

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. It contains the Resolutions to be voted on at the General Meeting of the Company to be held at Taylor Vinters LLP, Merlin Place, Milton Road, Cambridge, CB4 0DP at 11.15 a.m. on 30 June 2016. If you are in any doubt about what action you should take, you should consult your stockbroker, bank manager, solicitor or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.**

Copies of this document will be available free of charge until 30 June 2016 at the Company's registered office, Carisbrooke Court, Buckingway Business Park, Anderson Road, Swavesey, Cambridge CB24 4UQ, during normal business hours.

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document and the accompanying Form of Proxy for use in relation to the General Meeting as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

The Directors, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of 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.

Application will be made to the London Stock Exchange plc for the New 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 at 8.00 a.m. on 1 July 2016.



## **CYAN HOLDINGS PLC**

*(Incorporated and registered in England and Wales with registered no. 04554942)*

**Placing of 4,341,777,600 Ordinary Shares and Subscription for  
1,280,277,650 Ordinary Shares at 0.18 pence per share to raise £10.1 million,  
Acquisition and  
Notice of General Meeting**

**Nominated Adviser and Joint Broker:**



**Joint Broker:**



**Your attention is drawn to the letter from the Chairman of the Company which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.**

Notice of a General Meeting of Cyan Holdings plc to be held at Taylor Vinters LLP, Merlin Place, Milton Road, Cambridge, CB4 0DP at 11.15 a.m. on 30 June 2016 is set out at the end of this document. A Form of Proxy for use in connection with the general meeting is also enclosed with this document. The Form of Proxy should be completed and returned to the Company's Registrars, Share Registrars Limited, 9 Lion & Lamb Yard, Farnham, GU9 7LL in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received no later than 48 hours prior to the General Meeting. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Cantor Fitzgerald Europe ("**Cantor Fitzgerald**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and joint broker to the Company with Beaufort Securities Limited ("**Beaufort**") acting as joint broker to the Company. The responsibilities of Cantor Fitzgerald as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director, shareholder or any other person, in respect of his decision to acquire shares in the Company in reliance on any part of this document, or otherwise. Neither Cantor Fitzgerald Europe nor Beaufort is making any representation or warranty, express or implied, as to the contents of this document. Neither Cantor Fitzgerald nor Beaufort will be offering advice and will not be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company.

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or the accompanying Form of Proxy comes should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

### **Cautionary note regarding forward-looking statements**

This document contains statements about the Company that are or may be deemed to be “forward-looking statements”.

All statements, other than statements of historical facts, included in this document may be forward-looking statements. Without limitation, any statements preceded or followed by, or that include, the words “targets”, “plans”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “should”, “anticipates”, “estimates”, “projects”, or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements may include, without limitation, statements relating to future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects, etc.

These forward-looking statements are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual result, performance or achievements of any such person, or industry, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Investors should not place undue reliance on such forward-looking statements and, save as is required by law or regulation (including to meet the requirements of the AIM Rules, the City Code, the Prospectus Rules and/or FSMA), the Company does not undertake any obligation to update publicly or revise any forward-looking statements (including to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based). All subsequent oral or written forward-looking statements attributed to the Company or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements contained in this document are based on information available to the Directors at the date of this document, unless some other time is specified in relation to them, and the posting or receipt of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

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## DIRECTORS, COMPANY SECRETARY AND ADVISERS

<b>Directors</b>	John James Cronin, <i>Executive Chairman</i> Simon Peter Smith, <i>Chief Financial Officer</i> Dr John William Read, <i>Non-Executive Director</i> Henry James Berry, <i>Non-Executive Director</i> Paul Graham Ratcliff, <i>Non-Executive Director</i>
<b>Company Secretary</b>	Heather Marie Peacock
<b>Registered Office</b>	Cyan Holdings plc Buckingway Business Park Swavesey Cambridge CB24 4UQ
<b>Nominated Adviser and Joint Broker</b>	Cantor Fitzgerald Europe One Churchill Place Canary Wharf London E14 5RB
<b>Joint Broker to the Company</b>	Beaufort Securities Limited 131 Finsbury Pavement London EC2A 1NT
<b>Legal Advisers to the Company</b>	Taylor Vinters LLP Tower 42, 33rd Floor 25 Old Broad Street London EC2N 1HQ  Taylor Wessing LLP 5 New Street Square London EC4A 3TW  Cederquist KB Hovslagargatan 3 111 96 Stockholm Sweden  Nishith Desai Associates 93B Mittal Court Nariman Point Mumbai, 400 021 India
<b>Legal Advisers to Cantor Fitzgerald Europe and Beaufort Securities Limited</b>	Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES  Advokatfirman Lindahl Mäster Samuelsgatan 20 111 44 Stockholm Sweden
<b>Registrars</b>	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL

## EXPECTED TIMETABLE OF EVENTS

Announcement of the Proposals	14 June 2016
Latest time for receipt of Forms of Proxy	11.15 a.m. on 28 June 2016
General Meeting	11.15 a.m. on 30 June 2016
Issue of New Ordinary Shares	on or around 1 July 2016
Admission and commencement of dealings in the Enlarged Share Capital expected to commence on AIM	8.00 a.m. on 1 July 2016
Completion of the Acquisition	on or around 1 July 2016
CREST accounts expected to be credited	1 July 2016
Definitive share certificates to be dispatched by	30 July 2016

*Each of the times and dates above is subject to change. Any such change will be notified by an announcement on a Regulatory Information Service.*

## ADMISSION AND PLACING STATISTICS

Total number of Existing Ordinary Shares	7,117,864,892
Number of EIS Placing Shares	1,453,222,150
Number of General Placing Shares	2,888,555,450
Number of Subscription Shares	1,280,277,650
Number of Consideration Shares being issued by the Company	744,583,888
Number of Additional Consideration Shares being issued by the Company	659,620,000
Number of Placing Shares, Subscription Shares, Consideration Shares and Additional Consideration Shares as a percentage of the Enlarged Share Capital	49.68 per cent.
Issue Price	0.18 pence
Enlarged Share Capital*	14,144,124,030
Gross proceeds of the Placing and Subscription	£10.1 million
Net proceeds of the Placing and Subscription	£9.2 million
Market capitalisation of the Company on Admission at the Issue Price	£25.5 million
ISIN of the Existing Ordinary Shares	GB00B0P66Q02
SEDOL of the Existing Ordinary Shares	B0P66Q0

*\*assuming no new Ordinary Shares are issued prior to the date of the General Meeting*

## DEFINITIONS

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

<b>“6LoWPAN”</b>	is an acronym of IPv6 over Low power Wireless Personal Area Networks. The 6LoWPAN concept originated from the idea that the Internet Protocol could and should be applied even to the smallest devices, and that low-power devices with limited processing capabilities should be able to participate in the Internet of Things;
<b>“Acquisition”</b>	the Company’s proposed acquisition of Connode, pursuant to the terms of the Acquisition Agreement;
<b>“Acquisition Agreement”</b>	the conditional agreement dated 13 June 2016 for the sale and purchase of the entire issued share capital of Connode between Cyan Holdings plc and the Sellers;
<b>“Additional Consideration Shares”</b>	means 659,620,000 New Ordinary Shares to be allotted and issued to the Sellers in accordance with the Acquisition Agreement as partial consideration for the transfer of the entire issued share capital of Connode to the Company;
<b>“Admission”</b>	admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules;
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange;
<b>“AIM Rules”</b>	together, the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
<b>“Beaufort”</b>	Beaufort Securities Limited, 131 Finsbury Pavement, London EC2A 1NT, as joint broker to the Company;
<b>“Board” or “Directors”</b>	the directors of Cyan whose names are set out on page 4 of this document;
<b>“Business Day”</b>	any day on which banks are usually open in England and Wales for the transaction of business, other than a Saturday, Sunday or public holiday;
<b>“Cantor Fitzgerald”</b>	Cantor Fitzgerald Europe, One Churchill Place, Canary Wharf, London E14 5RB, as Nominated Adviser and Joint Broker to the Company;
<b>“City Code”</b>	the City Code on Takeovers and Mergers;
<b>“Companies Act”</b>	the Companies Act 2006 (as amended);
<b>“Company” or “Cyan”</b>	Cyan Holdings plc, a company incorporated and registered in England and Wales with company number 04554942;
<b>“Completion”</b>	completion of the Acquisition in accordance with the terms of the Acquisition Agreement;
<b>“Connode”</b>	Connode Holding AB, Järnvägsgatan 10, 172 35 Sundbyberg, Sweden;
<b>“Connode India”</b>	Connode India Private Limited;

<b>“Connode India Acquisition”</b>	Connode AB’s proposed acquisition of Connode India pursuant to the Connode India Acquisition Agreement;
<b>“Connode India Acquisition purchase Agreement”</b>	the conditional agreement dated 13 June 2016 for the sale and of the entire issued share capital of Connode India between amongst others Connode and SSG;
<b>“Consideration Shares”</b>	means 744,583,888 New Ordinary Shares to be allotted and issued to the Sellers in accordance with the Acquisition Agreement as partial consideration for the transfer of the entire issued share capital of Connode to the Company;
<b>“Cooperation Agreement”</b>	the cooperation agreement dated 13 June 2016 and entered into between Connode India and SSG for the purpose of governing SSG’s performance of certain services to Connode India in exchange for commission on certain sales made by Connode India;
<b>“Cooperation Agreement Shares”</b>	the Ordinary Shares to be issued pursuant to the Cooperation Agreement
<b>“Corporate Finance Warrants”</b>	the 49,462,444 warrants created under the Corporate Finance Warrant Instrument to subscribe for Ordinary Shares during the six months following Admission (on the basis of one Corporate Finance Warrant for one Ordinary Share) exercisable at 0.262 pence (being the average closing mid-price of Ordinary Shares for the 45 day period prior to the date of this document);
<b>“CREST”</b>	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland Limited;
<b>“EIS”</b>	Enterprise Investment Scheme under the provisions of Part 5 of the UK Income Tax Act 2007 (as amended);
<b>“EIS Placing”</b>	means the conditional placing of the EIS Placing Shares pursuant to, amongst other things, the terms and conditions set out in the Placing Agreement;
<b>“EIS Placing Shares”</b>	means the 1,453,222,150 New Ordinary Shares to be issued by the Company pursuant to the EIS Placing;
<b>“Enlarged Share Capital”</b>	the Company’s issued share capital immediately after the completion of the Acquisition, the Placing and the Subscription;
<b>“Enlarged Group”</b>	the Company as enlarged by the Acquisition;
<b>“Existing Ordinary Shares”</b>	the existing ordinary shares of 0.01 pence each in the capital of the Company at the date of this document;
<b>“FCA” or “Financial Conduct Authority”</b>	the Financial Conduct Authority;
<b>“Form of Proxy”</b>	the form of proxy attached to this document for use by Shareholders in connection with the GM;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000;
<b>“General Placing”</b>	means the conditional placing, on behalf of the Company, of the General Placing Shares pursuant to, amongst other things, the terms and conditions set out in the Placing Agreement;



