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The ordinary shares in EU Supply PLC to be issued pursuant to the proposed placing of new shares to raise £5.0 million have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia or Japan. Neither this document nor any copy of it may be sent to or taken into the United States, Canada, Australia or Japan, nor may it be distributed directly or indirectly to any US person (within the meaning of Regulation S under the Securities Act) or to any persons with addresses in Canada, Australia or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any country outside England and Wales where such distribution may lead to a breach of any legal or regulatory requirement.

**7 November 2013**

**EU Supply PLC**  
("EU Supply", the "Group", or the "Company")

#### **Intention to Float**

EU Supply PLC (LSE AIM: EUSP) today announces its intention to raise £5.0 million by way of a placing of new shares and to seek admission of its shares to trading on the AIM Market of the London Stock Exchange ("Admission").

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 the Group is ideally placed to secure new contracts with 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 6,500 European public sector bodies in 10 Member States and has National Procurement System status in four Member States (the UK, Ireland, Norway and Lithuania).

The Directors believe demand for e-procurement solutions in the EU public sector will grow as authorities seek to comply with expected legislation, reduce costs and seek better control and transparency of their procurement processes, therefore the Company is looking to recruit additional salespeople and bid management employees to market aggressively to prospective clients across the Member States.

The Company intends to raise £5 million from the issue of New Ordinary Shares on Admission which will be used mainly to fund expansion of its sales team, provide working capital for the Group and to repay borrowings, leaving the Group debt free on Admission.

Dealings are expected to commence on AIM on 13 November 2013. Westhouse Securities is acting as Nominated Adviser and Broker to the Company.

**Commenting on the Placing and Admission to AIM, Thomas Beergrehn, CEO and Founder of EU Supply said:** *“We have been delighted by the support shown by the investors. With new EU directives expected to be introduced in 2014, and all Member States seeking means to reduce costs and seek better control and transparency of procurement processes, the funds raised through the Placing will provide us with the firepower to capitalise on what we believe to be a significant market opportunity.”*

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**BACKGROUND INFORMATION**

**History of the Group**

eu-supply.com svenska AB (“Svenska AB”), the precursor to the current Group, was founded by among others, Thomas Beergrehn, the Group’s Chief Executive, in May 1999 focusing on the provision of e-auction management for contractors, builders and property developers and the public sector. The original CTM™ platform was developed in-house and its first e-auction was managed in November 1999. In February 2002, the intellectual property and certain other assets of Svenska AB were acquired by a new group of investors and a new group structure was created under EUS Holdings Limited, managed by Thomas Beergrehn.

**The e-Procurement Market**

Electronic tender management and pre-award procurement processes were first implemented in a material way during the late 1990’s. However it was not until the early 2000’s that adoption became more widespread. Initial solutions typically targeted only parts of the tender management process, for example, the Group started with e-auctions only.

All stages of the pre-award procurement process may now be managed electronically without the need to create and manage paper documents. The intention of this is to enable receipt of more tender responses (including cross-border responses) and improve effectiveness of the tender process. Further direct cost savings may also be obtained through the use of e-auctions and spend aggregation.

Many governments have made public procurement more easily available to their respective authorities via national framework agreements (for example, the UK, Norway and Portugal) and/or national

platforms (for example, Lithuania and Ireland). Some Member States have chosen to fully mandate e-tendering through their national legislation, for example, France mandated e-tendering in some procurement categories in 2005 and Portugal mandated it for all public procurement in 2009. Other Member States currently allow authorities to choose when and how to implement solutions, for example, Sweden and Denmark.

The Directors believe demand for e-procurement solutions in the EU public sector will grow as authorities seek to comply with the expected legislation, reduce costs and seek better control and transparency of their procurement processes.

The Directors believe that private sector growth will be driven by companies recognising that cost savings can be achieved relatively easily through better procurement and efficient selection of outsourcing partners on a project-by-project basis. In particular, the Directors believe that the construction industry would benefit from this approach, as sub-contracted services and the supply of goods and materials typically account for in excess of 75 per cent. of the total cost of a project and margins are low.

The Group's own forecasts of the market opportunity indicate that the European public sector market for e-tendering solution licences and support could grow from €75 million in 2013 to €350 million in 2017. In addition to licences and support, the Directors estimate that the value of associated implementation services (training, configuration, paid-for enhancements and integrations) could add approximately €100 million per annum by 2017.

