euneworks

bandwidth. from the ground up.

ANNUAL REPORT 2012

eunetworks

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Contents

This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Company's Sponsor has not independently verified the contents of the annual report.

This annual report has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

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Operational Overview

Our Business

We believe that every business can benefit from bandwidth without limits.

- Bandwidth changes everything. As the essential enabler of the digital age, connecting individuals to each other, business to consumers, enterprises to enterprises and governments to people.
- euNetworks delivers its customers a superior bandwidth experience based on its fibre network. Its commitment to great data, process and systems. Also its people.
- euNetworks is a horizontally integrated bandwidth infrastructure company. It sells bandwidth products to wholesale customers and bandwidth based solutions to enterprises.

Our Goals

Deliver growth both organically and inorganically.

Target scale, thereby delivering:

80%	45%	30%	15%
gross margins	Adjusted EBITDA margins	capital expenditure*	operating cash flow *

Focus on value creation to become a €1 billion Company.

Focus on our shareholders, our customers, our people and the communities in which we operate.

* Expressed as a percentage of revenue

Our Profile

euNetworks Group Limited (SGX: H23:SI) is a unique bandwidth infrastructure provider, owning and operating 13 fibre based metropolitan networks across Europe, connected with a high capacity intercity backbone covering 38 cities in 9 countries. The Company offers a portfolio of metropolitan and long haul services including Colocation, Dark Fibre, Metro Wavelengths, Wavelengths, Ethernet, and Internet. Enterprise and Wholesale customers benefit from euNetworks' unique inventory of fibre and duct based assets that are tailored to fulfil their high bandwidth needs.

euNetworks Group Limited is headquartered in London and publicly listed on the Singapore Exchange Securities Trading Limited.

Horizontally Integrated Business Model

euNetworks operates in a segment characterised by a horizontally integrated business strategy, high barriers to entry and unique assets, namely deep metropolitan assets. In today's market, replicating these assets would be complex, time consuming and costly.

Facilities Based Owned Infrastructure

euNetworks owns and maintains high density last mile fibre networks in 15 major European cities, with 13 of these in operation – London, Dublin, Amsterdam, Rotterdam, Utrecht, Frankfurt, Berlin, Hamburg, Munich, Dusseldorf, Stuttgart, Cologne and Paris. These deep metropolitan networks are the cornerstone for euNetworks' development and ability to scale in line with customer and market demand. They are interconnected with a fibre-based long haul intercity backbone network spanning most of Western Europe, and regionally across Germany, enabling a seamless bandwidth experience for customers in cities, between cities, and countries. euNetworks also owns and operates 28 data centre facilities, with 26 of these located in Germany and 2 in The Netherlands. These sites support euNetworks' bandwidth services as customers require connectivity from data centres to redundant sites or office locations. euNetworks further enables this requirement with direct connection to further data centres across Europe - also direct connection to enterprise buildings in metropolitan markets. Building connections drive further traffic onto the network, hence driving further value from the Company's unique fibre asset.

A Focused Product Set, Enabling Mega Trends

euNetworks believes in high gross as well as EBITDA margins, so product focus and scalability are critical. The product set in place today is aligned to meet the direct service needs of wholesale customers and to enable bundling for solution delivery to enterprises. euNetworks' bandwidth infrastructure product set consists of three transmission products - Dark Fibre, Wavelengths in the metro and long haul, and Ethernet. Each provides customers with high bandwidth data connections that can be used to support many enterprise applications, from commodity trading to data storage and back up, to converged networking. The Internet product provides connectivity over a shared infrastructure, providing a better cost model for smaller customers who have similar application requirements but with less traffic demand. euNetworks' Colocation enables the Company to provide not only the bandwidth and connectivity, but also the space and power to host customers' telecommunications and IT equipment.

Lean And 'Friction Free' Production System

With ownership of its unique assets, horizontal business model approach, and its focused product set, euNetworks seeks to be a focused and low cost producer, keeping the production system as lean and as simple as possible. The Company's delivery model requires a relentless pursuit of linking good data to processes to systems to platforms in a way that is without 'friction'. This ultimately enables the business to scale effectively, driving out variation, and maintaining an efficient production system and service delivery model for its customers, no matter what size the Company becomes.

Serving Large Bandwidth Consuming Customers

euNetworks delivers solutions directly to enterprise customers, from online retailers, manufacturers and logistics companies, to financial services and media agencies. euNetworks delivers infrastructure services supporting partners' and wholesale providers' offerings. Customers range from large wholesale carriers and mobile operators, to regional service providers and integrators.

euNetworks owns and maintains high density last mile fibre networks in 15 major European cities, with 13 of these in operation – London, Dublin, Amsterdam, Rotterdam, Utrecht, Frankfurt, Berlin, Hamburg, Munich, Dusseldorf, Stuttgart, Cologne and Paris.

Trends, Segments and Products

The euNetworks business is fundamentally driven by the technology revolution that has been ongoing since the invention of the transistor. Information technology and the Internet are collectively creating a world that is increasingly interlinked. Information, data and video from anywhere in the world is now instantly accessible from everywhere else. Bandwidth and the fibre optic networks that today run up and down city streets, is the fundamental enabler of what is now everyday human behaviour.

As more people, companies, applications and devices take advantage of the many benefits of being connected, a seemingly insatiable demand is created for bandwidth. From major international hosting centres and Internet traffic aggregation points, down to regional and city data centres, to redundant buildings, and ultimately, fibre to every major office building and even to houses. It is these mega trends that are at the heart of the euNetworks investment thesis, as they point to a large and growing need for deep fibre networks in the densely populated city centres in Europe's major cities. The euNetworks team believes that every business can benefit from bandwidth without limits. The Company focuses on delivering this to the European market.

