11 September 2018

EU Supply Plc
(“EU Supply”, the “Company” or the “Group”)

Interim results for the six months ended 30 June 2018

EU Supply (AIM:EUS), the e-procurement SaaS provider, is pleased to announce its unaudited interim results for the six months ended 30 June 2018, which are reported for the first time under IFRS15 unless otherwise stated. Comparative numbers have not been adjusted and are disclosed as initially reported under IAS18 unless otherwise stated.

Financial highlights:

- Revenue grew by 15% to £2.45m (H1 2017: £2.13m, adjusted for IFRS15) (15% growth also on a constant currency basis)
- Revenues of a recurring or repeated nature up 26% at 71% (H1 2017 65%, adjusted for IFRS15)
- Operating profit increased to £45k (H1 2017: profit of £9k and a loss of £30k adjusted for IFRS15)
- Positive operating cash flow generated after interest expense
- Cash balance of £1.13m at 30 June 2018 (30 June 2017: £1.04m; 31 December 2017: £0.65m)

Operational highlights:

- Equity placing raised £600k before expenses to invest in the development of micro-procurement solution services to existing and new customers
- Considerable development resources were re-allocated in Q2 2018 to build modules and services to generate high growth of recurring revenues in the mid to longer term
- Large number of smaller contracts signed with new customers, notably in Denmark and Norway, with more than 120 new names combined during H1 2018, increasing the recurring revenue base

Post-period end:

- New service offering launched to suppliers on the Group’s CTM™ platform opening a new revenue stream. More than 100 new subscribers achieved in the first month of operation in the pilot market. The Board expects this to add further recurring revenue at a high margin and in time targeting a significant share of the 500,000+ suppliers active on the platform
- Additional SaaS modules are being negotiated with existing customers for launch at the end of 2018
- Work has continued under the grant announced in 3 July 2018, expected to be worth up to €240,000, and to be received in late 2018 or early 2019

Commenting on the results, Thomas Beergrehn, CEO of EU Supply, said:
“I am pleased to announce continued profitable growth, especially on the back of enhanced recurring revenue, which is despite a net deferral of approximately £206k of income in accordance with IFRS15.

The increased recurring revenue base was achieved with contributions from both new customer contracts and licensing of additional modules to existing customers. Post-period end, we also successfully launched additional services to suppliers on a subscription basis at an attractive margin.

The Group expects continued revenue growth in 2018 and beyond driven by the requirements for mandatory EU e-tendering provisions and increasing demand for additional CTM™ modules to existing customers and new services to their suppliers. Over 500,000 suppliers are currently using our platforms or services, and the Group is developing and launching additional services for them, which can generate additional recurring revenues at a high margin.

The Board anticipates continued growth during the second half of 2018 and expects to report a second successive annual operating profit and results for the year ending 31 December 2018 in line with market expectations.”

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A copy of this announcement is available at www.eu-supply.com.

Notes to Editors

EU Supply is the UK holding company of the EU Supply Group, a Sweden-based e-commerce business, which has an established, market-leading, multilingual e-procurement platform for e-sourcing, e-tendering and contract management, tailored for the highly regulated European public sector market.

Since 2006, the Group has invested heavily in employing specialist programmers to add functionality, legal compliance as required and security features to its Complete Tender Management™ ("CTM™") platform to ensure that it is ideally placed to secure new contracts with EU Member States and their contracting authorities. The platform is available in 16 different languages.

The Directors believe that the Group's CTM™ platform is one of the easiest to use and most functionally advanced solutions available in the market. The CTM™ platform is used by over 8,000 European public sector bodies in 9 EU/EEC Member States and has National Procurement System status in four Member States (the UK, Ireland, Norway and Lithuania).

The Company's shares were admitted to trading on AIM in November 2013. In August and September 2015, the Company raised a total of £2.061m (before expenses) through a placing of new shares and the issue of first and second tranches of Convertible Loan Notes to institutional and other investors. On 25 May 2018, the Company announced that it had raised a further £600k (before expenses) through a placing and subscription of new shares.

CEO Statement

I am pleased to report EU Supply's unaudited interim results for the six months ended 30 June 2018.

EU Supply has achieved continued strong growth during the first six months of 2018 with revenues up by 15 per cent. to £2.45m (H1 2017: £2.13m, adjusted for IFRS15). The revenue growth was underpinned by a 26% increase in recurring or repeatable revenue. This revenue growth was achieved despite an increase in deferred income of approximately £206k as a result of the application of IFRS15 for the first time. All of the deferred income accrued during the period, and the vast majority of the Company's total balance of deferred income of approximately £1.05m will be recognised in the Company's income statement within the next nine months. Further details are set out in Note 2 below.