The Directors also consider there are significant opportunities to capture revenue from associated services such as the provision of credit rating reports (as required for many tender submissions) and providing an alert service for new tenders advertised on the platform. The Group expects the European market for these associated services for suppliers into the European public sector to reach €350 million by 2017.

The Directors estimate that if 10 per cent. of all public procurement is outsourced to the private sector, the market for outsourced sourcing, e-tendering, contract management services and auction event management services could reach €3 to 5 billion in the European Union within the next 5 to 8 years.

### **CTM™ Platform Overview**

The Group's platform, CTM™, is a fully web-based, modular, SaaS e-tendering and contract management software product. All users access the CTM™ platform as Software as a Service, the vast majority via one of the Group's dedicated server environments hosted in the European Union and a small number via partner hosted environments based in Lithuania, Portugal and the UK.

Customers use the CTM™ platform to manage tenders and contracts for services, goods and works.

At the current run rate, the CTM™ platform handles more than 75,000 tenders per year, all of which are hosted on service platforms that allow customers to manage tenders end-to-end, from specification to award. More than 4,500 tenders are typically open at any one time on the platform.

The CTM™ platform today, at a glance:

- is used by over 6,500 European public and private sector bodies in 10 Member States;
- has National Procurement System status in three Member States (namely the UK, Ireland and Lithuania) and Norway;
- is one of the market leaders in public sector e-procurement in Denmark and the Netherlands;
- approximately 250,000 tenders managed on the platform since 1999; and

- has over 250,000 supplier organisations currently registered on the CTM™ platform.

### **Key Strengths of the CTM™ Platform**

All customers use the same version of the CTM™ platform, with various combinations of modules and online configuration applied. This removes the need for bespoke coding/versions which can be costly and time-consuming to maintain. It also facilitates quicker implementation for new customers, reduced “cost of ownership” for customers and lower long-term hosting, maintenance and support costs for the Group.

The Directors believe that CTM™ is one of the only e-tendering solutions worldwide that meets the requirements of the applicable legislation in most EU Member States from a single product, whilst at the same time allowing significant, timely and cost-effective customisation by individual customers.

The CTM™ platform is purpose-built and includes a range of specialised functionality:

- configurable online: this allows customisation at low cost, within short lead times and also increases buy-in within organisations;
- hierarchical specification model: ensures adoption of consistent best practices across Member States or organisations, whilst maintaining the ability to adapt the requirements at a local level if desired;
- intelligent support for buyers, for example, in setting specifications (ability to carry over previous tender requirements and structured libraries) and automated evaluations;
- intelligent support for suppliers, for example, pre-population of tender responses based on previous responses, a feature now sought by nuclear operators in the UK;
- advanced functionality for management of structured tenders, for example questionnaires for qualification and evaluation;
- full end-to-end tender and contract management coverage;
- security features for ISO 27001 and IL3 certification covering both CTM™ and all the Group’s business processes; and
- multilingual product design, available in 16 different languages.

The CTM™ platform also has many specialised features to support public sector construction contracts, with multi-level tendering through longer supply chains and bills of quantity management, with cross-referencing to specifications, all of which are already required by law for management of larger tenders in Danish public sector construction projects.

### **Principal Markets**

The Group’s primary markets are the UK, Denmark, the Netherlands, Norway, Ireland, Lithuania, Sweden and Portugal.

The UK represents the Group’s largest market and accounted for approximately 36.6 per cent. of the Group’s revenues in 2012. Key customers include British Nuclear Fuels (Sellafield Limited), several nuclear site licensees and a large number of customers in the NHS via hubs (for example, NHS South West, NHS North East Patches and NHS Shared Business Services).

### **Customers**

The Group currently targets three categories of customers, as follows:

*1 – Direct end-user customers in markets where the Group has in-house sales resources*

The Group focuses its direct-to-customer marketing on industries and sectors where it believes that the CTM™ platform delivers the greatest savings for the customer and hence the Group is able to command the highest prices and margins. Examples include the:

- Danish public sector;
- Nuclear industry in the UK: Sellafield Limited, Magnox Limited, DSRL and RSRL all use CTM™;
- NHS: the Group provides services to more than 70 trusts, primarily via hub deals and direct sales; and
- Major utilities such as Trafikverket (national road and rail) in Sweden that manages most of its approximately 2,000+ tenders per annum on CTM™ and Jernbaneverket (national rail) in Norway.