<b>“General Placing Shares”</b>	means the 2,888,555,450 New Ordinary Shares to be issued by the Company pursuant to the General Placing;
<b>“GM” or “General Meeting”</b>	the general meeting of Cyan to be held at Taylor Vinters LLP, Merlin Place, Milton Road, Cambridge, CB4 0DP at 11.15 a.m. on 30 June 2016, notice of which is set out in Part 4 of this document;
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs;
<b>“Income Shares”</b>	has the meaning given to it in paragraph 10 of Part 1 of this Circular;
<b>“Internet of Things”</b>	the network of physical objects – devices, vehicles, buildings and other items – embedded with electronics, software, sensors, and network connectivity that enables these objects to collect and exchange data
<b>“IPv6”</b>	Internet Protocol version 6, the most recent version of the internet protocol enabling a greater number of devices to connect to the internet by offering an expanded range of addressing. IPv6 replaces and is an enhanced version of IPv4, whose addresses are predicted to run out in only a few years, and can support very large numbers of nodes compared to IPv4;
<b>“Issue Price”</b>	0.18 pence per New Ordinary Share;
<b>“JST”</b>	a major supplier of technical products and services, providing specialist equipment and manpower to power industries in Thailand and across South East Asia, with whom Cyan signed a distribution agreement in May 2016 to distribute Cyan’s smart metering technology in Thailand;
<b>“Lock-In Agreement”</b>	the lock-in agreement between the Company, the Sellers and Cantor Fitzgerald in connection with the Consideration Shares and the Additional Consideration Shares;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“New Ordinary Shares”</b>	the new ordinary shares of 0.01 pence each in the capital of the Company to be issued in connection with the Placing, the Subscription and the Acquisition;
<b>“Ordinary Shares”</b>	the ordinary shares of 0.01 pence each in the capital of the Company as at the date of this document;
<b>“Placing Agreement”</b>	the conditional placing agreement dated 13 June 2016 between Cantor Fitzgerald, Beaufort and the Company, details of which are set out in the letter from the Chairman;
<b>“Placing”</b>	the proposed placing by Cantor Fitzgerald and Beaufort, as agents for the Company, of the Placing Shares at the Issue Price on the terms of the Placing Agreement;
<b>“Placing Shares”</b>	4,341,777,600 New Ordinary Shares comprising the EIS Placing Shares and the General Placing Shares;
<b>“Proposals”</b>	together the Placing, the Subscription and the Acquisition;
<b>“Prospectus Rules”</b>	means the Prospectus Rules made by the UK Listing Authority;
<b>“Record Date”</b>	means the date of Admission;

<b>“Registrars”</b>	Share Registrars Limited, 9 Lion & Lamb Yard, Farnham, GU9 7LL;
<b>“Resolutions”</b>	the resolutions to be proposed at the GM, as set out in the notice of GM contained in Part 4 of this document;
<b>“Sellers”</b>	Swedestart Tech KB, Yewtree Holding AB, CapMan Equity VII A LP, CapMan Equity VII C LP, CapMan Equity Sweden KB, Maneq Fund 2004 KY, Maneq 2004 AB, Thomas Jonsson, Innouest Konsult AB, Christer Österlind, Arketo AB, Sylvain Vitecoq, Tobias Söderlund, Thorbjörn Persson, Björn Lindblom Konsultation AB, Jonas Norling, Jonas Jonsson, Aaron Sun, Odrärer Invest AB and Björn Norrbom;
<b>“Shareholders”</b>	holders of Ordinary Shares in Cyan at the date of this document;
<b>“Share Option Scheme”</b>	the Cyan Holdings plc Enterprise Management Incentive Scheme;
<b>“SMIP”</b>	UK Smart Metering Implementation Programme;
<b>“SSG”</b>	Singapore Smart Grid Pte Limited;
<b>“Subscribers”</b>	Biggles Enterprises Limited, John Cronin, Simon Smith, John Read, Paul Ratcliff, Henry Berry, Heather Peacock and Geoff Sarney;
<b>“Subscription”</b>	the subscription for Ordinary Shares by the Subscribers at the Issue Price pursuant to the Subscription Agreements;
<b>“Subscription Agreements”</b>	the share subscription agreements between the Subscribers and the Company;
<b>“Subscription Shares”</b>	1,280,277,650 New Ordinary Shares to be issued to the Subscribers on Admission;
<b>“Telefonica”</b>	Telefonica UK Limited;
<b>“Toshiba”</b>	Toshiba Information Systems (UK) Limited; and
<b>“UK” or “the United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland.

## PART 1

### LETTER FROM THE CHAIRMAN

# Cyan Holdings plc

*(Incorporated and registered in England and Wales with registered no. 04554942)  
Registered office: Buckingway Business Park, Swavesey, Cambridge, CB24 4UQ*

#### *Directors:*

John James Cronin *Executive Chairman*  
Simon Peter Smith *Chief Financial Officer*  
Dr. John William Read *Non-Executive Director*  
Harry James Berry *Non-Executive Director*  
Paul Graham Ratcliff *Non-Executive Director*

13 June 2016

*To all Shareholders and, for information only, holders of options under the Share Option Scheme*

Dear Shareholder,

**Proposed Placing of 4,341,777,600 New Ordinary Shares and Subscription for  
1,280,277,650 New Ordinary Shares at 0.18 Pence Per Share,  
Acquisition of Connode Holding AB (including Connode India Private Limited)  
and Notice of General Meeting**

#### **1. Introduction**

The Company has announced today that it is proposing to raise £10.1 million (before the deduction of fees and expenses) through a Placing and Subscription comprising the issue of 4,341,777,600 Placing Shares and 1,280,277,650 Subscription Shares at 0.18 pence per New Ordinary Share and has conditionally agreed to acquire Connode, a Swedish based supplier of wireless communication solutions for smart metering and the Internet of Things. In addition, Connode AB (a wholly owned subsidiary of Connode) has conditionally agreed to acquire Connode India, which exclusively distributes Connode's solutions in India. Under the terms of the Acquisition Agreement, Connode will be acquired for approximately £6.8 million, comprising £4.3 million in cash consideration and £2.5 million payable as equity consideration. Under the terms of the Connode India Acquisition Agreement, Connode India will be acquired by Connode AB for approximately US\$1.5 million, of which US\$1.3 million is a conditional deferred payment, which will be subject to sales performance criteria being achieved.

Each of the Acquisition, Placing and Subscription are conditional, *inter alia*, on the passing of the Resolutions at the General Meeting, Admission becoming effective by no later than 8.00 a.m. on 1 July 2016 (or such other time and/or date, being no later than 31 July 2016, as the Company and Cantor Fitzgerald may agree) and the Placing Agreement between the Company and Cantor Fitzgerald becoming unconditional and not being terminated prior to Admission (in accordance with its terms). It is expected that the New Ordinary Shares will be admitted to trading on AIM on or around 8.00 a.m. on 1 July 2016 and that the Acquisition will complete at the same time.

The Board believes that raising equity finance by the Placing and Subscription is the most appropriate method of financing for the Company at this time. This allows both existing and new institutional investors to be targeted and to participate in the Placing in order to finance the consideration for the Acquisition and the Connode India Acquisition and to provide additional working capital for the Enlarged Group. The Board believes that the potential value creation for the benefit of Shareholders arising from the Placing, the Subscription and Acquisition outweighs the dilutive effects of the Placing and Subscription.

In the event that the Placing and Subscription do not complete, the Placing, Subscription and Acquisition will not proceed and the Company will have incurred significant costs in relation to the Proposals.

The purpose of this document is to set out the reasons for, and provide further information on, the Proposals, to explain why the Board considers the Proposals to be in the best interests of the Company and its Shareholders as a whole and why the Directors unanimously recommend that you vote in favour of the Resolutions, as they have irrevocably undertaken to do so in respect of their own beneficial holdings of 335,707,737 Ordinary Shares, in aggregate representing approximately 4.72 per cent. of Cyan's issued share capital on 10 June 2016 (being the last Business Day prior to publication of this document).

At the end of this document you will find a notice convening the General Meeting at which the Resolutions will be proposed by the Directors. The General Meeting has been convened for 11.15 a.m. on 30 June 2016 and will take place at Taylor Vinters LLP, Merlin Place, Milton Road, Cambridge, CB4 0DP.

## **2. Information on Connode**

Connode, headquartered in Stockholm, Sweden, is a well-established supplier of wireless communication solutions for smart metering and the Internet of Things and has historically been funded locally by a private equity firm. Cyan was aware of Connode's offering due to its involvement with targeted counter parties in India and also due to Connode's involvement in the SMIP, as described below. Cyan participated in a competitive process to offer to acquire Connode in Q4 2015, and has worked, together with its professional advisers, to complete extensive due diligence on Connode since that time. Connode offers Cyan a highly complementary product range with further growth opportunities to create the global number one narrowband mesh radio solution Internet of Things multi-application networks provider.

Connode's wireless technology is the result of 10 years' development of large-scale wireless mesh networks. Since 2006 utilities and telecom operators have deployed Connode-enabled devices in large-scale projects in Europe. Connode is a key supplier of mesh technology to the SMIP. As such the Directors believe that Connode represents an attractive opportunity to acquire a business with a complementary product suite in new territories.