At 30 June 2018, EU Supply's recurring revenue represented approximately 71 per cent. of the H1 2018 revenue (H1 2017: approximately 65 per cent., adjusted for IFRS15). This high recurring revenue level provides a solid platform for further growth in future years.

The Group is still experiencing similar levels of pricing pressure in most markets to those seen historically. The Group therefore continues to be selective on competitive contracts and only focuses on profitable sub-sectors and niches within its existing markets.

In May 2018, the Company raised £600k (before expenses) by way of a placing of new shares, the proceeds of which will be used to develop a micro-procurement module/services within the Groups CTM™ software platform. Work has commenced on the project and several meetings have been held with potential pilot customers. First revenues, which are expected primarily to be of recurring or repeat nature, are anticipated in 2019.

Cash and cash management

The Group closed H1 2018 with cash of £1.13m (31 December 2017 £0.65m; 30 June 2017 £1.04m) and has sufficient cash for both its short and long term needs. A tax credit claim has been filed in respect of 2017 with approximately £0.1m in cash expected to be received during H2 2018 (the equivalent payment last year was received during H1 2017). In addition, a receivable of approximately £0.4m, that was anticipated to be received during the period, was not received until July 2018, meaning that cash at the period end was approximately £0.5m lower than expected.

The Group's policy to keep the majority of its cash in the currencies where it foresees net cash outflows (primarily operating costs denominated in EUR and SEK) partly hedges the potential currency exchange fluctuations, including any such changes due to Brexit. However, any strengthening (or weakening) of Sterling, mainly against the Swedish Krona, could have a positive (or negative) effect on the Group's underlying profit for the year ending 31 December 2018. The sensitivity to such a scenario has been reduced since the Company reached profitability and should be further reduced over time as the Group's revenues continue to grow in non-Sterling currencies.

Selective recruitment

As previously announced, the Group is selectively recruiting in order to satisfy demand and to accelerate development of the micro-procurement project and value added services to suppliers on its platforms, which, as set out above, are both expected to increase the Company's recurring and repeatable revenues.

At 30 June 2018, the Group employed 49 (full-time equivalent) employees (30 June 2016: 47), including four Directors.

Brexit and regulatory changes

The Board's assessment of the impact of Brexit on the Company, as announced on 29 June 2016, has not changed. It expects that the long-term effect of Brexit on the Group's underlying business will be limited, as the need for effective competition of contracts in the UK should remain irrespective of EU membership. Public sector cost reduction is also expected to be required irrespective of any Brexit effect on growth in Europe. Any tariffs, if introduced, would not be expected to apply to the Group's services. Any effect of currency fluctuations is partly hedged by the Company's cash management approach as described above. The Board will keep this matter under review as more information becomes available.

During the period, the Group has implemented changes to comply with GDPR (European General Data Protection Regulation).

Outlook

The Company continues to focus on those existing market segments where it has a unique or strong position and expects to win additional business on its CTM™ services and generate a higher rate of recurring revenues, both from contracting authorities and companies as well as their suppliers.

Additional business may also be generated from its first customers and reference cases in Germany, and negotiations are ongoing for the Company's first project in the oil and gas sector subject to the specific project obtaining the necessary financing.

The Board anticipates continued growth during the second half of 2018 and expects to report a second successive annual operating profit and results for the year ending 31 December 2018 to be in line with market expectations.

Thomas Beergrehn
Chief Executive Officer

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2018

	6 months to 30 June 2018 (unaudited)*	6 months to 30 June 2017 (unaudited)	Year to 31 December 2017 (audited)
	£'000	£'000	£'000
Revenue – continuing operations	2,453	2,171	4,679
	2,453	2,171	4,679
Administrative expenses	(2,405)	(2,162)	(4,587)
Operating profit	48	9	92
Finance costs	(139)	(129)	(264)
Loss before taxation	(91)	(120)	(172)
Taxation	(3)	(13)	65
Loss for the period attributable to owners of the parent	(95)	(133)	(107)
Other comprehensive income: Exchange differences arising on the translation of foreign subsidiaries	(29)	4	(1)
Total comprehensive loss for the period attributable to owners of the parent	(123)	(129)	(108)
Basic and diluted loss per share attributable to owners of the parent	(0.002)	(0.002)	(0.002)

* H1 2018 numbers are calculated in accordance with IFRS15 which has reduced revenue by £49k compared to the application of the prior period's accounting policies under IAS18.

