

27 August 2015

**EU Supply plc**  
**(“EU Supply”, the “Company” or the “Group”)**

**PLACING AND ISSUE OF**  
**UP TO £2.0 MILLION CONVERTIBLE LOAN NOTES**

EU Supply plc (LSE AIM: EUSP), the e-procurement software provider, announces that it has raised £412,000 (before expenses) by way of a placing to institutional and other investors of 5,150,000 Placing Shares at 8 pence per Placing Share and that it has raised a further £941,000 (before expenses) through the issue of the First Tranche of the Convertible Loan Notes to institutional and other investors. Under the terms of the Loan Note Instrument, the Convertible Loan Notes will have a right to be converted, conditional upon Shareholders' approval, into New Ordinary Shares. Further details of the Placing and the Convertible Loan Notes are set out below.

The net proceeds of the Placing and the Convertible Loan Notes (together the “Fundraising”), will be applied towards working capital purposes, and in particular to take advantage of market opportunities in new and existing markets and to roll-out the Tender Lite and Business Alerts services to additional markets.

Commenting on the Fundraising, Thomas Beergrehn, Chief Executive of EU Supply said: “We are pleased to announce the completion of a successful fundraising. These new funds will enable us to lead the Company through the next phase of its growth as the EU Directives are implemented and we are confident of our strategy to roll-out our Tender Lite and Business Alerts service to additional markets.”

**EU Supply PLC**

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Thomas Beergrehn, CEO

Mattias Ström, CFO

**Westhouse Securities**

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Tom Griffiths, David Coaten

A copy of this announcement is available at [www.eu-supply.com](http://www.eu-supply.com).

The following text has been extracted from the Company’s circular which is expected to be despatched to shareholders shortly and will be available on the Company’s website at [www.eu-supply.com](http://www.eu-supply.com).

**Background to and reasons for the Fundraising**

As previously announced by the Company, new EU Directives were ratified in the EU Parliament in January 2014 and EU Member States are obliged to implement these in their respective legislations by 2017-2018. The Directors believe demand for e-procurement solutions in the EU public sector will grow as authorities seek to comply with the mandatory provisions, and in order to 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.

The Group's own forecasts of the market opportunity indicate that the European public sector market for e-tendering solution licences and support alone could grow from €75 million in 2014 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 in 2017. The Directors estimate that in 2017 the private sector markets will be at least as large.

Business alert services in Europe are estimated by the Directors to be worth an additional €350 million in 2017. The Directors also consider that there are significant additional opportunities to capture revenue from associated services such as the provision of credit rating reports (as required for many tender submissions).

### **Placing**

The Company has raised £412,000 (before expenses) by way of a Placing by Westhouse Securities of 5,150,000 Placing Shares at a price of 8p per Placing Share with institutional and other investors.

The Placing Price represents a discount of approximately 11.1 per cent. to the closing mid-market price of the Company's Ordinary Shares on 26 August 2015, being the last business day before the date of this document. The Placing Shares will represent approximately 7.6 per cent. of the Company's issued share capital, as enlarged by the Placing.

The net proceeds of the Placing will be used as detailed below.

Application has been made for the Placing Shares, which will rank *pari passu* with the existing Ordinary Shares, to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Placing Shares will commence on 2 September 2015.

### **Terms of the Convertible Loan Notes**

The Convertible Loan Notes will be secured by way of a first ranking fixed and floating charge on the assets of the Company and the Company's subsidiary EUS Holdings Limited and a licence of the software conditional upon the charge being enforced. All other loans will rank behind the Convertible Loan Notes and Welbeck Capital Partners LLP will act as security trustee for the Noteholders. The Convertible Loan Notes shall be freely transferable and are intended to be listed on the Channel Islands Stock Exchange as soon as practicable and in any event before the first interest payment date (being 30 September 2015).

There is a minimum requirement that £500,000 Convertible Loan Notes are issued.

The Convertible Loan Notes will be issued in units of £1 and until the Convertible Loan Notes are repaid or converted, interest shall accrue and be paid on the principal amount of the Convertible Loan Notes at a fixed rate of 10 per cent. per annum. Interest shall be paid quarterly in arrears.