Connode is backed by CapMan Oyj, a Swedish private equity fund and has benefited from over 100 man years of development and £10 million of investment to date. With an experienced team of 11 people based in Stockholm, Connode has grown internationally and its products are used in large scale wireless mesh networks. The Directors expect that the Company will continue to benefit from the expertise of Connode's existing staff and, as such, do not envisage that any cost synergies will be delivered by the Acquisition or the Connode India Acquisition. The pool of smart metering experts in the world is very small due to the fact that few projects have been rolled out and Cyan therefore view the Connode staff (mainly software developers) as a key asset being acquired. Consequently, Cyan has made provision for what the Directors believe to be attractive incentive arrangements in order to retain the Connode team.

Connode has over 650,000 legacy systems deployed across Europe with a mix of blue chip partners. More recently, Connode has been contracted by Telefonica through Toshiba in 2014 to provide wireless mesh communication for the SMIP. The Directors believe that, after two delays in the SMIP roll out, SMIP will commence in the second half of 2016 and deliver revenues to Connode in H2 2016 and onwards. The potential value of the SMIP rollout to Connode is approximately £37 million over the rollout and support lifecycle (details below), and the Directors therefore perceive Connode to represent an attractive opportunity to enter the UK market with a tested product and with blue chip partners, capable of delivering incremental revenue which would mark a significant shift in Cyan's growth.

With the £10 million of investment made in Connode since its incorporation in 2011, Connode has developed a product which is compatible with IPv6/6LoWPAN, the latest version of internet protocol and a standards based technology which the directors believe will become essential to ensure forward compatibility with communications networks. IPv6/6LoWPAN is a technology in which Cyan would have to invest £2.5 million and commit to for 18 months in order to develop in the event that the Acquisition does not complete. The directors believe that IPv6/6LoWPAN solutions are the solutions of choice of customers in western markets and increasingly demanded in India.

The Connode India Acquisition will enhance Cyan's presence in India, with its existing relationships with Reliance Industries Limited (an Indian communications conglomerate with over 6.4 million customers) and Intel Corporation (the global semiconductor manufacturing company). The Directors believe that the potential software licence revenue opportunity from Reliance alone represents approximately £21 million of revenue over a multi-year period.

### **UK Smart Metering Implementation Program**

The UK Smart Metering Implementation Programme is a major infrastructure project involving the national roll out of 53 million gas and electricity meters across the UK by 2020 (a deadline imposed on the UK by the European Union). Telefonica was awarded a contract as the preferred communications service provider in two out of the three regions tendered by the UK Government. Telefonica's SMIP solution is based upon its existing cellular network in the UK, supported by Connode's C4 solution, which connects households without reliable cellular coverage (known as "not-spots" by the mobile phone network operators). Connode was awarded a contract for 1.8 million C4 units across the central and southern regions of the UK by Toshiba, with an expected rollout date starting during the second half of 2016. The Directors believe that Connode is one of very few suppliers globally that has the capability to support smart meter deployment in areas where there is no cellular coverage.

Connode's potential revenue from SMIP is set out in the table below:

	<i>Current contract</i>	<i>Expected</i>	<i>Best case</i>
<b>Contracted licence fees until 2020</b>	£4.4 million	£5.9 million	£9.3 million
<b>Support fees (over 15 years)</b>	–	£19.3 million	£28.0 million
<b>Total</b>	£4.4 million	£25.2 million	£37.3 million

Initially, SMIP was intended to commence in December 2015, however the UK Government announced in March 2015 that the roll out would be delayed by 4 months until April 2016. In August 2015, the UK Government announced that SMIP would be further delayed until August 2016. British energy suppliers still expect that the August 2016 deadline is achievable and that there are unlikely to be further delays. However, the UK Government has stated that all deadlines are subject to change as may be determined by the UK Secretary of State.

During its negotiations and due diligence process, Cyan has discussed the proposed Acquisition with both Toshiba and Telefonica, both of which have indicated their support for the Acquisition. As Connode's SMIP contract contains change of control provisions which would allow Toshiba to terminate the contract upon a change in Connode's ownership structure, Cyan has obtained written comfort from Toshiba that it does not consider the proposed Acquisition to be a prohibited change of control.

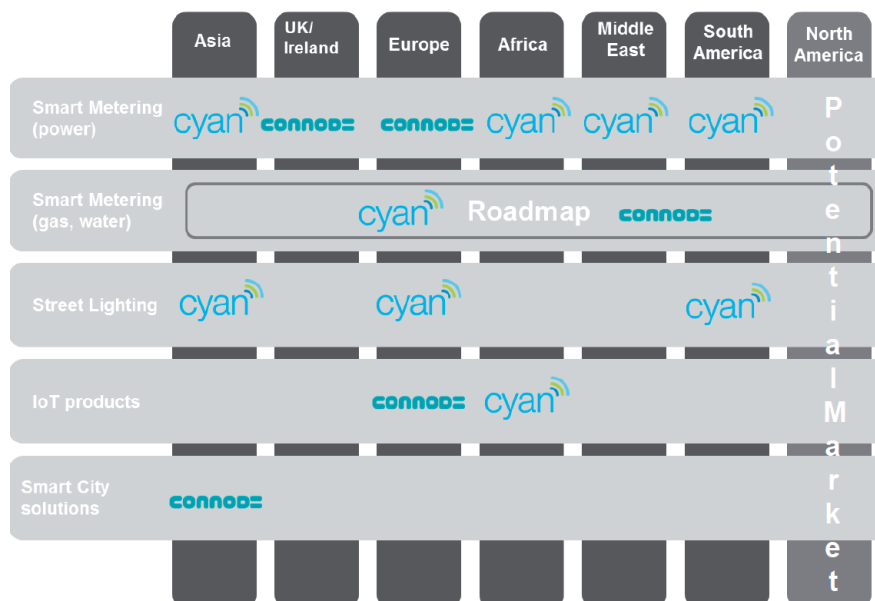
### **3. Financial information on Connode**

As at 31 December 2015, Connode had net assets of circa £0.5 million and generated EBITDA of £0.2 million in the year ended 31 December 2015 from revenues of £2.3 million.

### **4. Background to and reasons for the Proposals and expected benefits to the Enlarged Group of the Acquisition**

Cyan's product suite is, in the opinion of the Directors, well suited to the energy infrastructure located in emerging markets. The lack of connectivity and reliability of communications networks, which are prevalent in many emerging markets, pose a problem which can be addressed by Cyan's narrowband mesh radio solutions, utilising low power radio frequency based communication technology with a range more appropriate to the dense populations commonly found in the Company's target markets.

Connode also develops narrowband mesh radio solutions and has an existing presence in Europe, the UK and Asia. The UK market represents a significant opportunity for Cyan to develop its presence in a higher margin geography, with existing attractive blue chip partnerships. An overview of the Enlarged Group's global presence is demonstrated in the following graphic:



Connode's C4 solution provides Cyan with the opportunity to acquire a full standards-based solution, suited to both developed and developing markets. As mentioned in paragraph 2 above, acquiring Connode enables Cyan to avoid the £2.5 million cost and 18 months elapsed time of developing its own proprietary IPv6/6LoWPAN compatible product solution and, due to the move to IPv6/6LoWPAN standards, the directors believe that the Enlarged Group's competitors will be forced to replicate the Connode technical solution at a competitive price point. Furthermore, the blue chip customer base which already exists within the Connode business, and which customer base (Toshiba and Telefonica) has, as disclosed above, been consulted by Cyan in relation to the Acquisition, provides a level of credibility to the Connode product and an attractive entry point for Cyan in the UK market.

Cyan intends to utilise Connode's relationships to further expand its complete product set in European and Western markets with, among others, Telefonica, Toshiba, Landis+Gyr AG and Itron. In emerging markets, the Acquisition accelerates (and defends) Cyan's position in the market by providing it with direct relationships with Reliance Industries Limited and Intel Corporation. Furthermore, the expected revenue which is likely to stem from Connode's SMIP contract is expected to bolster Cyan's financial results going forward. The core Connode business model involves the licensing of software with relatively high margins.

The Directors believe that the Enlarged Group will, from its European hubs in Cambridge and Stockholm, together with the Cyan and Connode operations in India, be able to deliver a world class communication multi-application networks solution for all smart energy solutions and emerging applications in the Internet of Things network, with solutions designed to meet the standards of developed economies while retaining the competitive price point for emerging market meter and lighting opportunities. The Directors believe that the key client relationships already possessed by Cyan and Connode will be augmented by the Enlarged Group's strengthened product offering.

Cyan intends to retain the Connode brand as this is well known by its customers, with the Connode solution being sold alongside Cyan. Over time, it is intended that the two solutions will be integrated on both a technical and commercial level in order to provide customers with maximum choice on a common IoT multi-application networks solution.

As a result of the Placing and Subscription, the Directors also believe that the Enlarged Group's increased market capitalisation and the introduction of new institutional investors through the Placing will be of benefit to the Company and its Shareholders.

The total consideration payable by the Company to the Sellers under the Acquisition Agreement is £6,777,567, which shall be satisfied as follows:

- £4,250,000 payable in cash on Completion;
- £1,340,251 will be satisfied through the issue of the Consideration Shares to the Sellers on Completion; and

- £1,187,316 will be satisfied through the issue of the Additional Consideration Shares to the Sellers on Completion.

The equity consideration payable to the Sellers will be split out as follows:

1. 744,583,888 New Ordinary Shares subject to a six month lock-in followed by a 12 month orderly market period; and
2. 659,620,000 New Ordinary Shares subject to a 12 month orderly market period.

The total consideration payable by Connode AB under the Connode India Acquisition is up to US\$1,460,000, which shall be satisfied as follows:

- US\$160,000 payable in cash on Completion; and
- up to US\$1,300,000 payable as conditional deferred consideration, dependent upon certain purchase orders being placed on Connode India.

Further details of the Acquisition Agreement and the Connode India Acquisition Agreement are set out in Part 3 of this Circular. The acquisitions of both Connode and Connode India are insured by a warranty and indemnity insurance policy as described in more detail on page 31 of this Circular.

In addition, the current owners of Connode India will have the opportunity to earn a percentage royalty per software licence sold in India according to the terms of the Cooperation Agreement, further details of which are set out in Part 3 of this Circular.