Satisfying Bandwidth Demand

Since its inception euNetworks has used its infrastructure to enable the bandwidth revolution, selling high bandwidth products to other telecom companies and partners in order to help them meet their end customers' needs. In 2012, euNetworks generated 38% of its recurring revenue from other telecom companies. This is the Company's traditional Wholesale business and has served as a key foundation for growth.

Similar to the Wholesale business, another indirect route through which euNetworks satisfies bandwidth demand is by selling services to System Integrators, Managed Service Providers and other traditional IT Channel type customers. More deeply integrated into their clients' IT infrastructure than the Wholesale segments described above, euNetworks' Channel customers collectively generated 23% of the Group's recurring revenue in 2012.

While the Wholesale and Channel segments continue to drive growth (due to the underlying demand growth from their Enterprise and Retail customers), the Company has increasingly seen Enterprises looking to buy directly from specialist bandwidth infrastructure suppliers such as euNetworks. An excellent illustration of this is from the Financial Services community. A universe encompassing global banks, insurers, transaction processing engines and niche hedge funds, all of whom use euNetworks bandwidth infrastructure. In 2012, this segment generated 23% of euNetworks' recurring revenue.

euNetworks also serves customers from more 'bricks and mortar' industries. In 2012 8% of recurring revenue was from industry, in fields as diverse as Oil and Gas, Exploration, Logistics and Manufacturing. The Media segment, delivering 3% recurring revenue in the year, included Media Production, Advertising and Agencies. Professional services, Online, and Healthcare were also segments served by euNetworks in the year.

The Company anticipates strong demand growth in its Enterprise business as more companies realise the benefits of directly accessing connectivity products that were previously only purchased by other telecom operators - for example Carrier Ethernet, Wavelengths and Fibre.

"LTE delivers a technological quantum leap for the industry and is the first gigabit technology in the mobile sector. A strong underlying fibre optic network is important for us as we roll out LTE across Germany. euNetworks has this network in key markets. Their demonstrated commitment to this partnership and unique assets deliver great value to our overall network strategy."

Hartmut Kremling, Chief Technology Officer of Vodafone Germany.

"Effective and reliable technology systems underpin our business model. The fibre delivered by euNetworks gives us the flexibility and control we need to deliver very high bandwidth services across our enterprise."

Dino Ciminello, Group Service Infrastructure Director at Hogarth Worldwide.

"Our customers rely on us to quickly support their connectivity needs. euNetworks understands this and was able to deliver bandwidth to us within 7 days of our request, far exceeding the rest of the industry."

Jennifer Shen, General Manager, Carrier Business, China Unicom Europe.

"A reliable infrastructure provider is vital to Telehouse Deutschland as we strive to serve the needs of our customers. euNetworks' expertise, flexibility, performance and the reliability of their network makes them a strong connectivity partner as we continue to grow our business."

Dr. Béla Waldhause, Chief Executive Officer of Telehouse Deutschland GmbH.

Trends, Segments and Products continued

Underlying Demand Drivers

Even the most cursory review of IT literature will reveal a multitude of buzzwords, from cloud computing to server virtualization, remote working and collaboration and workflow enablement. This jargon can certainly be confusing, but what most of the terminology is trying to describe is people, anywhere – in the office, at home, at the airport lounge - having completely open access to the business tools they rely upon to be effective and productive workers (hosted in 'the cloud').

Simplifying this view down to infrastructure, companies want to run their software programmes (hosted applications) on efficient computers (virtualized servers) in specialised data centres (colocation), either on a stand-alone 'private cloud' basis (dedicated colocation facility), or, as is becoming ever more common, on a completely shared environment provided by a 'Software as a Service' company (SaaS).

Connectivity to these 'clouds' either takes the form of huge bandwidth 'pipes' between data centres (e.g. for replicating servers for disaster recovery purposes) or as access to mechanisms for workers (and other computers) to be able to connect to those clouds from their office and homes, either over secure, private and dedicated network, or via the public Internet.

While all of that plays to euNetworks' strengths, what accelerates the impact of these trends is that, as people and companies seek to create more and more interconnections to better understand and control the world we live in, the volume of data being moved to data centres, between data centres, and out to consumers essentially explodes. Businesses that start with a single Internet connection grow to require secure bandwidth between locations. They move their major servers out of their offices and into hosting centres. Over time they grow to secure those servers, placing them into dedicated colocation facilities. They reach out to suppliers and customers to create linked production systems. The desire to keep and motivate staff leads to the need to enable them to flexibly work from home, with this further complicating the IT and network landscape.

All of this drives a relentless need for and growth of bandwidth, fibre miles and specialist data centres. euNetworks is uniquely positioned to support this.

IP Services

Ethernet

Wavelengths

Metro Wavelengths

Dark Fibre

Colocation

The Product Set to Meet Demand

euNetworks aims to meet the bandwidth needs of the market through a vertically integrated product set that addresses any telecom users' needs, from the global carrier to the regional law firm.

euNetworks sells **Colocation** space in 28 data centres across Europe to companies and carriers alike, enabling them to host servers as well as telecom switching equipment for interconnecting to other carriers. Colocation and associated Power delivered 21% of the Group's recurring revenue in 2012.

In the Group's 13 operating metropolitan markets, euNetworks offers dedicated fibre optic networks to enterprises and wholesale providers, with an unparalleled degree of flexibility in routing and reach at affordable price points. These **Fibre** connections are used to connect up data centres to other data centres, or to office buildings or between offices. Fibre services also underpin growth models for mobile operators across Europe, with backhaul networks being delivered via the Company's FTTX initiative. Dark Fibre recurring revenue accounted for 15% of the business in 2012.