The Convertible Loan Notes will be redeemed by the Company (a) on demand, following certain events of default; (b) automatically, upon the sale of the Company and/or its subsidiary or their respective undertakings; (c) 60 months following drawdown of the First Tranche Convertible Loan

Notes; or (d) at any time after 30 months from the drawdown of the First Tranche Convertible Loan Notes at the election of the Company.

It is proposed that subject to the passing of the Resolutions each of the Convertible Loan Notes shall be capable of conversion into New Ordinary Shares at any time following 30 days after the respective date of the issue of the Convertible Loan Notes at the following conversion price by investors who subscribe:

1. Prior to 30 September 2015 at a 30 per cent. premium to 9p (being 11.7p); and
2. From 1 October 2015 at a 30 per cent. premium to the higher of the following:
  - 9p (being 11.7p); and
  - the average closing middle market price of an Ordinary Share for the 5 trading days prior to the date of issue of the relevant Convertible Loan Notes;(together the "Conversion Price").

**Should the Resolutions not be approved by Shareholders then the conversion rights shall not apply and a redemption premium will be payable on repayment of the loan notes which when added to interest already received will generate a total annualised return of 20 per cent.**

Following the passing of the Resolutions, the Company also has the right, to call for conversion of the Convertible Loan Notes provided that the average share price is equal to or exceeds a 70 per cent. premium to the Conversion Price for at least 5 days of trading.

#### **Use of proceeds**

The net proceeds of the Fundraising, together with the Company's existing cash resources, will be applied towards working capital purposes, and in particular, to:

- further roll-out Business Alerts and Tender Lite service within already targeted markets and selected additional markets;
- address specific spend share and other higher value opportunities within specific sub-sectors in existing markets; and
- take advantage of market opportunities, such as to penetrate new markets, in particular, Germany and Finland.

#### **Directors' participation**

As the Company is currently in a close period pending the release of its interim results for the six months ended 30 June 2015, which are due to be released on 9 September 2015, the Directors are unable to participate in either the Placing or to subscribe for Convertible Loan Notes. However, certain of the Directors have expressed an interest in subscribing for Convertible Loan Notes following the release of the Company's interim results.

#### **Shareholder approval and the further issue of Convertible Loan Notes**

As the Placing utilises most of the Company's existing available authority to issue and allot equity securities for cash on a non-pre-emptive basis, the Company has issued the First Tranche Convertible Loan Notes on a redemption only basis. However, if the Resolutions to be proposed at the General Meeting are passed then, under the terms of the Loan Note Instrument, the Convertible Loan Notes will be convertible, at the election of the holders of the Convertible Loan Notes, into Ordinary Shares in accordance with the terms of the Loan Note Instrument as described above. If the Resolutions are

not passed then the Convertible Loan Notes will only be redeemable on the terms set out above, and not convertible.

The Loan Note Instrument also allows the Company to issue an additional £1,059,000 Convertible Loan Notes (the "Additional Convertible Loan Notes") at a subscription price of £1 per Additional Convertible Loan Note. Any Additional Convertible Loan Notes will be granted on the same terms as the First Tranche Convertible Loan Notes.

The issue of the Additional Convertible Loan Notes has the potential to generate additional gross proceeds to the Company of up to £1,059,000, assuming all the Additional Loan Notes are issued. The Directors believe that the ability to issue up to a further £1,059,000 Additional Convertible Loan Notes will provide the Company with a source of long-term capital to support the Company's future growth.

On the basis that the Resolutions are passed and that all First Tranche Convertible Loan Notes are converted into Ordinary Shares, approximately 8,042,740 additional New Ordinary Shares will be issued by the Company, representing approximately 10.6 per cent. of the issued share capital as enlarged by the Placing and the issue of the First Tranche Convertible Loan Notes. Assuming all Additional Convertible Loan Notes are issued and converted into New Ordinary Shares, up to a further 9,051,283 New Ordinary Shares will be in issue if the Conversion Price is a 30 per cent. premium to 9p per share, representing approximately 10.66 per cent. of the Enlarged Share Capital. The Company is obliged to use its best endeavours to ensure that any issue of New Ordinary Shares following conversion of the Convertible Loan Notes will be admitted to trading on AIM.

