000 to the Seller (less the deposit amount of £300,000, which had been paid to Seller on entry by the parties into the Acquisition Agreement), the completion of the allotment of the Acquisition Shares is due to take place on the Second Admission which is expected to occur on 8.00 a.m. on 20 March 2018.

The Conditional Placing is conditional, *inter alia*, on the passing of the Resolutions by the Shareholders at the General Meeting, which has been convened for 3 April 2018, notice of which is set out at the end of this document and Admission. If the Resolutions are passed, the Conditional Placing Shares are expected to be allotted immediately after the General Meeting, conditional on Third Admission, which is expected to occur at 8.00 a.m. on 4 April 2018.

Subscribers for the Placing Shares have, pursuant to the Placing Agreement, been procured by Zeus Capital and finnCap, as agents for the Company, comprising existing and new institutional and other professional investors.

The Placing Price represents a discount of approximately 3.84 per cent. to the closing mid-market price of the Ordinary Shares on 13 March 2018 (being the last practicable dealing day prior to the date of this document). The Placing Shares will represent approximately 10.9 per cent. of the ordinary share capital as enlarged by the Acquisition and Placing and will, when issued, rank *pari passu* in all respects with the other Ordinary Shares then in issue, including all rights to all dividends and other distributions declared, made or paid following Admission.

The Placing Agreement is conditional upon (amongst other things) the Placing Agreement not having been terminated, the passing of the Resolutions at the General Meeting and Admission occurring on or before 8.00 a.m. on 4 April 2018 (or such later date as Zeus Capital, finnCap and the Company may agree, being not later than 5.00 p.m. on 30 April 2018).

The Placing Agreement contains warranties from the Company in favour of Zeus Capital and finnCap in relation to (amongst other things) the Company and its business. In addition, the Company has agreed to indemnify Zeus Capital and finnCap in relation to certain liabilities each of them may incur in undertaking and in relation to the Placing. Zeus Capital and finnCap have the right to terminate the Placing Agreement in certain circumstances prior to Admission. In particular, they may terminate in the event that there has been a material breach of any of the warranties or for *force majeure*.

6. CURRENT TRADING UPDATE AND BOARD STRATEGY FOR 2018

On 23 January 2018, the Company announced a trading update on its performance for the year ended 31 December 2017. Since this trading update the Group has continued to trade in line with management's expectations. The Company will announce its final results on 17 April 2018.

On 1 March 2018, the Company entered into a restated facilities agreement with Barclays Bank plc to replace its existing facilities with a £16 million committed revolving credit facility and £4 million term loan for a period of three years.

The Board does not intend to implement further significant M&A in 2018. The Board's focus will be on extracting operating efficiencies from the six acquisitions made in the last 12 months. In particular:

- inter-company procurement and stock holding benefits by using logistics centres in Skelmersdale and Leicester;
- upgrade information systems, with Sage X3 Financials to be implemented Group-wide by the end of 2018; and
- an operational review to identify efficiencies that could be achieved through geographic consolidation of existing assets.

The Group will also introduce a new regional structure with the appointment of new regional Managing Directors. In particular:

- Nick Fossey was appointed UK & Ireland Managing Director on 1 February 2018 with a focus on synergy extraction, cash generation and continuing to develop commercial and cross selling opportunities; and
- Mark Richardson was appointed Benelux Managing Director on 23 February 2018 with a focus on operational efficiencies between Hydroflex and Flowtechnology Benelux.

Sean Fennon, CEO, will have specific responsibility for the Acquisition integration plan.

7. GENERAL MEETING RESOLUTIONS

The Company currently does not have sufficient authority to allot Ordinary Shares under the Act to effect the Conditional Placing. Accordingly, the Resolutions, summarised below, are being proposed at the General Meeting to ensure that the Directors have sufficient authority to allot the Conditional Placing Shares on a non-pre-emptive basis and to renew the Company's existing general authorities to take account of the Placing and the enlarged share capital amount following the Placing.

Resolution 1: Specific authority to allot equity securities

Resolution 1 is an ordinary resolution to grant authority to the Directors under section 551 of the Act to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £1,617,653 such authority expiring on 30 June 2018.