Leveraging the fibre footprint, euNetworks' **Long Haul and Metro Wavelengths** products are used primarily for data centre to data centre (DC to DC) connections, with the long haul connections appealing mostly to other carriers. The Metro Wavelengths transport platform is designed around DC to DC replication, often for provision directly to enterprise customers. The two Wavelengths products delivered 7% of recurring revenues for the Group in 2012. euNetworks' **euTrade** service portfolio, offering ultra low latency wavelength connections between key financial trading locations, including exchanges in London, Frankfurt, Stockholm, Zurich and Milan, delivered 13% of revenues.

euNetworks' **Ethernet** product is at the core of the Company's Enterprise offering, as well as being a strong sales performer with the Wholesale and Channel segments. This product is used by customers to connect DC to DC with sub-wavelengths (under 1Gbps) as well as serving many hundreds of office buildings using a combination

Trends, Segments and Products

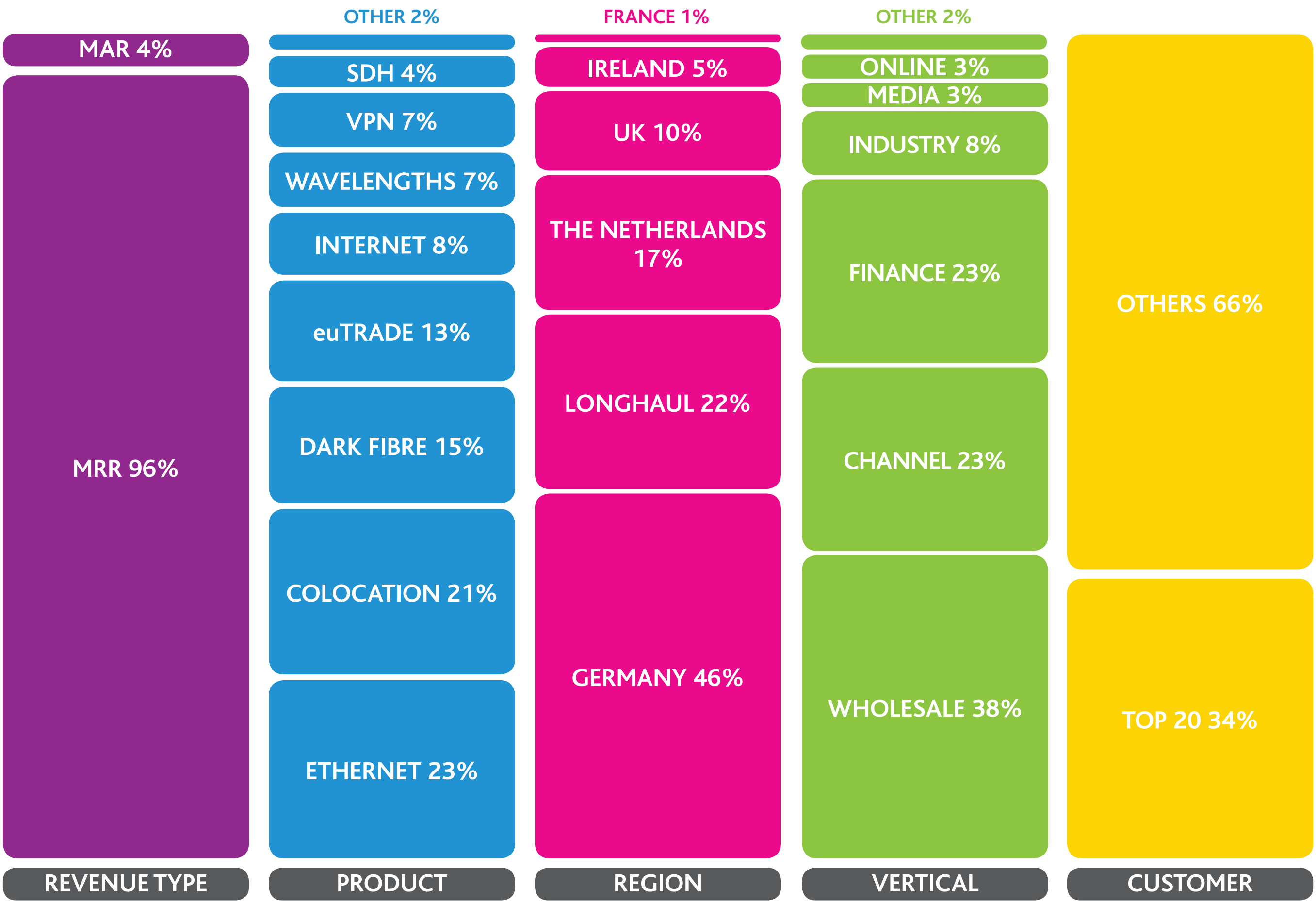
of euNetworks' own fibre, and connections from third parties. Speeds typically range from 10-100Mbps+ and most Ethernet connections are used to give customers access to their own private clouds. Ethernet is the Group's largest single product, delivering 23% of the Company's 2012 recurring revenue.

The final core product for euNetworks is **Internet**, the key **IP service** in the business. Providing customers with access to the Company's own Autonomous System (AS13237) for access to the Internet generated 8% of recurring revenue in the year. The applications of this product include the provision of access to the Internet in a customer's own office, adding web access to their private clouds in data centres and enabling them to get their own web content out onto the Internet or World Wide Web. As a Tier 2 Internet Service Provider (ISP), euNetworks AS13237 leverages the combination of direct peering relationships and upstream transit from leading Tier 1 ISPs to provide the most highly connected and redundant solution possible to its customers.

Across the product set, the geographic mix of revenues in 2012 was broadly in line with the distribution of the Company's network assets, with German services making up the largest section of revenues at 46%, Dutch services delivering 17%, in line with the Colocation capability in that market, the UK 10% and Ireland 5%. Just over a fifth (22%) of euNetworks' services delivered crossed national borders, and so are denoted long haul. This means most typically crossing between 2 of the 4 core operating countries of the business.