### *2 – National government systems, framework agreements and large public sector funded organisations in other markets*

While all Member States are compelled to comply with the Manchester Agreement of 2005 and the proposed EU directives, each Member State has a different approach to ensure this. The Group prefers to make new market entries either through framework agreements or single national system deliveries, where it expects that such agreements will generate quick adoption and give the Group a market leading position in that particular Member State. Based on this strategy, the Group has been awarded (directly or via sales partners) the following agreements in markets where it is at an early qualification stage and had none or limited own local sales resource:

- National framework in Norway in 2007 (KGV framework agreement);
- National system delivery for Lithuania in 2007;
- National frameworks in the UK (eSourcing by GPS in 2009; ESPO in 2009; G Cloud (ii) in 2012; G Cloud (iii) in 2013);
- National system delivery for Ireland in 2012; and
- National notice publication portal for Norway (Doffin) in 2013.

Revenue from such agreements and sub-contractor agreements is expected to grow in the next three years as individual authorities increasingly adopt the e-procurement solutions recommended by their Member States in order to comply with national legislation and the EU directives. Large public-sector funded organisations, irrespective of their location in the EU, typically have more advanced e-procurement requirements and these are key target customers for the Group. For example, a pan-European organisation selected CTM™ as its preferred solution in H2 2012, and this could lead to significant revenues if concluded in a licence and roll-out program.

### *3 – Private companies*

Private companies in sectors with a high demand for tendering, for example construction, engineering, procurement service providers and large multi-national organisations in general, have significant tender management requirements. The Group selectively targets such organisations and in particular, service providers that seek to serve the public sector. Examples include:

- Consortia for the new University hospital in Aarhus – Skejby, Denmark, possibly the largest hospital project in Northern Europe;
- Consortia for Køge Hospital, construction of a DKK 4 billion University Hospital project in Denmark; and
- NIC, serving a large number of authorities in The Netherlands.

### **Additional Growth Opportunities**

The Directors have identified the following as short-term targets to grow the business:

*Targeting of organisations that operate closely with Governments*

The Group intends to target organisations that operate closely with governments, such as engineering companies, capitalising on their advanced needs and the Group's strong references in this sector. Some of the Group's largest customers are in this sector, including the consortia for the new University Hospital in Aarhus, Denmark, and Køge Hospital, also in Denmark.

*New tender business alert service*

The Group intends to launch a subscription service to provide suppliers registered on the Group's CTM™ platform with notifications of new applicable tenders. There are currently more than 250,000 suppliers registered on the Group's CTM™ platform, so the Directors believe this represents a potentially substantial source of revenue for the Group. This service has already been launched in Denmark and Sweden, allowing suppliers to subscribe to receive alerts by email for any new tenders on the platform that match their business profile categories and markets of interest. Without any active marketing, 85 suppliers subscribed to this service within the first two months of operation. The Directors expect marketing campaigns and greater awareness of the service to generate a substantially higher conversion rate going forwards.

*Auction event management and procurement services (directly or via partners)*

Auction event management can generate substantial direct cost savings for authorities and procuring entities, but is still not commonly used. The Directors believe that this is mainly due to a lack of awareness of this service and its benefits, and reluctance amongst operating staff to change established business practices.

## **Legislative Drivers**

The Manchester Agreement (2005), which was entered into by all EU Member States, set a deadline of December 2010 for all public administrations across Europe to have the capability of carrying out 100 per cent. of their procurement electronically, where permissible by law, and for governments to ensure that at least 50 per cent. of public sector procurement, above a set threshold, would be managed electronically. Although not all countries succeeded in meeting this target, most countries implemented measures to promote greater transparency, efficiency and effectiveness in public procurement.

Many EU Member States have made e-notification mandatory and have set up national e-notification platforms to provide suppliers with visibility of all contract opportunities above certain national thresholds (for example, Doffin in Norway, Udbud.dk in Denmark, HILMA in Finland). Many other EU Member States have established framework agreements for quicker adoption of end-to-end e-procurement services from qualified service providers. Most authorities are happy to use a SaaS solution and this has become the industry standard approach.