If Resolution 1 is passed the Directors will have the authority, under the Act, to allot Ordinary Shares up to the maximum aggregate nominal amount of £1,617,653 (being the maximum required for the purposes of issuing the Conditional Placing Shares). If passed, this authority will be additional to the current authority that the Directors were granted at the Company's annual general meeting held on 25 May 2017.

Resolution 2: General authority to allot equity securities

Resolution 2 is an ordinary resolution, conditional upon and with effect from completion of the Placing, to grant authority to the Directors under section 551 of the Act to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £9,930,422 (being equal to approximately one third of the issued share capital of the Company immediately following Admission of the Placing Shares).

This authority will be in addition to those being proposed to be given to the Directors pursuant to Resolution 1 in order to effect the Placing and the enlarged share capital following the Placing. This authority will then replace existing authorities which the Company currently has in place under sections 551 of the Act. This new authority will expire on the conclusion of the Company's annual general meeting to be held in 2018 or 25 August 2018, whichever is earlier, being the same expiry date as the existing authorities.

Resolution 3: Specific disapplication of pre-emption rights

Resolution 3 is a special resolution which, if passed, will empower the Directors, pursuant to section 571(1) of the Act, to allot equity securities for cash pursuant to the authority conferred by Resolution 1 up to an aggregate nominal amount of £1,617,653 on a non-pre-emptive basis, such authority expiring on 30 June 2018.

If passed, this authority, in conjunction with the authority proposed pursuant to Resolution 1, will enable the Directors to effect the Placing on a non-pre-emptive basis. If passed, this authority will be additional to the current disapplication of pre-emption rights authority that the Directors were granted at the Company's annual general meeting held on 25 May 2017.

Resolution 4: Disapplication of pre-emption rights

Resolution 4 is a special resolution, conditional upon and with effect from completion of the Placing, to empower the Directors, pursuant to section 570(1) and 573(2) of the Act, to allot equity securities for cash and to sell treasury shares pursuant to such authority on a non-pre-emptive basis in relation to rights issues and otherwise up to an aggregate nominal amount of £2,979,127 (being equal to approximately 10 per cent. of the issued share capital of the Company immediately following Admission).

This authority will be in addition to those being proposed to be given to the Directors pursuant to Resolution 3 in order to effect the Placing and the enlarged share capital following the Placing. This authority will then replace existing authorities which the Company currently has in place under sections 570(1) of the Act. This new authority will expire on the conclusion of the Company's annual general meeting to be held in 2018 or 25 August 2018, whichever is earlier; the same expiry date as the existing authorities.

Resolutions 1 and 2 are ordinary resolutions and require a majority of more than 50 per cent. of the votes cast to be passed. Resolutions 3 and 4 are special resolutions and require the approval of not less than 75 per cent. of the votes cast to be passed. If Resolutions 1 and 3 are not passed by the requisite majority, the Placing will not proceed. Resolutions 2 and 4 are in any event conditional upon completion of the Placing

and should these not be required, then the current authorities in place from the Company's annual general meeting on 25 May 2017 will prevail.

The Notice of General Meeting is contained at the end of this document and sets out the Resolutions in full. The General Meeting is to be held at the offices of DLA Piper UK LLP, 1 St. Peter's Square, Manchester M2 3DE.

8. RELATED PARTY TRANSACTIONS

The following Related Parties (as defined, in each case by nature of their status of Substantial Shareholders, in the AIM Rules for Companies) will be participating in the Placing.

<i>Related Party</i>	<i>Current Holding as per latest TR-1/FLO Annual accounts</i>	<i>% of Existing Ordinary Shares</i>	<i>Subscription for Firm and Conditional Placing</i>	<i>Holding post subscription</i>	<i>% of Enlarged Issued Share Capital*</i>
Premier Asset Managers	6,450,650	12.2%	88,236	6,538,886	11.0%
Canaccord Genuity Group Inc	5,865,373	11.1%	588,236	6,453,609	10.8%
Close Brothers Asset Management	5,457,549	10.3%	387,131	5,844,680	9.8%
Miton Asset Management	5,389,198	10.2%	588,236	5,977,434	10.0%

* the issued share capital of the Company immediately following Third Admission.

The Directors consider, having consulted with the Company's nominated adviser, Zeus Capital, that the terms of the Related Parties' participation in the Placing are fair and reasonable insofar as the Company's Shareholders are concerned.