Overall, this product set, combined with the network capability and reach, positions euNetworks as the natural bandwidth provider for DC to DC connection, and onward to other buildings and locations. The scalability and flexibility enabled by the euNetworks delivery model uniquely positions the business in this space, supporting many different segments as their bandwidth needs scale.

2012 Recurring Revenue



Financial and Operational Highlights

38% Recurring Revenue Growth	37% Network Revenue Growth	30% Growth in Gross Profit	119% Adjusted EBITDA Growth

Financial Highlights

- Strong performance for the year ended 31 December 2012, with continued improvement in recurring revenue, Adjusted EBITDA and proxy cash flow.
- Recurring revenue grew 38% from 2011 to €94.8m.
- Gross profit of €64.5m, increasing 30% from 2011.
- Gross margin of 68%, down from 69% in 2011, but delivering good improvement through the quarters. By Q4 2012 gross margin was 71.2%, improving from 64.7% in Q4 2011.
- Material improvement in Adjusted EBITDA, from €5.9m in 2011 to €12.9m in 2012.
- Proxy cash flow of €(14.9)m, improving from €(25.9)m in 2011. This performance reflected the benefits of the business scaling throughout 2012, with sequential improvement each quarter, reaching €0m in Q4 2012.
- Capital expenditure of €27.8m, reducing from €31.8m in 2011 and increasingly allocated toward extending network reach for customers.
- Loss before income tax for the year of €(29.5)m compared to €(20.7)m in 2011.
- Churn of 1.5% of monthly recurring revenue for the full year, higher than previously seen.

Operational Highlights

- Sales performance and customer contract value improved relative to 2011, with €75.4m in total new sales order contract value in the year, growing 39%.
- Average contract term for new customer contracts was 41 months, increasing from 39 months in 2011.
- New sales were largely derived from the existing customer base, although new customer relationships were established throughout the year.
- Over 95% of sales were within euNetworks' core product set, including Fibre, Wavelengths, Ethernet, Internet and Colocation.
- Continued success with euTrade portfolio through the year with the Financial services segment.
- Ethernet and Fibre services proved popular to large Media customers.
- The Wholesale segment remained an important part of the euNetworks business.
- Network investment covered building additions, upgrade to the long haul transport platform across Europe, London to Dublin route development, euTrade optimisations and route developments, and integration of LambdaNet and euNetworks' Ethernet and Internet platforms.
- Headcount at the end of the year was 6% lower than 2011, with 208 full time equivalent (FTE) people in euNetworks. 25 of these were quota-bearing people.
- At 31 December 2012, the proceeds from the Company's rights issue completed in September 2011 ("2011 Rights Issue") had been fully utilised for intended uses.

118	208	279	79	1.5%
New customers	FTE	New buildings connected	Buildings in progress	Churn

Chairman's Statement

Nicholas George, Non-Executive Chairman

euNetworks maintained its growth and scaling momentum reported on through the year. This is despite continued economic challenges in the European region through 2012.

Recurring revenue grew 38% from 2011, to €94.8m. Gross profit improved 30% to €64.5m and gross margin for the year was 68%. This was slightly lower than the 69% gross margin achieved in 2011, reflecting the impact of acquisitions completed in Q2 and Q3 2011. However gross margins steadily improved through 2012 reaching 71.2% in Q4 2012. This follows the Group's continued focus on higher margin new sales, which yielded margins of greater than 80% through 2012. The Group saw growing sales opportunities both from the existing customer base which accounted for more than 90% of new sales, as well as from new customers and industry segments. Adjusted EBITDA improved materially, from €5.9m in 2011 to €12.9m in 2012. Adjusted EBITDA growth, utilising discretionary capital spending is the primary measure for value creation in euNetworks. Steadily improving operating efficiency and leverage of increasing customer demand will enable euNetworks to deliver real value creation over time.

The financial results for the year were strong, underpinned by much effort within the Group. Sales teams were developed and strategies implemented to target reducing the churn in revenues- which remained higher through the year than previously seen. We also developed sales to new sectors such as the Media industry, whist continuing to target important and more established segments such as Wholesale and Finance. Network investments and developments were made to both future proof the network and ensure a seamless experience for customers across the entire footprint. These investments have delivered demonstrable growth and demand since completion. The Company will continue its approach to investment, with close alignment to customer demand.

Integration of the 2011 German based acquisitions wound down in the first half of 2012. There were clear synergies from this process, with a national German network and the addition of an excellent Enterprise customer base. These have delivered further growth opportunities to euNetworks. Additionally the Group has been able to significantly strengthen both its Internet and Ethernet products across its entire network which will continue to drive new business through 2013 and beyond.

On the corporate front, the 2013 Convertible Bond exchange was launched on 29 June 2012, and closed on 31 July 2012. As announced on 31 July 2012, the Group received valid acceptances of the Exchange Offer in respect of a total of S$84,770,731 in principal amount of Convertible Bonds, representing approximately 98% of S$86,427,903 in principal amount of Convertible Bonds outstanding as at the date of the announcement. This included acceptances pursuant to irrevocable undertakings. On 2 August 2012, the Group issued 5,363,199,450 Exchange Shares in settlement of the Exchange Offer. On 30 January 2013, the Group made an announcement reminding Bondholders that the Maturity Date of the Convertible Bonds was 1 April 2013. There will be further announcements made as appropriate following the Maturity Date in line with this process.