The European Commission has highlighted in press releases and at marketing events (for example, "A Digital Single Market by 2015", which was presented at a high level EU conference in Copenhagen in February 2012) the importance of e-procurement in improving the efficiency of public sector organisations. The European Commission highlights that e-procurement solutions are already demonstrating savings of between 5 and 20 per cent. for public sector organisations. Based on current spending levels, a five per cent. average cost saving would result in a saving of €100 billion per annum across the EU. In May 2012, the EU adopted the conclusions of "A Digital Single Market by 2015" and stressed the importance of transitioning to e-procurement by 2016 in order to generate significant savings.

During 2012 and 2013, the EU Council and the Committee on the Internal Market and Consumer Protection of the EU Parliament have negotiated the proposed EU directives for procurement, which the

Directors expect to be ratified by the European Parliament towards the end of 2013. A first preliminary date of 23 October 2013 was set, but the Directors expect that this will be rescheduled for December 2013. These dates are as per the Commission's proposal published on 20 December 2011 ("SEC(2011) 1585 final"). Details of the negotiations are not published until a few days before the vote. The Directors expect that the deadlines for mandatory e-submission for central purchasing bodies and all authorities respectively will be shifted at by least one year given the duration of the negotiations in the EU Parliament and EU Council. Under the proposed directives:

- all Contracting Authorities are to provide electronic means of communication for specified phases of procurement procedures (electronic notification of tender opportunities and electronic availability of other documents) by 30 June 2014;
- the mandatory transmission of notices in electronic form, mandatory electronic availability of procurement documents, electronic submission and receipt of tender responses in all procurement procedures by 30 June 2016; and
- the streamlining of dynamic purchasing systems, e-auctions and e-catalogues and introduction of e-CERTIS, a mandatory electronic clearing-house which lists exhaustively the certificates and other proofs which Contracting Authorities may request from suppliers. The proposed directives also encourage inter-operability between systems in order to address a current divergence in technologies, fragmented along national borders.

### Competition

The Group is one of the few suppliers to have built a more advanced platform that has the flexibility to operate in all European markets (plus many more) without the need to develop and maintain multiple versions of the software.

The Group has won business following tests with competitors, and sees its key strengths as CTM<sup>TM</sup>'s:

- range and depth of functionality;
- ease of use;
- ability to meet customers' specific requirements at low cost by online configuration; and
- high level of security.

### Financial Record

The following audited and unaudited financial information on EUS Holdings Limited has been extracted from the Admission Document.

	<i>H1 2013</i>	<i>2012</i>	<i>H1 2012</i>	<i>2011</i>	<i>2010</i>
<i>£'000</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Audited</i>
Revenue	868	1,607	1,024	1,487	1,344
Operating loss (pre-exceptionals)	(1,195)	(1,251)	(23)	(491)	(128)
Loss before taxation	(1,573)	(993)	(181)	(599)	(175)
Net cash/(debt)	(1,795)	(2,693)	(1,562)	(1,860)	(1,237)
Net cash flow	177	(6)	(12)	(1)	83

A very high proportion of the Group's current revenue is generated from recurring annual licenses and support fees for the provision of the CTM<sup>TM</sup> platform.

### Current Trading and Prospects

Trading through July and August was in line with management's expectations. The Group is making

significant investment in the development of its software, which is primarily to meet specific requirements of new customers. Its policy of writing off all development costs means that it continues to report losses.

The potential business that the Company is aware of enables the Directors to view the future with confidence and they look forward to having the funds available with which to exploit the available market.

#### *Recent significant contract win*

In July 2013, the Group was successfully awarded the Doffin contract, which has an initial term of seven years (with options for extensions for up to five more years) and is expected to contribute £0.4 million of revenue per annum, starting in January 2014. Doffin is the Norwegian government's platform for the mandatory publication of notices of public contracts, and for economic operators to search and view contract notices of interest. The Group is now delivering the enhancements required for Doffin ahead of the system launch in December 2013.

#### **Reasons for the Placing and Use of Proceeds**

The Placing will raise additional funds for the Group, which will be used to strengthen the Group's balance sheet, provide working capital to support the organic growth of the business as it expands and aims to gain market share, principally through the recruitment of additional sales people and bid management employees, repay borrowings and to support its future strategic development. In addition, the Directors believe that admission to AIM will raise the Group's profile as it expands throughout Europe and adds credibility to its perception amongst existing and potential customers. It will also provide enhanced access to capital and a currency for any future acquisitions as well as an opportunity to introduce share incentive schemes over the Company's publicly quoted shares to attract, retain and motivate its employees.