Condensed Consolidated Statement of Financial Position at 30 June 2018

	As at 30 June 2018 (unaudited)*	As at 30 June 2017 (unaudited)	As at 31 December 2017 (audited)
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	53	44	39
Intangible assets	60	-	-
Other long term receivables	14	9	15
Total Non-current assets	128	53	54
Current assets			
Trade and other receivables	1,569	1,067	1,154
Current tax assets	101	2	101
Cash and cash equivalents	1,130	1,035	650
Total current assets	2,800	2,104	1,905
Total assets	2,927	2,157	1,959
EQUITY AND LIABILITIES			
Equity			
Share Capital	72	68	68
Share premium	7,056	6,497	6,497
Merger reserve	2,676	2,676	2,676
Other reserves	515	512	521
Foreign exchange reserve	(54)	(20)	(25)
Retained earnings	(10,887)	(10,663)	(10,636)
Total equity	(623)	(930)	(899)
Non-current liabilities			
Deferred tax liability	28	28	30
Loans and other borrowings	1,328	1,219	1,271
Total Non-current liabilities	1,356	1,247	1,301
Current liabilities			
Trade and other payables	2,194	1,840	1,558
Total current liabilities	2,194	1,840	1,558
Total liabilities	3,550	3,087	2,859
Total equity and liabilities	2,927	2,157	1,959

* H1 2018 numbers are calculated in accordance with IFRS15 which has reduced profit by £49k and retained earnings by £157k and increased deferred revenue by £206k compared to the application of the prior period's accounting policies under IAS18.

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2018

	6 months to 30 June 2018 (unaudited)*	**6 months to 30 June 2017 (unaudited)**	**Year to 31 December 2017 (audited)**
	£'000	**£'000**	**£'000**
Cash inflow from operating activities			
Total comprehensive loss	(123)	(129)	(108)
Adjustments for:			
Interest expense (net)	139	129	264
Income tax	(6)	146	62
Depreciation and amortisation	17	13	25
Net foreign exchange gain/(loss)	5	(7)	(17)
Operating cash flows before movements in working capital	32	152	227
Decrease in trade and other receivables	(415)	(491)	(578)
Increase in trade and other payables	477	486	204
Cash generated from (used in) operations	93	147	(147)
Interest paid	(82)	(83)	(165)
Net cash generated (used) in operating activities	11	64	(312)
Cash flows from investing activities			
Purchases of property, plant and equipment	(27)	(6)	(14)
Generation of intangible assets	(66)	-	-
Decrease in long term receivables	1	0	(6)
Net cash used in investing activities	(93)	(6)	(20)
Financing activities			
Proceeds from issue of share capital	600	-	-
Costs relating to share issue	(37)	-	-
Increase in borrowings	-	-	-
Repayments of obligations under finance leases	-	-	-
Net cash generated from financing activities	563	-	-
Net increase/(decrease) in cash and cash equivalents	640	58	(333)
Cash and cash equivalents at beginning of period	650	965	965
Effect of foreign exchange translation on cash equivalents	(2)	12	18
Cash and cash equivalents at end of period	1,130	1,035	650

* H1 2018 numbers are calculated in accordance with IFRS15 which has impacted the balances of trade and other payables at the beginning and end of the period.

Condensed Consolidated Statement of changes in equity
For the six months ended 30 June 2018

	Share capital	Share premium	Retained earnings	Merger reserve	Foreign exchange reserve	Other reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
6 months ended 30 June 2017							
As at 1 January 2017 (audited)	68	6,497	(10,530)	2,676	(24)	511	(802)
Loss for the period	-	-	(133)	-	-	-	(133)
Other Comprehensive losses:							
Exchange differences arising on translation of foreign subsidiaries	-	-	-	-	4	-	4
Untaxed reserves reclassified to equity	-	-	-	-	-	1	1
As at 30 June 2017 (unaudited)	68	6,497	(10,663)	2,676	(20)	512	(930)
6 months ended 30 June 2018*							
As at 1 January 2018 (audited)	68	6,497	(10,636)	2,676	(25)	521	(899)
Adjustment on initial application of IFRS15 (see Note 1)	-	-	(157)	-	-	-	(157)
Adjusted balance at 1 January 2018	68	6,497	(10,793)	2,676	(25)	521	(1,056)
Loss for the period	-	-	(94)	-	-	-	(94)
Other Comprehensive losses:							
Exchange differences arising on translation of foreign subsidiaries	-	-	-	-	(29)	-	(29)
Untaxed reserves reclassified to equity	-	-	-	-	-	(6)	(6)
Net placing and subscription	4	559	-	-	-	-	563
As at 30 June 2018 (unaudited)	71	7,056	(10,887)	2,676	(54)	515	(623)

* The Group has applied IFRS15 and IFRS9 from 1 January 2018. Comparative information has not been restated.