The gross proceeds from the Company's 2011 Rights Issue were approximately S$127.4m, which was equivalent to approximately €73.2m (based on an exchange rate of €1: S$1.74). After costs of €0.6m, the net proceeds of €72.6m were used to repay shareholder loans (€37.8m), and accumulated interest associated with funding the TeraGate and LambdaNet acquisitions (approximately €1.0m) and capital expenditure (approximately €33.8m). The utilisation of the proceeds from the 2011 Rights Issue is consistent with the intended uses as disclosed in the Company's offer information statement dated 15 August 2011 in relation to the 2011 Rights Issue. Accordingly as at 31 December 2012, the proceeds from the 2011 Rights Issue had been fully utilised.

A great deal has been achieved in the business this year with strong momentum for the Company. The steady improvement in financial metrics is testament to the focused management by the team. The Board and I are very positive for the future and as ever, work closely with the Management team, monitoring, reviewing progress each month and assessing investment opportunities for growth.

Following the appointment of John Scarano to the Board of Directors as Executive Vice Chairman, and Uwe Nickl as an Executive Director on 1 January 2012 there have been no further changes to the Board of euNetworks since last year's Annual General Meeting and as reported in the 2011 Annual Report.

As we look forward to 2013, the Board of Directors and Management team of the Company thank you for your unwavering commitment to the business and trust in us to create value for you. Our focus remains steadfastly on capitalising on the assets owned by euNetworks. We will continue to communicate progress through the coming quarters and remain excited by the opportunities ahead.

NICHOLAS GEORGE
Non-Executive Chairman

Chief Executive Officer's Message

Brady Rafuse, CEO

2012 was a year of continued development for euNetworks. We completed the integration of LambdaNet and TeraGate; saw strong organic growth and made massive progress in industrialising our production system. I wanted to reflect on these matters whilst looking forward to our prospects in 2013.

Our Environment

At euNetworks we believe that bandwidth changes everything, allowing businesses unfettered access to the resources of our universe. We believe that every business can benefit from bandwidth without limits. I have written in our previous reports about how this can be seen as a contrarian view, but I genuinely believe that the nature of demand that we started to see in 2012 suggested this is less and less the case. There are still those in the 'bandwidth is the bottleneck' camp, but more and more we see enterprises moving towards fibre based infrastructures. To us, this just makes sense. Elsewhere in this document, and in prior reports, we have spoken about the explosive growth in data. From cloud computing and any number of X-as-a-service offerings through to the exponential growth of mobile data, we see fibre as the key enabler to allow quality delivery of these services. Traditional copper networks just don't have the bandwidth to support these services.

Many shareholders often ask me to try to explain this growth in terms that a layman can understand. In their book ' Big Data: A Revolution That Will Transform How We Live, Work and Think', Viktor Mayer-Schonberger and Kenneth Cukier offer something of an insight:

"Internet companies have been particularly swamped. Google processes more than 24 petabytes of data per day, a volume that is thousands of times the quantity of all printed material in the US Library of Congress. Facebook, a company that didn't exist a decade ago, gets more than 10 million photos uploaded every hour. Facebook members click a 'like' button or leave a comment nearly three billion times per day, [..] Meanwhile, the 800 million users of Google's YouTube service upload over an hour of video every second. The number of messages on Twitter grows at around 200% a year and by 2012 had exceeded 400 million tweets a day."

"[...] in 2013 the amount of stored information in the world is estimated to be around 1,200 exabytes, of which less than 2% is non-digital."

"There is no good way to think about what this data means. If it were all printed in books, they would cover the entire surface of the United States some 52 layers thick. If it were placed on CD-ROMs and stacked up, they would reach the moon in five separate piles."

These statistics are what drives our strategy and defines our desire to become Europe's leading bandwidth infrastructure company.

Horizontal Integration

We seek to deliver a superior customer experience based upon our facilities based network, our commitment to great data and our fantastic people. We seek to be the low cost producer in our space by keeping our production system as lean and as simple as possible. There are many very successful companies that operate throughout the stack in telecommunications, but our focus is solely on being a horizontally integrated company. We had put in place many of the key ingredients for a 'friction free' operating model in prior years, but 2012 saw the real industrialising of these ingredients into an integrated whole. We manage our business end-to-end in Salesforce and utilise Financial Force to bill directly from the same source data. This is fundamental to our ability to deliver a superior customer experience.

Nature of Demand

euNetworks owns and maintains high density last mile fibre networks in 15 major European cities, with 13 of these in operation. These deep metropolitan networks are the cornerstone of the company. Connecting buildings to these networks is what fuels our business. We have more than 200 data centres (DC) connected to our network and are always striving to add more and more with high fibre count. Our returns on data centre connectivity are such that on average we get payback on the capital employed to connect the site in less than two months. Obviously the further from the network the data centres are, the more costly it is to connect the site. But we are constantly trying to find ways to connect as many as we can because the data to which I referred in the earlier section is stored in these data centres and the ability to access that data is fundamental to our customers. We also have direct connection to more than 600 enterprise buildings in metropolitan markets, with effort focused to continually increase this in line with customer demand. The returns from enterprise buildings are longer than we experience and expect from data centres, but the connectivity from DC to enterprise buildings is increasingly important for all enterprises. We have seen the traffic growth from DC to enterprise buildings double in the last 12-18 months. These trends are crucial. We see DC to DC connectivity demand rocket. We see huge growth in DC to enterprise building connectivity. We see Internet Protocol (IP) based customers moving to Fibre and we see an increasing number of companies move from the more managed service type network offering to fibre infrastructure.

Customer Contracts

An important metric for us was that which showed our average contract length at 41 months, up from 39 months in 2011. Revenue under contract is an important measure in value creation. We experienced much higher churn in 2012 than we had in the past, averaging 1.5% for the full year. We had expected this churn. When we bought LambdaNet we noted that much of their revenue was not in term, i.e. the contract had expired and was operating month to month. We also experienced churn in our ultra low latency business, euTrade. Again, this wasn't a surprise. It is an incredibly competitive business and we are now seeing competition from microwave based services. However, we are happy with our position in the market and the service we deliver to our customers. We have worked closely with our customers and have implemented a focused renewals programme that leads us to believe that our overall churn percentage will decline over the second half of 2013.