The issue of New Ordinary Shares pursuant to the Placing will raise £4.455 million (net of expenses), which the Company intends to apply as follows:

- the recruitment of additional sales professionals, which will more than double the Group's sales capacity;
- the recruitment of additional bid-support staff to increase the Group's capacity for direct sales;
- the market launch of SaaS subscription based alert service for suppliers already using the CTM™ solution to respond to tenders;
- to repay borrowings; and
- for working capital purposes.

#### **Placing statistics**

Placing Price	22.6p
Number of Existing Ordinary Shares in issue prior to the Placing and Admission	35,541,602
Number of New Ordinary Shares being issued pursuant to the Placing	22,123,894
Number of Ordinary Shares in issue immediately following Admission	57,665,496
New Ordinary Shares as a percentage of the Enlarged Issued Share Capital	38.4 per cent
Gross Proceeds of the Placing receivable by the Company	£5.0 million
Estimated net proceeds of the Placing receivable by the Company	£4.455 million
Expected market capitalisation at Admission	£13.0 million
AIM Ticker	EUSP
SEDOL	BFG3557
ISIN	GB00BFG35570

## **Directors**

### **David Richard Cutler, *Non-Executive Chairman, age 70***

David Cutler joined the Group in 2013 as Non-Executive Chairman. David began his career with Deloitte in London, followed by senior financial posts at NFC, British Leyland and CompAir. David was then finance director of London listed UKO International PLC, until it was sold following a public takeover. For twelve years he was the group finance director of Emess PLC, listed in London and Frankfurt. In addition, for seven years until 1999, he was a member of the supervisory board (Aufsichtsrat) of Frankfurt listed Brilliant AG. From 1998 to 2000, David was a director of ImagoQA Ltd, the leading independent software testing consultancy, guiding the company to a successful private financial sale. David was the Finance Director of Alterian PLC from its London Stock Exchange flotation in 2000, until his retirement in March 2011. During this time the company grew thirty fold, from a small office in Bristol to a successful international marketing software business on four continents. He is currently a non-executive Chairman of Qwasi Inc., a private software company based in New York, and non-executive director of Inshowjumpers plc.

### **Thomas Bo Beergrehn, *Chief Executive Officer, age 48***

Thomas Beergrehn founded the Group and its precursor, having previously spent five years with McKinsey & Company. His expertise was in strategy under uncertainty and time to market process change, particularly in the communication/software sector. Projects included strategy and large scale change of time to market processes based on best practices from leading global companies like Microsoft, Oracle and Trilogy. Prior to working at McKinsey, Thomas was Commander of a naval patrol craft, following graduation at the top of his class at the Swedish Navy Academy. Thomas holds a PhD and an MSc in Systems Engineering from Case Western Reserve University, Cleveland USA, as well as an MSc in Engineering Physics from the University of Uppsala, Sweden (all with perfect GPAs). Thomas has been elected a member of the European Commission's eTendering Expert Group.

### **Mark Westcombe Elliott, *Chief Financial Officer, age 54***

Mark Elliott has worked with the Group on a consulting basis since 2012, and joined it as Financial Director in 2013. Mark is a Chartered Accountant and has spent the last 10 years as Managing Director of private equity group, ICE Partners Limited, having previously worked as an equity partner specialising in audit and corporate finance with Baker Tilly. He is also a director of 21st Century Technology plc and Enables IT Group plc.

### **Steffen Karlsson, *Non-Executive Director, age 44***

Steffen joined the Group in 2013 as a Non-Executive Director. Steffen started his career at Enskilda Investment Bank in 1993, before joining McKinsey & Company in 1994. He worked as a strategic and operational consultant at McKinsey & Company for 13 years, during which time he specialised in industrials, basic materials and private equity. In 2007, he joined EastOne Llc, a leading industrial conglomerate and investment firm in Ukraine, as Director of Strategy and Head of M&A. In 2009 he then joined Papyrus AB, the leading paper merchant in Europe as Senior Vice-President, Business Development (including M&A). In February 2013 he established his own consultancy company and is currently working as an independent consultant to private equity firms. He holds a degree in Corporate Finance and Marketing from Stockholm School of Economics. He speaks Swedish, English, French and Russian.

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