9. ACTION TO BE TAKEN

Enclosed with this document is a Form of Proxy for use at the General Meeting. **Whether or not you intend to be present at the General Meeting, you are requested to complete, sign and return the Form of Proxy to the Company's registrars, Link Asset Services, so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 28 March 2018.**

If you complete and return the Form of Proxy, you may still attend and vote at the General Meeting should you wish to do so. Shareholders who hold their Ordinary Shares through a nominee should instruct their nominees to submit a Form of Proxy on their behalf.

10. RECOMMENDATION

The Directors consider that the Placing and the Resolutions are in the best interests of the Company and its Shareholders as a whole and accordingly recommend that Shareholders vote in favour of the Resolutions, as they intend to do in respect of their own legal and/or beneficial shareholdings, amounting, in aggregate, to 413,000 Ordinary Shares (representing approximately 0.8 per cent. of the Existing Ordinary Shares).

Yours faithfully

Malcolm Diamond MBE
Non-Executive Chairman

NOTICE OF GENERAL MEETING

FLOWTECH FLUIDPOWER PLC

(Incorporated and registered in England and Wales with registered no. 09010518)

Notice is hereby given that a General Meeting of Flowtech Fluidpower plc (the “Company”) will be held at 11.00 a.m. on 3 April 2018 at the offices of DLA Piper UK LLP, 1 St. Peter’s Square, Manchester M2 3DE for the purposes of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 and 2 will be proposed as ordinary resolutions and Resolutions 3 and 4 will be proposed as special resolutions.

ORDINARY RESOLUTIONS

1. That in accordance with section 551 of the Companies Act 2006 the directors be and they are hereby unconditionally authorised to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Companies Act 2006) provided that such authority:
 - 1.1 shall be limited to the allotment of up to 3,235,305 ordinary shares of 50 pence each in the capital of the Company in connection with the proposed placing of shares in the Company by Zeus Capital Limited and finnCap Limited, described in the circular of the Company dated 14 March 2018; and
 - 1.2 shall (unless previously revoked, varied or renewed) expire on 30 June 2018, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Such authority is in addition to the authority to allot equity securities granted by the Company at its general meeting held on 25 May 2017.

2. That, conditional upon the proposed placing of shares in the Company by Zeus Capital Limited and finnCap Limited described in the circular of the Company dated 14 March 2018 taking place not later than 8.00 a.m on 4 April 2018 (or such later time and/or date, being not later than 5.00 p.m on 30 April 2018, as the directors, on behalf of the Company, Zeus Capital Limited, and finnCap Limited may agree) and with effect from completion of such placing:
 - 2.1 in accordance with section 551 of the Companies Act 2006 the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Companies Act 2006) up to an aggregate nominal value of £9,930,422, provided that such authority shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next annual general meeting of the Company and 25 August 2018, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; and
 - 2.2 such authority is in addition to the authority conferred by Resolution 1 above but otherwise in substitution for any and all authorities previously conferred upon the directors for the purposes of section 551 of the Companies Act 2006, without prejudice to any allotments made pursuant to the terms of such authorities.

SPECIAL RESOLUTIONS

3. That in accordance with section 571(1) of the Companies Act 2006, the directors be and they are hereby given power to allot equity securities (as defined in section 560 of the Companies Act 2006) pursuant to the authority conferred by Resolution 1 above as if section 561 of the Companies Act 2006 did not apply to such allotment, provided that the power granted by this resolution shall (unless previously revoked, varied or renewed) expire when the authority conferred by Resolution 1 above shall expire, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Such authority is in addition to the authority to allot equity securities granted by the Company at its general meeting held on 25 May 2017.