Capital Expenditure

As I noted last year, ultimately what matters to you, our shareholders, is that we manage your investment in euNetworks with care and discipline. We aim to spend as much of our capital as possible on growth and development. This capital expenditure is directly or indirectly related to customer contracts. Whilst our overall capital expenditure fell year over year, the amount allocated to growth grew from 44% to 66%, an increase of more than €4m. Our payback on capital employed for incremental customer contracts was 4 months. We believe the numbers to be among the best in the industry and this represents a key focus for us. It is the heart of our value creation activity. We believe we have a pipeline of activity that means we can continue on this path to generate organic growth in our business. Whilst we are always alert to inorganic opportunities, 2012 was a year that we have been able to scale our business through the prudent use of capital.

People

Our people are at the heart of our business and we have an outstanding team that we have added to during the course of the year. We implemented an intern programme in 2012 that brought a number of great people into our business and hopefully added to their experience in a beneficial way. We are working hard to implement an Apprenticeship scheme in 2013 which will give real 21st century digital economy skills to young people in our community.

I would also like to extend my thanks to John Franklin who is leaving us in 2013. John served as our Chief Operating Officer and built an operational capability in our company of which we are very proud.

Values

Finally, the values we hold as a company are fundamental. They guide the way that we make decisions. However great our assets, our data, or our processes, without everyone in our company living and breathing the same core beliefs, we will never maximise the value we could create. Our values are these:

We are here for our customers. We understand that they put their trust in us and we never forget it.

We tell the truth.

We respect and trust one another and all of our stakeholders.

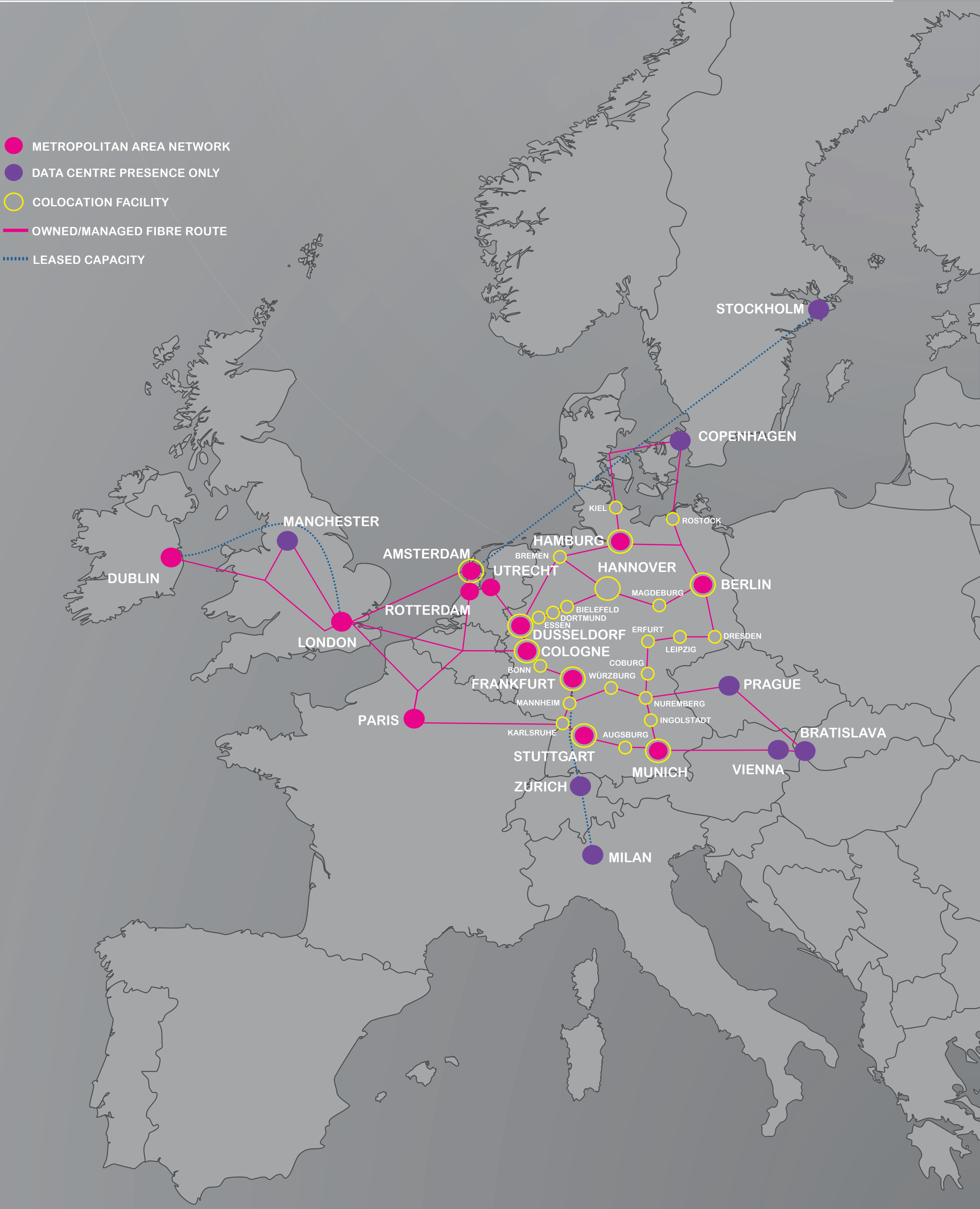
We demonstrate integrity in everything we do.

We are in the game, not just at the game. As one team.