### **Current trading and prospects**

Building on the 41 per cent. revenue growth achieved in the year ended 31 December 2014, earlier this year the Company successfully launched Tender Lite and pre-paid Business Alert services. Authorities and lead parties of consortia in a total of more than 40 authorities across Europe are now using Tender Lite and more than 1,300 new subscribers for Business Alerts have already signed with the number increasing monthly. In June 2015, the fees for Business Alert Services were raised substantially above the initial pricing without affecting sales momentum. A Commercial Delivery Manager and a Services & Global Account Manager are expected to join the Company later this year in order to accelerate revenue generation from Business Alerts and to generate additional revenues from development.

In addition, the Global e-Sourcing contract is delivering its first revenues from the roll-out within the Norwegian Refugee Council ("NRC") with training and implementations in two of NRC's regions completed in June 2015. In addition, tendering started in August 2015. This is one of the first contracts signed by the Company which is expected to generate significant revenues on a share of spend basis. The Company has continued to identify additional sub-sectors and niches in existing markets where it can win contracts on the basis of a share of spend basis or of higher value. A senior sales representative with a proven track record in EU Supply's market has replaced more junior sales staff in the UK in order to progress important contract opportunities in these sub-sectors in the remainder of this year and beyond. The Company is actively engaged in pursuing two opportunities to establish a presence in Germany and Finland well in advance of the mandatory provisions of the 2014 EU Directives becoming effective.

Trading in the first half of the year is in line with management expectations. With a healthy pipeline of medium and small license agreements, growth in Business Alerts, delivery of enhancements and Tender Lite revenues increasing over time, the Board anticipates continued revenue growth in the current year and beyond. The Company proposes to provide an update on current trading and prospects at the time of the release of its interim results for the 6 months ended 30 June 2015 which are due to be released on 9 September 2015.

The ratified EU Directives, which require all public bodies and authorities to make available all documents and notices online and to manage all tender responses electronically, will continue to create growth and opportunities in the market. The Directors believe that EU Supply is very well positioned to take advantage of this growing market.

### **Irrevocable Undertakings**

The Company has received irrevocable undertakings from David Cutler, Thomas Beergrehn (both as an individual and through his interest in Internet Holdings BV) and Steffen Karlsson to vote in favour of the Resolutions in respect of 8,990,179 Ordinary Shares in aggregate representing approximately 14.4 per cent of the existing issued share capital of the Company.

### **Definitions**

“£” or “sterling”	pounds sterling, the lawful currency of the UK
"Admission"	the admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	the market of that name operated by the London Stock Exchange
“Board” or “Directors”	the members of the board of directors of the Company
"Convertible Loan Notes"	the new convertible loan notes issued and to be issued by the Company pursuant to the Convertible Loan Note Subscription
"Convertible Loan Note Subscription"	the issue by the Company of up to £2 million of Convertible Loan Notes
“EU Supply” or “Company”	EU Supply plc
“Enlarged Share Capital”	the issued share capital of the Company as enlarged by the admission to trading of the Placing Shares and the New Ordinary Shares assuming the full conversion of all of the Convertible Loan Notes
“First Tranche Convertible Loan Notes”	the £941,000 initial Convertible Loan Notes subscribed for and issued pursuant to the Loan Note Instrument on or around 27 August 2015
"Fundraising"	together, the Placing and the issue of the First Tranche Convertible Loan Notes, in aggregate, £1.353 million (before expenses)
"General Meeting"	the general meeting of the Company to be held at 2.00 p.m. on 23 September 2015

"Group"	the Company and its subsidiaries
"Loan Note Instrument"	the instrument constituting the Convertible Loan Notes dated 27 August 2015
"NRC"	Norwegian Refugee Council
"New Ordinary Shares"	the Ordinary Shares to be issued by the Company upon conversion of the Convertible Loan Notes
"Noteholders"	holders of the Convertible Loan Notes
"Ordinary Shares"	ordinary shares of 0.1p each in the Company
"Placing"	the placing by Westhouse Securities as agents of and on behalf of the Company, of the Placing Shares at the Placing Price
"Placing Price"	8 pence per Placing Share
"Placing Shares"	the 5,150,000 new Ordinary Shares issued by the Company pursuant to the Placing
"Resolutions"	the resolutions to be considered at the General Meeting
"Shareholders"	holders of Ordinary Shares and "Shareholder" means any of them
"Westhouse Securities"	Westhouse Securities Limited, a company incorporated in England and Wales with registered number 00762818