## 5. Current trading

The Company has continued to make good progress and made the following update in its full year results for the year ended 31 December 2015 on 6 June 2016:

### Financial Highlights

	2015 £	2014 £	Percentage change
Revenue	272,012	193,550	+41%
Operating costs made up of:			
Research and development expenditure	3,125,758	1,843,213	+70%
Other operating costs	1,886,938	1,487,301	+27%
Operating loss	(4,902,643)	(3,260,063)	-50%
Cash and cash equivalents	2,461,057	2,344,344	+5%

In addition the Directors have highlighted the following post year end events which include:

- Transformational £10 million purchase order for smart metering in Iran
- Follow on order for a further 5,000 meters from Larson & Toubro for Tata Power
- Paul Ratcliff has joined Cyan Board of Directors as a Non-Executive Director
- Received an R&D tax credit cash refund of £579,585 (2014: £401,344)
- Investment of £450,000 at a significant premium to the then share price in March 2016

The Company continues to seek new territories for its products and services through local partners. Cyan has invested in opening an office in India which currently has 17 employees. The combining of the Connode India staff and business into the Indian Cyan office, and the enhanced customer relationships and product set is expected to be of benefit to the Enlarged Group.

As Cyan begins to gain traction in new territories, the Board will evaluate on a region by region basis the need for the Enlarged Group to have a presence on the ground with appropriate resource in place.

## 6. Reasons for the Placing and Subscription and use of proceeds

The Company is proposing to raise a total of £10.1 million (before deduction of fees and expenses) from the Placing and Subscription. The Placing and Subscription are considered by the Directors to be in the best interests of Shareholders as they will enable the Company to pursue its stated strategy more effectively. The intended uses of the Gross Proceeds are set out below:

	<i>£m</i>
Acquisition	4.3
Conditional deferred consideration in respect of Connode India held in escrow	0.6
Working Capital for Cyan	3.6
Working Capital for Connode	0.7
Fees and Expenses	0.9
Gross Proceeds	<u>10.1</u>

The Placing and Subscription will raise net proceeds equivalent to the cash consideration payable for the acquisition of Connode and an additional £4.3 million for working capital purposes for both Cyan and Connode. As a result, Cyan will both strengthen its balance sheet and preserve its existing free cash resources. The Placing and Subscription will enable the Company to commit further capital over the next 12 months towards the delivery of its growth strategy described above.

In order to support the Company's plans over the next 12 months, the Directors and certain senior employees have agreed to receive their existing contracted remuneration through the receipt of the Income Shares on a periodic basis. The Income Shares will be issued at the Issue Price.

## 7. Details of the Placing and Subscription

It will be announced on 14 June 2016 that the Company proposes to raise, in aggregate, £10.1 million (approximately £9.2 million net of expenses) by way of a Placing of 4,341,777,600 Placing Shares and a Subscription for 1,280,277,650 Subscription Shares with certain new and existing investors representing 39.7 per cent. of the Enlarged Share Capital, at an Issue Price of 0.18 pence per Ordinary Share. Cantor Fitzgerald and Beaufort have conditionally agreed to place all of the Placing Shares pursuant to the Placing Agreement.

The Issue Price of 0.18 pence per New Ordinary Share represents a discount of 20.0 per cent. to the closing price of 0.225 pence on 10 June 2016, being the last Business Day prior to the publication of this document. The Board unanimously agrees that the level of discount and method of issue are appropriate to secure the investment necessary in order to undertake the Acquisition and provide working capital.

In connection with the Placing, the Company has entered into the Placing Agreement with Cantor Fitzgerald and Beaufort, pursuant to which Cantor Fitzgerald and Beaufort have agreed to use reasonable endeavours, as agents on behalf of the Company, to procure placees for the Placing Shares at the Issue Price and have agreed to conditionally place the Placing Shares with certain new and existing investors. The Placing and Subscription are conditional, *inter alia*, on:

- the passing of the Resolutions at the General Meeting;
- the conditions in the Placing Agreement being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective by no later than 8.00 a.m. on 1 July 2016 (or such later time and/or date, being no later than 8.00 a.m. on 31 July 2016, as the Company and Cantor Fitzgerald may agree).

Accordingly, if any of these conditions are not satisfied or, if applicable, waived, the Placing and Subscription will not proceed.

Further details of the Placing Agreement are set out in Part 3 of this document.



In connection with the Subscription, the Subscribers have entered into the Subscription Agreements. One of the Subscribers, Biggles Enterprises Limited, which is part of the JST group of companies, with whom the Company signed a distribution agreement in May 2016, has agreed to subscribe for 1,111,111,111 Subscription Shares in consideration for £2 million. The other Subscribers comprise all of the Directors, certain senior management and a consultant of Cyan who have subscribed for in aggregate, 169,166,539 New Ordinary Shares for a consideration of £0.3 million.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid in respect of the Ordinary Shares following Admission. It is expected that Admission will become effective, and that dealings on AIM will commence, at 8.00 a.m. on 1 July 2016.

## **8. Enterprise Investment Scheme**

The following paragraphs are intended as a general guide only for Shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not in the course of a trade, and are based on current legislation and UK HM Revenue & Customs practice. Any prospective subscriber or purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

The Company intends to operate so that it qualifies for the taxation advantages offered under the Enterprise Investment Scheme. The main advantages are as follows:

- (i) Individuals can claim a tax credit of 30 per cent. of the amount invested in the Company against their UK income tax liability, (provided they have a sufficient tax liability to reclaim this amount), thus reducing the effective cost of their investment to 70 pence for each £1 invested. However, there is an EIS subscription limit of £1,000,000 in each tax year and, to retain the relief, the EIS Placing Shares must be held for at least three years.
- (ii) UK investors (individuals or certain trustees) may defer a chargeable gain by investing the amount of the gain in the Company. There is no limit to the level of investment and, therefore, to the amount of gain which may be deferred in this way. Note that the deferred gain will come back into charge when the EIS shares are disposed of, or if the Company ceases to qualify as an EIS company within the three year qualifying period.
- (iii) There is no tax on capital gains made upon disposal after the three year period ("Qualifying Period") of shares in an EIS qualifying company on which income tax relief has been given and not withdrawn.
- (iv) If a loss is made on disposal of the Ordinary Shares at any time, the amount of the loss (after allowing for any income tax relief initially obtained) can be set off against either the individual's gains for the tax year in which the disposal occurs, or, if not so used, against capital gains of a subsequent tax year, or against the individual's income of the tax year of the disposal or of the previous tax year.
- (v) Provided a Shareholder has owned Ordinary Shares in the Company for at least two years and certain conditions are met at the time of transfer, 100 per cent. business property relief will be available, which reduces the inheritance tax liability on the transfer of EIS Placing Shares to nil.

The Directors believe that the combination of the commercial prospects for the Company, together with the availability of the taxation advantages offered by the EIS and business property relief, make this an attractive opportunity for UK individual investors.

The amount of relief an investor may gain from an EIS investment in the Company will depend on the investor's individual circumstances.

Changes to the legislation that came into effect from 18 November 2015 now mean that an individual can only be eligible for EIS relief on the purchase of shares if all shares held by that investor are either risk based shares (that is shares for which an EIS compliance statement has been issued) or subscriber shares.

### **Qualifying Period**

In order to retain the EIS reliefs, an investor must hold their shares for at least three years. A sale or other disposal (other than an inter-spousal gift or a transfer on death) will result in any income tax relief that has been claimed being clawed back by HMRC. Additionally, any capital gains deferred will come back into charge and the capital gains tax exemption will be lost. It is the investor's responsibility to disclose a disposal to HMRC.

Additionally, if the Company ceases to meet certain qualifying conditions within the Qualifying Period, the tax reliefs will be lost.

The Qualifying Period expires on the later of the third anniversary of the date the shares are issued, and the third anniversary of the date the Company's trade commenced. The Company is already trading, so the relevant date will be three years after the date of the share issue. This will be shown as the "Termination Date" on the EIS3 certificate which the Company will issue to investors following formal approval of the share issue by HMRC.

### **Advance Assurance of EIS Status**

In order for investors to claim EIS reliefs relating to their shares in the Company, the Company has to meet a number of rules regarding the kind of company it is, the amount of money it can raise, how and when that money must be employed for the purposes of the trade, and the trading activities carried on. The Company must satisfy HMRC that it meets these requirements and is therefore a qualifying company.

The Company has received advanced assurance from HMRC that it would be able to issue shares that are eligible for the EIS regime.

The directors do not give any warranty or other assurance as to the availability of EIS relief – prospective investors who may be eligible for relief are strongly recommended to consult their own professional advisers particularly on the conditions which must be satisfied to obtain such relief, the nature of the tax advantages which may be obtained, and the circumstances in which relief may be forfeited.

## **9. General Meeting**

A notice convening the GM to be held at Taylor Vinters LLP, Merlin Place, Milton Road, Cambridge, CB4 0DP at 11.15 a.m. on 30 June 2016 is set out at the end of this document. The Resolutions to be proposed at that meeting are, *inter alia*, to:

- (a) empower the Directors to allot Ordinary Shares in the capital of the Company in connection with the Placing Shares, the Subscription Shares, the Consideration Shares, the Additional Consideration Shares, the Cooperation Agreement Shares, the Income Shares, to issue the Corporate Finance Warrants and to allot Ordinary Shares up to a further nominal value of £486,636.29, being approximately one third of the Company's share capital as enlarged by the issue of the Placing Shares, the Subscription Shares, the Consideration Shares, the Additional Consideration Shares, the Income Shares and the Corporate Finance Warrants; and
- (b) empower the Directors to allot, or where appropriate, issue, Ordinary Shares in the capital of the Company for cash otherwise than in accordance with the statutory pre-emption provisions set out in the Companies Act in connection with the Placing, the Subscription, the Acquisition, the Cooperation Agreement, the Income Shares, to issue the Corporate Finance Warrants and to allot Ordinary Shares up to a further nominal value of £145,990.89, being approximately 10 per cent. of the Company's share capital as enlarged by the issue of the Placing Shares, the Subscription Shares, the Consideration Shares, the Additional Consideration Shares, the Income Shares and the Corporate Finance Warrants.