I consider that we have made a great deal of progress in 2012 and are building a great business for our shareholders, our people and the communities in which we operate. That work will continue and accelerate in 2013. We all thank you for your support.

BRADY RAFUSE
Chief Executive Officer

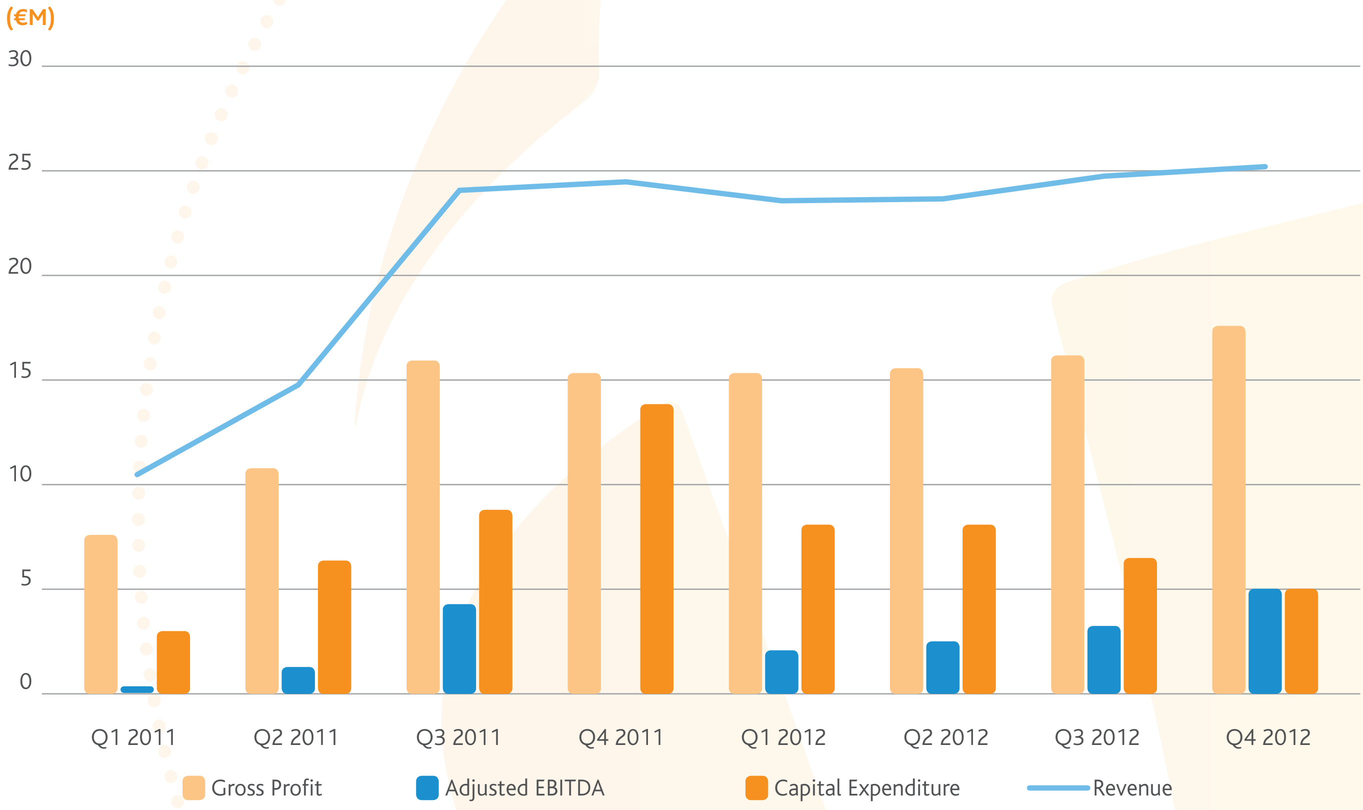
European Coverage



Review & Progression

The Company reviews, monitors and tracks a number of metrics which provide a view on progression of the business.

€Million	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Revenue	10.5	14.6	23.2[3]	23.8	23.0	23.2	24.1	24.5
Recurring Revenue	*10.5*	*14.6*	*21.2*	*22.3*	*23.0*	*23.2*	*24.1*	*24.5*
Gross Profit	7.8	10.7	15.8	15.4	15.3	15.6	16.2	17.4
Gross Profit Margin %	74.3%	73.3%	68.1%[3]	64.7%	66.5%	67.1%	67.1%	71.2%
Adjusted EBITDA[1]	0.4	1.1	4.3	0.1	2.1	2.5	3.3	5.0
Adjusted EBITDA Margin %	4%	8%	19%	0%	9%	11%	14%	20%
Capital Expenditure	2.8	6.3	8.9	13.8	8.1	8.2	6.5	5.0
Proxy Cash Flow[2]	(2.4)	(5.2)	(4.6)	(13.7)	(6.0)	(5.7)	(3.2)	0.0
Churn % (monthly avg.)	0.7%	0.8%	1.5%	0.9%	1.3%	1.2%	1.7%	1.7%



(1) Adjusted EBITDA means EBITDA before the deduction of share option expense.

(2) Proxy cash flow is calculated as Adjusted EBITDA less capital expenditure.

(3) The total revenues for the Group previously disclosed in its results announcement for the third quarter ended 30 September 2011 (3Q 2011) was €24.1m. Following termination of a large contract disclosed in 3Q 2011, the Group reviewed and amended its accounting treatment to offset €0.9m of non-recurring revenues against an equivalent amount of network operating expenses. There is no impact to gross profit.

Review & Progression continued

The Company reported a strong financial performance for the year ended 31 December 2012, with continued improvement in recurring revenue, Adjusted EBITDA and proxy cash flow.