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared and presented in accordance with IAS 34 'Interim Financial Reporting'. They have been prepared on a going concern basis consistent with the accounting policies and methods of computation and presentation set out in the Group's consolidated financial statements for the year ended 31 December 2017, except for the changes described in Note 2 below. The half yearly financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS as adopted by the European Union.

The information in this announcement does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group's accounts for the year ended 31 December 2017 have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not draw attention to any matters by way of emphasis. It contained no statement under section 498(2) or (3) of the Companies Act 2006. The financial information for the six months ended 30 June 2018 is unaudited.

This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 2.

2. Accounting policies

The preparation of the interim financial information for the six months ended 30 June 2018 requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the date of the report. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the statement, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the Group's last annual financial statements, except for new significant judgements and key sources of estimation and uncertainty related to the application of IFRS 15 and IFRS 9, which are described below.

Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" from 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations.

The Group has applied IFRS 15 using the cumulative effect method (adopting all practical expedients), therefore, comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

The impact of the application of IFRS 15 has been in respect of the period over which income is recognised in the Group's Business Alert services segment. Whereas previously income was recognised in full on a customer signing-up to the service, IFRS 15 requires that income be spread over the course of the contract. The impact on the Company's interim results for the six months ended 30 June 2018 has been a decrease in the retained earnings by £157k, revenue (and profit) lower by £49k for the period, but an increase in deferred revenues by £206k.

IFRS 9 Financial Instruments

IFRS 9 "Financial Instruments" sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, and the adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

Other changes in accounting policies

A number of other new standards were effective from 1 January 2018, but they do not have a material effect on the Group's financial statements.

The Group has adopted the following amendments to standards with effect from 1 January 2018:

- Amendments to IFRS 2 "Share Based Payments";
- Annual Improvements to IFRSs – 2014-2016 Cycle (IAS 28 "Investments in Associates and Joint Ventures"); and
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration".

These standards have had no impact on the financial position or performance of the Group. Consequently, no adjustment has been made to the comparative financial information as at 31 December 2017 or 30 June 2017. The Group has not early adopted any standard, interpretation or amendment that was issued, but is not yet effective.

3. Segmental information

The Group currently has two reportable segments, Business Alert services and services relating to the Group's CTM™ platform. The Group categorises all revenue from operations to these two segments. The Group currently does not allocate costs on a segment basis and is therefore unable to report segment profit and loss. Further, the Group does not allocate assets on a segment basis and is therefore unable to report total assets per segment.

	6 months to 30 June 2018*	**6 months to 30 June 2017**	**Year to 31 December 2017**
	£'000	**£'000**	**£'000**
Revenue – Continuing operations arises from:			
Business Alert services	*195*	*297*	*448*
Services relating to the CTM™ platform	*2,227*	*1,757*	*4,075*
Total provision of services	2,422	2,054	4,523
Other income	31	117	157
Administrative expenses	(2,405)	(2,162)	(4,587)
Operating profit	48	9	92
Finance charges (Net)	(139)	(129)	(264)
Loss before taxation	(91)	(120)	(172)

* H1 2018 numbers are calculated in accordance with IFRS15 which has reduced Business Alerts revenue by £49k compared to under the application of the previous period's accounting policies under IAS18.

Other income for the 6 months to 30 June 2018 comprises a grant received from a project under the European Commission agency INEA's Connecting Europe Facility through a consortium led by a third party for further development of modules integrated with the Group's CTM™ System.

The Group operates in three main geographic areas: the UK, European Union and Rest of the World. Revenue and non-current assets by origin of geographical segment for all entities in the Group is as follows:

	Revenue*		Non- current assets	
	6 months ended 30 June 2018	**6 months ended 30 June 2017**	**6 months ended 30 June 2018**	**Year ended 31 December 2017**
	£'000	£'000	£'000	£'000
UK	448	469	60	-
European Union	1358	1121	53	54
Rest of World	648	581	-	-
Total	2,453	2,171	113	54

* H1 2018 numbers are calculated in accordance with IFRS15 which has reduced revenue by £49k compared to under the application of the previous period's accounting policies under IAS18.

4. Loss per share

The loss per ordinary share is based on the net loss for the period attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the period.

The basic loss per share has been calculated by dividing the retained loss for the period of £0.001m by the weighted average number of ordinary shares of 68,401,489 (2017 H1: 67,716,406) in issue during the period.

The potential ordinary shares associated with share options and convertible loan notes are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

5. Dividends

No dividend is proposed to be declared for the six months ended 30 June 2018 (2017: nil).

6. Copies of Interim Results

Copies of this announcement are available on the Investor Relations section of EU Supply's website, www.eu-supply.com.