The authority proposed to be given to the Directors to allot Ordinary Shares in the capital of the Company requires the prior authorisation of the Shareholders at a general meeting under section 551 of the Companies Act. Following the passing of Resolution 1, the Directors will have authority to allot up to: £434,177.76 in nominal value in connection with the Placing, £128,027.77 in nominal value in connection with the Subscription Shares, £300,000.00 in nominal value in connection with the Cooperation Agreement, £140,420.39 in nominal value in respect of the Consideration Shares and the Additional Consideration Shares, £40,550.22 in nominal value in connection with the Income Shares, £4,946.24 in nominal value in connection with the Corporate Finance Warrants, and up to a further £486,636.29 in nominal value, being

approximately one third of the Company's share capital as enlarged by the issue of the Placing Shares, the Subscription Shares, the Consideration Shares, the Additional Consideration Shares, the Income Shares and the Corporate Finance Warrants. Except in relation to the Cooperation Agreement Shares, this authority will expire at the next annual general meeting of the Company held in 2017, or if earlier, the date which is 15 months after the date of the passing of this resolution. In relation to the Cooperation Agreement Shares, this authority will expire on 31 December 2019.

Subject to the passing of Resolution 2, the Directors will have the power under section 570 of the Companies Act to allot, for cash, up to £434,177.76 in nominal value in respect of the Ordinary Shares in connection with the Placing, £128,027.77 in nominal value in respect of the Subscription, £300,000.00 in nominal value in respect of the Cooperation Agreement, £40,550.23 in nominal value in respect of the Income Shares, £4,946.24 in nominal value in connection with the issue of the Corporate Finance Warrants and in addition up to £145,990.89 in nominal value, being approximately 10 per cent. of the Company's share capital as enlarged by the issue of the Placing Shares, the Subscription Shares, the Consideration Shares, the Additional Consideration Shares, the Income Shares and the Corporate Finance Warrants without being required first to offer such securities to Shareholders in accordance with their statutory pre-emption rights. Except in relation to the Cooperation Agreement Shares, this authority will expire at the next annual general meeting of the Company held in 2017, or if earlier, on the date which is 15 months after the date of the passing of this resolution. In relation to the Cooperation Agreement Shares, this authority will expire on 31 December 2019.

## 10. Directors' shareholdings

As part of the Subscription (in which Directors, senior management and consultants are subscribing for £304,500 of Ordinary Shares), certain of the Directors' share holdings will increase.

The Directors have also agreed that, in the interests of retaining cash within the Company, they will each use all of their net income and bonuses earned during the period from July 2016 to June 2017 to purchase new Ordinary Shares issued at the Issue Price. These amounts are expected to be the amounts as set out in the table below. In addition certain members of the Company's management team have agreed that they will use any net bonus earned during the period from July 2016 to June 2017 to purchase new Ordinary Shares issued at the Issue Price, also expected to be in the amounts as set out in the table below.

<i>Director/management</i>	<i>Monetary amount</i>	<i>Number of Ordinary Shares</i>
John Cronin	£374,009	207,782,778
Simon Smith	£152,920	84,955,556
John Read	£19,398	10,776,667
Harry Berry	£89,009	48,449,444
Paul Ratcliff	£21,368	11,871,111
Other members of management	£73,200	40,666,667
<b>TOTAL</b>	<b>£729,904</b>	<b>405,502,223</b>

The beneficial and non-beneficial interests of the Directors in Ordinary Shares as at the date of this document and following the Placing and Subscription are set out in the table below.

<i>Director</i>	<i>Date of this document</i>		<i>Subscription Shares subscribed</i>	<i>Immediately following the Placing</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of ordinary share capital</i>	<i>Number of Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued ordinary share capital</i>
John Cronin	159,742,048	2.24	18,611,100	178,353,148	1.26
Simon Smith	107,266,588	1.51	18,611,100	125,877,688	0.89
Dr. John Read	38,484,815	0.54	5,555,550	44,040,365	0.31
Harry Berry	30,214,286	0.42	16,666,650	46,880,936	0.33
Paul Ratcliff	–	–	2,777,750	2,777,750	0.02

In addition, a total of 280,660,889 options over Ordinary Shares have been granted to the Directors in the past, representing approximately 3.94 per cent. of the current issued share capital and 1.98 per cent. of the Enlarged Issued Share Capital.

The conditional agreements entered into by John Cronin, Simon Smith, John Read, Henry Berry and Paul Ratcliff to subscribe for Subscription Shares are classified as related party transactions for the purposes of the AIM Rules. In the absence of an independent director, Cantor Fitzgerald, the Company's Nominated Adviser, considers that the terms of the transaction are fair and reasonable insofar as the Company's shareholders are concerned.

### **11. Irrevocable Undertakings**

The Directors have irrevocably undertaken to vote in favour of the Resolutions in respect of their own beneficial holdings of 335,707,737 Ordinary Shares, in aggregate representing approximately 4.72 per cent. of Cyan's issued share capital on 10 June 2016 (being the last Business Day prior to publication of this Circular).

### **12. Share Consolidation**

The Company intends at a future date to consolidate the Ordinary Shares in order to reduce the number of Ordinary Shares in issue and to increase the price per Ordinary Share to a level more in line with other companies admitted to trading on AIM. The decision on the timing of any share consolidation will be made by the Directors in consultation with Cantor Fitzgerald and Beaufort, as well as the Company's major shareholders. Any future share consolidation will be subject to shareholder approval at a general meeting.

### **13. Action to be taken in respect of the General Meeting**

Please check that you have received with this document:

- a Form of Proxy for use in respect of the General Meeting; and
- if you are a Shareholder based in the United Kingdom, a reply-paid envelope for use in conjunction with the return of the Form of Proxy.

**Whether or not you propose to attend the General Meeting in person, you are strongly encouraged to complete, sign and return your Form of Proxy in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received, by post or, during normal business hours only, by hand, to Share Registrars at Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL, by no later than 11.15 a.m. on 28 June 2016 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).**

**If you hold your shares in the Company in uncertificated form (that is, in CREST) you may vote using the CREST Proxy Voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of General Meeting set out at the end of this document). Proxies submitted via CREST must be received by the Company's agent (7RA36) by no later than 11.15 a.m. on 28 June 2016 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).**

Appointing a proxy in accordance with the instructions set out above will enable your vote to be counted at the General Meeting in the event of your absence. The completion and return of the Form of Proxy or the use of the CREST Proxy Voting service will not prevent you from attending and voting at the General Meeting, or any adjournment thereof, in person should you wish to do so.

#### **14. Recommendation**

**The Directors believe that the Resolutions to be proposed at the General Meeting are in the best interests of the Company and Shareholders as a whole and unanimously recommend that you vote in favour of the Resolutions. Each of the Directors has irrevocably undertaken to vote in favour of the Resolutions in respect of, in aggregate, 335,707,737 Ordinary Shares, representing approximately 4.72 per cent. of the Ordinary Shares in issue on 10 June 2016 (being the last Business Day prior to publication of this Circular).**

Yours faithfully,

John Cronin  
*Executive Chairman*

## PART 2

### RISK FACTORS

**An investment in Ordinary Shares involves a high degree of risk. Accordingly, prospective investors and Shareholders should carefully consider the risks set out below before making a decision to invest in the Company. The investment offered in this document may not be suitable for all of its recipients. Potential investors and Shareholders are accordingly advised to consult a professional adviser authorised under FSMA, who specialises in advising on the acquisition of shares and other securities, before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in light of his or her personal circumstances and the financial resources available to him or her.**

**Prospective investors and Shareholders should carefully consider the risks described below before making a decision to invest in the Company. This Part 2 contains what the Directors believe to be the principal risk factors associated with an investment in the Company. However, the risks listed do not purport to be an exhaustive summary of the risks affecting the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or which the Directors deem immaterial may also have an adverse effect on the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.**

**If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his or her investment.**

**This document contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company which are described below and elsewhere in this document. Prospective investors and Shareholders should carefully consider the other information in this document.**

**There can be no certainty that the Company will be able to successfully implement its strategy. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Company.**

#### **1. Risks relating to the Ordinary Shares**

##### ***Investment risk***

An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all of his/her investment.

Investors should be aware that the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment and could lose their entire investment. This volatility could be attributable to various facts and events, including the availability of information for determining the market value of an investment in the Company, any regulatory or economic changes affecting the Company's operations, variations in the Company's operating results, developments in the Company's business or its competitors, or changes in market sentiment towards the Ordinary Shares. In addition, the Company's operating results and prospects from time to time may be below the expectations of market analysts and investors.

Market conditions may affect the Ordinary Shares regardless of the Company's operating performance or the overall performance of the sector in which the Company operates. Share market conditions are affected by many factors, including general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply for capital. Accordingly, the market price of the Ordinary Shares may

not reflect the underlying value of the Company's net assets, or its trading performance and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others of which may be outside the Company's control.

If the Company's revenues do not grow, or grow more slowly than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted sufficiently, the market price of its Ordinary Shares may decline. In addition, if the market for the securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the Ordinary Shares may fall for reasons unrelated to the Company's business, results of operations or financial condition. Therefore, investors might be unable to resell their Ordinary Shares at or above the Issue Price.

#### ***Future need for access to capital***

The Company may need to raise further funds to carry out the implementation of its business plan. Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions in financing and operating activities. In addition, there can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms favourable to it. If the Company is unable to obtain additional financing as needed it may be required to reduce the scope of its operations or anticipated expansion or cease trading.

#### ***Investment in publicly quoted securities***

Investments in securities traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose securities are listed on the "Official List" of the FCA in the UK and traded on the London Stock Exchange's main market for listed securities. An investment in the Ordinary Shares traded on AIM may be difficult to realise. AIM has been in existence since 1995 and is a market designed for small and growing companies, but its future success and liquidity as a market for Ordinary Shares cannot be guaranteed.

#### ***Potentially volatile share price and liquidity***

The share prices of companies quoted on AIM can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price at which investors may realise their investment in the Company may be influenced by a significant number of factors, some specific to the Company and its operations and some which affect quoted companies generally.

These factors could include the performance of the Company, large purchases or sales of Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

## **2. General Risks**

### ***Economic conditions and current economic weakness***

Any economic downturn either globally or locally in any area in which the Company operates may have an adverse effect on the demand for the Company's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Company's sales, restricting the Company's ability to deliver a profit. In addition, although signs of economic recovery have been perceptible in certain countries, the sustainability of a global economic upturn is not yet assured and the Directors consider that the current level of market risk is higher than normal given geo-political unrest and a slowdown in the growth of emerging economies. If economic conditions remain uncertain, the Company might see lower levels of growth than in the past, which could have an adverse impact on the Company's operations and business results.