4. That, conditional upon the proposed placing of shares in the Company by Zeus Capital Limited and finnCap Limited described in the circular of the Company dated 14 March 2018 taking place not later than 8.00 a.m on 4 April 2018 (or such later time and/or date, being not later than 5.00 p.m. on 30 April 2018, as the directors, on behalf of the Company, Zeus Capital Limited, and finnCap Limited may agree) and with effect from completion of such placing:

- 4.1 in accordance with sections 570(1) and 573(2) of the Companies Act 2006, the directors be and they are hereby given power to allot equity securities (as defined in section 560 of the Companies Act 2006) pursuant to the authority conferred by paragraph 2.1 of Resolution 2, and to sell treasury shares, as if section 561 of the Companies Act 2006 did not apply to such allotment or sale, provided that this power shall be limited to:

- 4.1.1 the allotment or sale of equity securities for cash in connection with or pursuant to an offer to the holders of equity securities and other persons entitled to participate, in proportion (as nearly as may be) to their then holdings of equity securities (or, as appropriate, the numbers of such securities which such other persons are for those purposes deemed to hold), subject only to such exclusions or other arrangements as the directors may feel necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body of, or any stock exchange in, any territory; and

- 4.1.2 the allotment or sale of equity securities (otherwise than pursuant to sub-paragraph 4.1.1) for cash up to a maximum nominal value of £2,979,127,

and shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next annual general meeting of the Company and 25 August 2018, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the directors may allot or sell equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

Bryce Brooks
Company Secretary

14 March 2018

Registered Office
Pimbo Road
Skelmersdale
WN8 9RB

NOTES TO THE NOTICE OF GENERAL MEETING

1. A member entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies of their own choice to exercise all or any of their rights to attend, speak and vote on their behalf at the Meeting. A member can only appoint a proxy using the procedures set out in these notes and the notes to the accompanying form of proxy (and as described in the Company's articles of association by whose contents these notes are qualified).
2. A member may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member may not appoint more than one proxy to exercise rights attached to any one share. The proxy need not be a member of the Company, but must attend the Meeting to represent the member. Please refer to the notes to the form of proxy for further information on appointing a proxy, including how to appoint multiple proxies.
3. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he/she thinks fit on the specified Resolutions and, unless otherwise instructed, may also vote or abstain from voting on any other matter (including amendments to the Resolutions) which may properly come before the Meeting.
4. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the Company's register of members in respect of the joint holding.
5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member; provided that each representative is appointed to exercise the rights attached to a different share or shares held by the member.
6. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those members registered on the Register of Members at close of business on 28 March 2018 (the "Specified Time") (or if the Meeting is adjourned to a time more than 48 hours after the Specified Time, taking no account of any part of a day that is not a working day, by close of business on the day which is two working days prior to the time of the adjourned meeting) shall be entitled to attend and vote thereat in respect of the number of shares registered in their name at that time. If the Meeting is adjourned to a time not more than 48 hours after the Specified Time (taking no account of any part of a day that is not a working day), that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the Register after the relevant deadline shall be disregarded in determining rights to attend and vote.

Appointment of proxy using hard copy proxy form

7. Members may appoint a proxy or proxies by completing and returning a form of proxy by post to the offices of the Company's registrars using the business reply address on the form, or in an envelope addressed to, FREEPOST PXS; 34 Beckenham Road, BR3 9ZA or delivering a form of proxy by hand at the offices of the Company's registrars, Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU during normal business hours. In the case of a member which is a corporation, the proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer or an attorney. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power of authority) must be included with the proxy form. Any such power of attorney or other authority cannot be submitted electronically.
8. To be effective, the appointment of a proxy, or the amendment to the instructions given for a previously appointed proxy, must be received by the Company's registrars by the method outlined in note 7 above no later than 11.00 a.m. on 28 March 2018. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Appointment of proxy using CREST electronic proxy appointment service

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in this notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Termination of proxy appointments

13. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Meeting.
14. In order to terminate the authority of a proxy, or a corporate representative of a corporation, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke such appointment to the Company's registrars. To be effective, the notice of termination must be received by the Company's registrars by the method outlined in note 7 above no later than 11.00 a.m. on 28 March 2018.

Voting Rights

15. As at 13 March 2018, being the latest practicable date prior to the printing of this Notice, the Company's issued capital consisted of 52,819,000 Ordinary Shares carrying one vote each. Therefore, the total voting rights in the Company as at 13 March 2018 are 52,819,000.

Communications

16. This Notice, together with information about the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the Meeting as at 13 March 2018, being the latest practicable date prior to the printing of this Notice, will be available on the Company's website <http://www.flowtechfluidpower.com>.
17. Except as provided above, members who have general queries about the general meeting should contact Bryce Brooks. No other methods of communication will be accepted. Any electronic address provided either in this Notice or in any related documents (including the accompanying form of proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.