### ***Changes in tax laws or their interpretation could affect the Company's financial condition or prospects***

The nature and amount of tax which the Company expects to pay and the reliefs expected to be available to the Company are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties in a number of jurisdictions and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Company. Any limitation in the availability of relief under these treaties, any change in the terms of any such

treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Company.

### ***Force majeure***

The economics of the Company's projects may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities, sabotage, fires, floods, acts of God, explosions or other catastrophes or epidemics.

### ***Currency fluctuations could materially adversely affect the Company's results***

As the Company's revenue streams may come from abroad, exchange rate fluctuations could have a material adverse effect on the Company's profitability or the price competitiveness of its products. There can be no guarantee that the Company would be able to compensate for, or hedge against, such adverse effects and therefore, adverse exchange rate movements could have a material adverse effect on the Company's business, results of operations and/or financial condition.

## **3. Group Specific Risks**

### ***Any failure of physical infrastructure or services of the Company could lead to significant costs and disruptions that could reduce revenues, harm the Company's reputation and have a material adverse effect on financial results***

The Company's business is dependent on its IT infrastructure. Service interruptions and equipment failures may expose Cyan to financial loss and damage its reputation, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's IT infrastructure is subject to failure from a variety of causes largely outside with the Company's control, including human error, equipment failure, power loss, failure of services related to the internet and telecommunications provided by the Company, physical or electronic security breaches, as well as factors out of the Company's control, such as sabotage, vandalism, system failures of network service providers, fire, earthquake, volcanic ash, flood and other natural disasters, water damage, fibre optic cable cuts, power loss not caused by the Company, improper building maintenance by the landlords of the buildings in which the IT infrastructure is located and terrorism.

### ***The Company may experience accelerated demand for its products and services***

The Company expects to be able to meet its current expenditures from internal resources, debt facilities and the net proceeds of the Placing. In the event that the Company wins a large order then the Company may consider supporting the working capital requirements for such order(s) by way of an issue of new equity or debt finance or a combination of both. If the Company is unable to raise the necessary financing it could adversely affect the Company's ability to expand its business.

### ***The Company is experiencing rapid growth. If the Company is not able to effectively manage its growth, its operations could be damaged and profitability reduced***

The Company's businesses and operations have experienced rapid growth. If the Company fails to effectively manage this growth in the future, its operations could be harmed. This future growth could place significant demands on the Company's operational and financial infrastructure. If the Company is unable to effectively manage its growth its operations could be harmed and profitability reduced. The growth of the Company's sales and profits in the future will depend, in part, on its ability to expand its operations through the roll-out of new products, the exchange of existing meters and the launching of its services into new markets and geographies. Furthermore, in order to manage its planned expansion, the Company will need to continually evaluate the adequacy of its management capability, operational procedures, financial controls and information systems. Accordingly, there can be no assurance that the Company will be able to achieve its expansion goals on a timely or profitable basis.

### ***Ability to attract and retain key executives, officers, managers and technical personnel***

Attracting, training, retaining and motivating technical and managerial personnel, including individuals with significant technical expertise is a critical component of the future success of the Company's business. The Company may encounter difficulties in attracting or retaining qualified personnel. Continued growth may



therefore cause a significant strain on existing managerial, operational, financial and information systems resources. The departure of any of the Company's executive officers or core members of its sale and marketing teams or technical service personnel could have a negative impact on its operations. In the event that future departures of employees occur, the Company's ability to execute its business strategy successfully, or to continue to provide services to its customers and users or attract new customers and users, could be adversely affected. The performance of the Company depends, to a significant extent, upon the abilities and continued efforts of its existing senior management. The loss of the services of any of the key management personnel or the failure to retain key employees could adversely affect the Company's ability to maintain and / or improve its operating and financial performance.

***The Company relies on a limited number of large customers***

The success of the Company's business is (and is expected to continue to be) dependent upon the continuation of commercial relationships with its customers. There is no guarantee that these relationships will continue or that customers will not seek alternative providers of smart metering services.

***Cyan's competitors may take actions which adversely affect its revenues, profits or financial condition***

The Company operates within competitive markets. The Board believes that it has adopted a competitive business strategy. The Directors believe that this strategy ensures that the Company maintains its competitive position in the markets in which it operates. However, the Company's business, results, operations and financial condition could be materially adversely affected by the actions of its competitors (including their marketing strategies and product and services development).

The Company's competitors could have greater financial resources or experience in particular sectors or markets where the Company intends to offer services. If the Company is not able to compete successfully against existing or future competitors, its competitive position, business, financial condition and results of operations may be adversely affected. There are a number of international companies that already provide a full range of smart metering services and have the ability to offer an end-to-end solution to their customers.

***Political, economic, regulatory and legislative considerations***

Adverse developments in the political, legal, economic and regulatory environment may materially and adversely affect the financial position and business prospects of the Company. Political and economic uncertainties include, but are not limited to, expropriation, nationalisation, changes in interest rates, retail prices index, and changes in taxation and changes in law (for example, introduction of the Bribery Act 2010). Whilst the Company strives to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political, economic, legal and regulatory factors will not materially and adversely affect the Company.

There may be a change in the regulatory environment which may materially adversely affect the Company's ability to implement successfully the strategy set out in this document.

***Intellectual property rights***

The Company's success will depend in part on its ability to protect its intellectual property. To the extent the Company does not have patents granted in respect of any of its products or technology, it relies on a portfolio of intellectual property rights, including trade secrets, contractual provisions and licences to protect its intellectual property. However, such intellectual property rights may be difficult to protect. Monitoring and defending the Company's intellectual property rights can entail significant expense, and the outcome is unpredictable. The Company may initiate claims or litigation against third parties for infringement of its proprietary rights or to establish the validity of its proprietary rights. Any such litigation, whether or not it is ultimately resolved in the Company's favour, could result in significant expense to the Company and divert the efforts of the Company's technical and management personnel. If the Company fails to protect its intellectual property rights adequately, its competitors might gain access to its technology and its business would be harmed.

Any of Cyan's intellectual property rights might be challenged by others or invalidated by administrative processes or litigation. Additionally, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret

protection may not be available to the Company in every country in which it markets products or services. The laws of some foreign countries may not be as protective of intellectual property rights as those in the United Kingdom, and domestic and international mechanisms for enforcement of intellectual property rights may be inadequate. Accordingly, despite the best efforts, it may be unable to prevent third parties from infringing upon or misappropriating its intellectual property or otherwise gaining access to the Company's technology.

### **Technical risk**

New technology, changing commercial circumstances and new entrants to the markets in which the Company operates may adversely affect the Company's value. Unforeseen technical issues with the Company's technology may arise which could affect adversely the Company's ongoing technical development, growth and business performance.

### **Investing in Cyan's Ordinary Shares involves an investment in emerging markets**

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significant of the risks involved in, and are familiar with, investing in emerging markets. Investors should also note that emerging markets such as India, Africa, Middle East and China are subject to rapid change and that the information set forth in this document may become outdated relatively quickly. Such emerging market exposure relates to the risks of major political and economic changes including, but not limited to, higher price volatility, the effect of exchange control regulations and the risks of expropriation, nationalisation and / or confiscation of assets. Moreover, financial turmoil in any emerging market country tends to adversely affect prices in equity markets of all emerging market countries as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in emerging market economies with a consequent adverse effect on the economies of those emerging markets. Financial turmoil in any emerging market countries could therefore affect the Enlarged Group's business, as well as result in a decrease in the price of the Ordinary Shares.

As the Company may make investments in entities or business which operate or are located in emerging markets, or may enter into contractual relationships with such businesses, it may be exposed to any one or a combination of emerging market risks, which could adversely affect the value of the Company's overseas interests and therefore have a material adverse effect on the Company's results of operations, financial condition and prospects, which could in turn affect the value of the Ordinary Shares.

### **EIS relief**

The Company has received advance assurance from HMRC that the Company should be a qualifying company for EIS purposes. Although EIS relief should be available to investors, neither the Company nor the investors can provide any warranty or guarantee in this regard. Investors must take their own advice and rely on it.

Further information on the EIS regime is set out in paragraph 8 of Part 1 of this document.

The advance assurance relates only to the qualifying status of the Company and its shares and does not guarantee that any particular investor will qualify for relief in respect of a subscription for New Ordinary Shares.

The continuing availability of EIS relief and the status of the relevant Placing Shares as a qualifying holding for EIS purposes will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making their investment (under EIS). Neither the Company nor the Company's advisers are giving any warranties or undertakings that any relief under the EIS qualifying status will be available in respect of the Placing, or that in due course such relief or status will not be withdrawn.

Circumstances may arise where the Board believes that the interests of the Company are not best served by acting in a way that preserves EIS or VCT qualifying status (if granted). In such circumstances, the Company cannot undertake to conduct its activities in a way designed to preserve any such relief or status.

Should the law regarding EIS schemes change then any relief or qualifying status previously obtained may be lost.

Any person who is in any doubt as to their taxation position should consult their professional taxation adviser in order that they may fully understand how the rules apply in their individual circumstances.

Investors subscribing for EIS Placing Shares should be aware that there is no guarantee that the remainder of the Placing will become unconditional or that Admission will take place. If all of the Placing Shares are not issued and Admission does not take place the Company may not be able to implement the strategy growth plans as outlined in this document.

#### **4. Acquisition Risks**

##### ***The integration of Connode and future acquisition opportunities may not go as planned***

The Acquisition and the Connode India Acquisition, and any future acquisition, poses integration and other risks which may significantly affect the Company's results or operations and the businesses may not turn out to be profitable. In addition, the operation and management of additional businesses (including Connode), assets or customers may require additional resources, such as human or infrastructure resources, beyond that which is anticipated by the Directors. There can be no assurance that the Company will be able to procure the additional resources to cope with the growth in the number of assets under the Company's management.

The integration process may take longer than anticipated or might be more difficult or expensive than the Directors have anticipated. Resolving problems arising in connection with the integration may also take a significant amount of management time and divert management away from other activities. Some of the key potential difficulties relating to the integration of the businesses into the Enlarged Group include:

- challenges in managing the increased scope, geographic diversity and complexity of the Enlarged Group's operations;
- the unexpected loss of key personnel and customers;
- difficulties in integrating the financial, technological and management standards, processes, procedures and controls of Connode; and
- attempts by third parties to terminate or alter their existing contracts with the Company or Connode.

If such difficulties are significant, this could adversely affect the operational and financial performance of the Enlarged Group.

##### ***Historic liabilities***

The Enlarged Group may be liable for the past acts, omissions or liabilities of the companies or businesses it has acquired, which may be unforeseen or greater than anticipated and may be in excess of the value of any warranties and guarantees received from the sellers of such companies or businesses.

##### ***There can be no assurance that the Enlarged Group will be successful following the Acquisition***

The Directors believe that the Acquisition will be revenue enhancing. However, there is a risk that it will not be revenue enhancing, or that it may be materially less revenue enhancing than expected, which would impact on the profitability of the Enlarged Group in the future. The Directors also believe that the Acquisition will provide wider commercial benefits for the Enlarged Group. However, there is a risk that some or all of the expected benefits may fail to materialise, or may not occur within the time periods anticipated by the Directors, or that the level of investment required to achieve these benefits may be higher than expected. The Directors' expectation of anticipated benefits, including expectations with respect to the future financial performance of the Enlarged Group, is based on certain assumptions and information available to the Company as at the date of this document which may in turn prove to be inaccurate or unrealistic. The realisation of anticipated benefits may be affected by a number of factors and risks, many of which will be beyond the control of the Enlarged Group and, as such, actual results may differ materially from those currently anticipated. A failure to realise anticipated benefits could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and the results of operations.

***Reduction or impairment of the value of goodwill or other intangible assets***

If goodwill or other intangible assets that the Enlarged Group records in connection with the Acquisition become impaired, the Enlarged Group may have to take significant charges against earnings. In connection with the accounting for the Acquisition, the Enlarged Group is expected to record an amount of goodwill and other intangible assets. Under IFRS, the Enlarged Group will need to assess, at least annually and potentially more frequently, whether the value of goodwill and other intangible assets has been impaired. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect the Enlarged Group's results of operations and shareholders' equity in future periods.

***If the Acquisition or the Connode India Acquisition do not proceed, the Company may not be able to realise shareholder value***

Completion of the Acquisition and the Connode India Acquisition is subject to the fulfilment of certain conditions, including, for example, a condition that there is no material adverse change affecting Connode prior to Completion. These conditions are summarised in more detail in Part 3 of this document. If these conditions are not satisfied or, where applicable, not waived, neither the Acquisition nor Admission will proceed, the benefits expected to result from the Acquisition will not be achieved, none of the Consideration Shares, the Additional Consideration Shares or the Placing Shares will be issued and the market price of the Existing Ordinary Shares may be adversely affected. If the Acquisition or the Connode India Acquisition does not complete, the Company will have incurred substantial professional advisers' fees and its ability to deliver value for Shareholders may be prejudiced and the value of the New Ordinary Shares may be reduced.

## PART 3

### TERMS OF THE ACQUISITION, THE CONNODE INDIA ACQUISITION AND THE PLACING

#### Terms of the Acquisition Agreement

The Company entered into a conditional share purchase agreement with the Sellers in respect of the acquisition of the entire issued share capital of Connode on 13 June 2016. Connode AB is a wholly owned subsidiary of Connode, and following completion of the Connode India Acquisition, Connode India will be a wholly owned subsidiary of Connode AB.

The total consideration payable by the Company to the Sellers under the Acquisition Agreement is £6,777,567, which shall be satisfied as follows:

- £4,250,000 payable in cash on Completion;
- £1,187,316 will be satisfied through the issue of the Consideration Shares to the Sellers on Completion; and
- £1,340,251 will be satisfied through the issue of the Additional Consideration Shares to the Sellers on Completion.

This consideration has been agreed on a 'locked-box' basis, based upon Connode's management accounts for the period to 30 April 2016. Accordingly, the Sellers will indemnify the Company for 'leakage' (being transfers of value) from Connode between 30 April 2016 and Completion, save in respect of customary 'permitted leakage' items, and there will be no completion accounts 'true-up'.

The Company has also undertaken to pay on behalf of Connode AB in connection with the Connode India Acquisition the amount of US\$800,000 into escrow for satisfaction of the deferred consideration liability thereunder. Please see below for further details on the terms of the Connode India Acquisition Agreement.

Completion of the Acquisition is subject to the satisfaction (or waiver) of a number of conditions prior to 30 June 2016, namely:

- Admission;
- the passing of the Resolutions;
- certain key persons of Connode remaining employed or engaged by Connode on Completion and there being no written notice of termination of their employment or engagement with Connode;
- there being no material adverse change prior to Completion in respect of either the Company or Connode (and in the case of the Company, including any a decrease in the daily volume weighted average price of the New Ordinary Shares by more than 50 per cent. of the Issue Price for a minimum period of 10 business days following the signing of the Acquisition Agreement;
- there being no material breach of any warranties prior to Completion giving rise to aggregate losses above SEK1 million;
- the Material Contracts remaining in full force and effect and there being no indication or notice of their breach or termination;
- Completion of the Connode India Acquisition; and
- the receipt of customary closing deliverables (including new service agreements or consultancy agreements for key persons).

Assuming the Resolutions are passed at the General Meeting and that all conditions (other than Admission) are satisfied at that time, it is anticipated that Completion will occur on 1 July 2016. Following Completion, the shares in Connode will be pledged by the Company to the Sellers, such pledge to be released upon payment of the cash consideration by the Company, which is anticipated to be made on the date of Admission or the following Business Day.

The Sellers have provided to the Company customary covenants in respect of running the Connode business between the date of the Acquisition Agreement and Completion. The Company has in turn provided the Sellers with customary covenants in respect of Cyan between the date of the Acquisition Agreement and

Completion, including not to alter its share capital (save as set out in this document or pursuant to the exercise of outstanding share options), not to grant any options or warrants in respect of the New Ordinary Shares (save for limited exceptions), not to enter into any transactions with related parties, and not to propose any material amendments to its articles of association.

The Acquisition Agreement contains certain warranties from the Sellers (on a several liability basis) to the Company which are in a customary form for such a transaction according to Swedish market practice. In particular, such warranties are (save for a number of exceptions) repeated on Completion. Such warranties are subject to customary limitations, including as to time (15 months for all warranties, save in respect of title and authority, intellectual property and tax warranties, where such time period shall be 24 months) and financially (with a SEK300,000 de minimis claim threshold, a SEK2,000,000 basket claim threshold and a maximum financial liability of the Sellers capped at 100 per cent. of the purchase price in respect of title and authority warranties, 50 per cent. of the purchase price in respect of intellectual property warranties, and 30 per cent. of the purchase price in respect of all other warranty claims).

The Company has been advised by its Swedish legal counsel that the Acquisition Agreement and the commercial terms agreed in respect of warranties and their limitations are in line with Swedish market practice. Given the inability for the Company to claim for losses equal to 100 per cent. of the purchase price in respect of all warranties, it has, as is usual in Sweden, purchased an insurance policy (underwritten by Allied World), in respect of the warranties in the Acquisition Agreement. Pursuant to such insurance policy, the Company may claim up to the full value of the purchase price in respect of warranty claims, subject to certain usual excess amounts and exceptions, and the time period for being able to bring claims has been extended to 24 months for all warranties, save in respect of title and authority, intellectual property and tax warranties, where such time period shall be 84 months.

The Acquisition Agreement also contains certain customary restrictive covenants from those Sellers who are employees or consultants of Connode.

The Company also provides basic warranties to the Sellers, for example, in respect of its incorporation, authority and capacity to act and pending litigation.

The Acquisition Agreement is governed by the substantive laws of Sweden and any disputes arising out of or in connection with it or its subject matter or formation are subject to arbitration in accordance with the Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce.

### **Terms of the Lock-In Agreements**

The Sellers have undertaken to the Company and to Cantor Fitzgerald not to sell, transfer or otherwise dispose of, or create any encumbrance over, the Consideration Shares during the period of six months following Completion except in certain customary circumstances. In addition, the Sellers have undertaken to the Company and to Cantor Fitzgerald that without the prior written consent of each of the Company and Cantor Fitzgerald, and save in certain customary circumstances, during the period of 12 months following the initial six-month lock in period, they will only dispose of the Consideration Shares through Cantor Fitzgerald in such manner as Cantor Fitzgerald may reasonably require so as to ensure an orderly market in the New Ordinary Shares. In addition to this, the Sellers have undertaken to the Company and to Cantor Fitzgerald that without the prior written consent of each of the Company and Cantor Fitzgerald, and save in certain customary circumstances, during the period of 12 months following completion, they will only dispose of the Additional Consideration Shares through Cantor Fitzgerald in such manner as Cantor Fitzgerald may reasonably require so as to ensure an orderly market in the New Ordinary Shares.

### **Terms of the Connode India Acquisition Agreement**

Whilst not a party to the Connode India Acquisition Agreement, the Company is interested in this agreement as it is intended to complete simultaneously with the Acquisition Agreement, following which Connode AB (which will be a subsidiary of Connode and will therefore sit within the Cyan group) will own the entire issued share capital of Connode India.

The total consideration payable by Connode AB to SSG under the Connode India Acquisition Agreement is up to US\$1,460,000, which shall be satisfied as follows:

- US\$160,000 payable in cash upon Completion; and
- US\$1,300,000 payable as deferred consideration, dependent upon certain purchase orders being in place with Connode India, of which US\$800,000 shall be paid into an escrow account and either released to SSG in accordance with the terms of the Connode India Acquisition Agreement or returned to Connode AB on 31 December 2016. In respect of the balance of US\$500,000 such amount shall be paid to SSG in accordance with the terms of the Connode India Acquisition Agreement if such purchase orders and/or customer payments are received by 31 March 2017.

Completion of the Connode India Acquisition is subject to the satisfaction (or waiver) of a number of conditions prior to 7 July 2016, namely:

- Completion of the Acquisition;
- there being no material adverse change prior to Completion; and
- the receipt of customary closing deliverables.

SSG has provided to the Company customary covenants in respect of running the Connode India business between the date of the Connode India Acquisition Agreement and Completion.

The Connode India Acquisition Agreement contains certain warranties, indemnities and undertakings from SSG to Connode AB which are in a customary form for such a transaction according to Indian market practice. In particular, such warranties are repeated on Completion. Such warranties are subject to customary limitations, including financially (with a INR100,000 de minimis claim threshold and total liability being capped at the consideration amount actually received by SSG).

The Acquisition Agreement also contains customary restrictive covenants from SSG and certain of its shareholders.

The Company also provides basic warranties to the Sellers, for example, in respect of its authority and capacity to act.

The Connode India Acquisition Agreement is governed by the laws of the Republic of India and the courts of Mumbai, India have exclusive jurisdiction on the matters arising from the Connode India Acquisition Agreement, save that any disputes arising out of or in connection with it or its subject matter or formation are subject to arbitration in New Delhi, India.

### **Terms of the Cooperation Agreement**

Pursuant to the Cooperation Agreement, SSG has agreed to provide services to Connode India in connection with the procurement of business for Connode India from certain customers. The consideration payable to SSG for its services shall be in the form of commission payments of a percentage of the price of software licences sold to customers and the commission will be capped at seven million licenses in aggregate ("Cutoff Commission").

Payment of the commission pursuant to the Cooperation Agreement shall be on a quarterly basis, in arrears and shall be in cash unless Connode India and SSG agree that it may be settled with New Ordinary Shares. Where New Ordinary Shares are to be issued, the number would be based upon 90 per cent. of the average mid-market closing price of New Ordinary Shares for the seven trading days before the date of Company's announcement of the event for which the relevant commission payment is due.

The Cooperation Agreement shall be valid from Completion until the earlier of: (i) 31 December 2019; (ii) SSG having been paid the Cutoff Commission; or (iii) termination in accordance with customary termination events.

The Cooperation Agreement is governed by the laws of the Republic of India and the courts of Mumbai, India have exclusive jurisdiction on the matters arising from the Cooperation Agreement, save that any disputes arising out of or in connection with it or its subject matter or formation are subject to arbitration in New Delhi, India.

## Terms of the Placing Agreement

Under the terms of the Placing Agreement, Cantor Fitzgerald and Beaufort have each conditionally agreed to use their reasonable endeavours, as agent to the Company, to place the Placing Shares at the Issue Price with certain institutional and other investors.

The Placing has not been underwritten by Cantor Fitzgerald, Beaufort or any other party.

The Placing Agreement provides for payment by the Company to each of Cantor Fitzgerald and Beaufort certain fee and commissions. In addition, Beaufort will, conditional on the Resolutions being passed, receive the Corporate Finance Warrants.

The Placing Agreement contains customary warranties given by the Company to each of Cantor Fitzgerald and Beaufort in relation to, *inter alia*, the accuracy of the information in this document, certain financial information and other matters relating to the Group and its business. In addition the Company has agreed to indemnify Cantor Fitzgerald, Beaufort and any other Relevant Person (as such term is defined in the Placing Agreement) in respect of certain liabilities that Cantor Fitzgerald, Beaufort and any other Relevant Person may incur in connection with the Placing.

Cantor Fitzgerald is entitled to, having consulted with Beaufort and the Company to the extent practicable, but in Cantor Fitzgerald's absolute discretion, terminate the Placing Agreement in certain customary circumstances prior to Admission, including:

- where any statement contained the Placing Documents (as such term is defined in the Placing Agreement) or any of the warranties or given by the Company to Cantor Fitzgerald and Beaufort are found not to be true or accurate or were misleading and which in any such case is material in the context of the Placing;
- any of the Material Contracts (as such term is defined in the Placing Agreement) have been terminated, no longer remain in force or are likely to be terminated or become invalid (except as disclosed in the Placing Documents);
- certain key employees of the Company and Connode not having indicated their intention, or provided notice, to terminate their employment contracts;
- the occurrence of certain force majeure events or a material adverse change in (amongst other things) the financial or political conditions in the United Kingdom (which in the opinion of Cantor Fitzgerald and Beaufort, materially adversely affects, or makes it inadvisable to proceed with the Placing);
- a material breach of, or claim arising under the Acquisition Agreement; or
- the failure of the Company to comply with any of its obligations under the Placing Agreement.

If this right is exercised, the Placing will not proceed.

The Placing Agreement is not subject to any right of termination after Admission.



## PART 4

### NOTICE OF GENERAL MEETING

# Cyan Holdings plc

*(Incorporated in England and Wales with registered no. 04554942)  
(the "Company")*

**NOTICE IS HEREBY GIVEN** that a General Meeting of the Company will be held at Taylor Vinters LLP, Merlin Place, Milton Road, Cambridge, CB4 0DP at 11.15 a.m. on 30 June 2016 for the purposes of considering and, if thought fit, passing the following resolutions of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution:

#### ORDINARY RESOLUTIONS

1. THAT subject to the passing of resolution 1 below, the directors of the Company (the "**Directors**") be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all powers of the Company to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to:
  - (a) a maximum aggregate nominal amount of £434,177.76 in the capital of the Company in connection with the Placing (as defined in the Circular accompanying this Notice of General Meeting dated 13 June 2016 (the "**Circular**");
  - (b) a maximum aggregate nominal amount of £128,027.77 in the capital of the Company in connection with the Subscription (as defined in the Circular);
  - (c) a maximum aggregate nominal amount of £140,420.39 in the capital of the Company in connection with the allotment of the Consideration Shares and the Additional Consideration Shares (as defined in the Circular);
  - (d) a maximum aggregate nominal amount of £300,000.00 in the capital of the Company in connection with the allotment of the Cooperation Agreement Shares (as defined in the Circular);
  - (e) a maximum aggregate nominal amount of £40,550.22 in the capital of the Company in connection with the allotment of the Income Shares (as defined in the Circular);
  - (f) a maximum aggregate nominal amount of £4,946.24 in respect of the issue of the Corporate Finance Warrants (as defined in the Circular); and
  - (g) otherwise up to an aggregate maximum nominal amount of £486,636.29,

and except in relation to paragraph (d) above, this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company to be held in 2017, or if earlier the date which is 15 months after the date of the passing of this resolution, save that the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any securities into shares to be granted after the expiry of such authority and the Directors may allot any shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired. In relation to paragraph (d), this power shall expire on 31 December 2019. The authority granted by this resolution shall replace all existing authorities to allot any shares or grant rights to subscribe for or convert securities into shares in the Company previously granted to the Directors pursuant to section 551 of the Companies Act 2006.

#### SPECIAL RESOLUTION

2. Subject to the passing of resolution 1 above, THAT the Directors be and are hereby empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash 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 this power shall be limited to allotments of equity securities:

- (a) up to an aggregate nominal value of £434,177.76 in the capital of the Company in connection with the Placing (as defined in the Circular); and
- (b) up to an aggregate nominal value of £128,027.77 in the capital of the Company in connection with the Subscription (as defined in the Circular);
- (c) up to an aggregate nominal value of £300,000.00 in the capital of the Company in connection with the allotment of the Cooperation Agreement Shares (as defined in the Circular);
- (d) up to an aggregate nominal value of £40,550.22 in the capital of the Company in connection with the issue of ordinary shares to directors in connection with the allotment of the Income Shares; and
- (e) a maximum aggregate nominal amount of £4,946.24 in respect of the Corporate Finance Warrants (as defined in the Circular); and
- (f) otherwise than pursuant to paragraphs (a) to (e) above, up to an aggregate nominal value of £145,990.89 in the capital of the Company,

and except in relation to paragraph (c) above, such power shall expire (unless renewed, revoked or varied by the Company in a general meeting) at the conclusion of the next annual general meeting in 2017, or if earlier, the date which is 15 months after the passing of these resolutions, save that the Company may, before such expiry, make any offers or agreements which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. In relation to paragraph (c), this power shall expire on 31 December 2019. The power conferred by this resolution shall replace all existing authorities to allot equity securities for cash as if section 561 of the Companies Act 2006 did not apply.

Dated: 13 June 2016

*Registered office:*

Carisbrooke Court  
Buckingway Business Park  
Anderson Road  
Swavesey  
Cambridge  
CB24 4UQ

By Order of the Board

Heather Peacock  
*Company Secretary*

## Notes

1. A shareholder entitled to attend and vote at the GM may appoint a proxy to attend, speak and vote instead of that shareholder. A proxy need not be a shareholder of the Company but must attend the meeting in person. A shareholder 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 held by the appointing shareholder.
2. To be effective, the relevant proxy form must be completed and lodged with the Company's registrar, Share Registrars Limited, whose address is, 9 Lion & Lamb Yard, Farnham, GU9 7LL, no later than 48 hours before the meeting together with the original of any power of attorney or other authority under which the form of proxy is signed. Alternatively the completed proxy form may be faxed to Share Registrars on 01252 719232, or scanned and emailed to [proxies@shareregistrars.uk.com](mailto:proxies@shareregistrars.uk.com). In the case of a corporation, the form of proxy must be executed under its common seal or under the hand of any officer or attorney duly authorised. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy. Completion and return of the relevant proxy form enclosed herewith will not prevent a shareholder from attending and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or withhold from voting at his/her discretion. Your proxy will vote (or withhold from voting) as he/she thinks fit in relation to any other matter which is put before the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the GM and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. 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.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's 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 Company's agent, Share Registrars Limited (CREST Participant ID: 7RA36), no later than 48 hours before the time appointed for the meeting (excluding any part of a day that is not a business day). 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 Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited 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 provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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 (as amended).

5. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
6. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those members registered in the Register of Members of the Company at 11.15 a.m. on 28 June 2016 (or if the GM is adjourned, members entered on the Register of Members of the Company not later than 48 hours before the time fixed for the adjourned GM, excluding any part of a day that is not a business day) shall be entitled to attend, speak and vote at the GM in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Register of Members of the Company after 11.15 a.m. on 28 June 2016 shall be disregarded in determining the rights of any person to attend, speak or vote at the Meeting.
7. Except as provided above, members who have general queries about the meeting should write to the Company Secretary at the address of our registered office. You may not use any electronic address provided either in this notice of GM or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