Whilst all key financial metrics improved through 2012, with material performance in Adjusted EBITDA and steady improvement in Proxy Cash flow, churn averaged 1.5% of monthly recurring revenue for the full year. This was higher than previously seen in the business and impacted overall revenue growth performance of the Group. Churn was primarily due to end of term contracts for non-core SDH and IP services in Germany as well as for expired euTrade contracts, generally related to certain financial customers changing their trading strategies. Gross margin for churn averaged 72% for 2012. This was consistently lower than the gross margin achieved on new sales in each quarter of 2012.

Total revenue in 2012 was €94.8m, growing 32% from 2011. This growth was largely driven by network services, improving 37% from 2011. The business continued to drive revenue from the provision of bandwidth services on its fibre network and benefited from an increased capability from 2011 acquisitions. Colocation revenues increased 13% from 2011, primarily due to the Group's increased colocation capability, with 28 data centre facilities for the full year 2012 and for 7 months in 2011.

Correspondingly, direct network expenses, those costs directly related to the delivery of customer revenue, increased 35% to €30.3m. Network operating expenses, those costs related to the general operation and maintenance of the Group's network assets and network related charges, also increased, from €14.5m to €21.5m in 2012, growing 48%. LambdaNet Communications Deutschland GmbH ("LambdaNet") and TeraGate GmbH ("TeraGate") financials were included for the full year in 2012, versus 7 months and 5 months respectively in 2011.

While headcount reduced 6% in the year overall, with 2012 exit of 208 full time equivalent (FTE) people, staff costs increased by 12%, reaching €27.8m in 2012. Along with costs associated with the 2011 acquisitions, this increase was also due to an increase in share option expense following the large number of options issued in November and December 2011.

Depreciation and amortisation costs increased from €18.6m in 2011 to €24.1m in 2012, principally due to the increased scope of the Group's network. As a result of this and further costs detailed above, the Group's operating loss increased from €16.8m in 2011 to €17.1m in 2012.

The loss before income tax for the year was €(29.5)m compared to €(20.7)m in 2011, mainly due to the increase in depreciation as a result of the development of the network and associated equipment. Also from higher network operating expenses as detailed above and higher foreign exchange losses compared to the prior year as a result of the Euro exchange rate to the Singapore dollar.

Network Review and Progression

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Capital Expenditure (€m)	2.8	6.3	8.9	13.8	8.1	8.2	6.5	5.0
Growth & Development	*1.7*	*3.6*	*4.5*	*6.7*	*6.1*	*6.3*	*4.5*	*3.4*
Maintenance, Capitalised Labour & Exceptionals	*1.1*	*2.7*	*4.4*	*7.1*	*2.0*	*1.9*	*2.0*	*1.6*
Installed Units	390	592	403	425	541	550	589	563
On-net Buildings	394	450	530	633	701	790	853	912
Metro Route Miles ('000s)	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8
Intercity Route Miles ('000s)	3.7	8.5	8.5	8.5	8.6	8.7	8.8	8.9

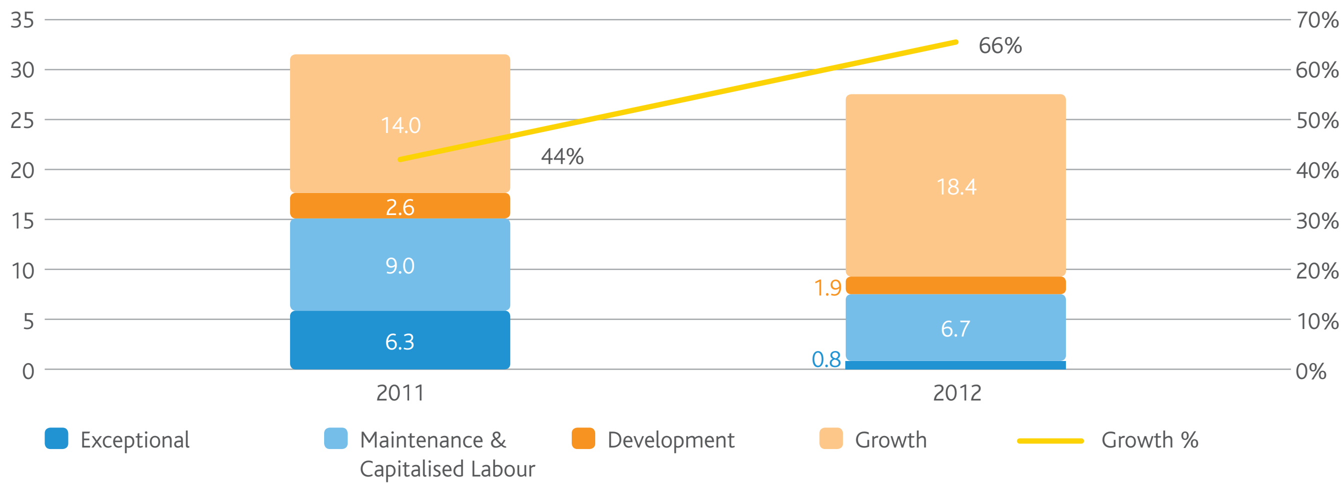
Sales performance and customer contract value improved in 2012 relative to 2011. More than 95% of these sales were within the Company's core product set including Fibre, Wavelengths, Ethernet, Colocation and Internet, with sales of non-core products of IP VPN and SDH declining markedly as expected. euNetworks also noticed increased awareness by customers, varying by size and industry across all operating markets, of the benefits of fibre connections between buildings and data centres. All such trends delivered value for euNetworks in 2012, with further utilisation of the Group's key fibre network assets.

To drive further value onto the network and support customers, the allocation of discretionary capital investment was important in the year, particularly the allocation towards growth and return, supporting customer sales. While overall capital expenditure reduced over the course of 2012 compared to 2011, investment in support of extending network reach for customers increased to 66% of the total capital investment.

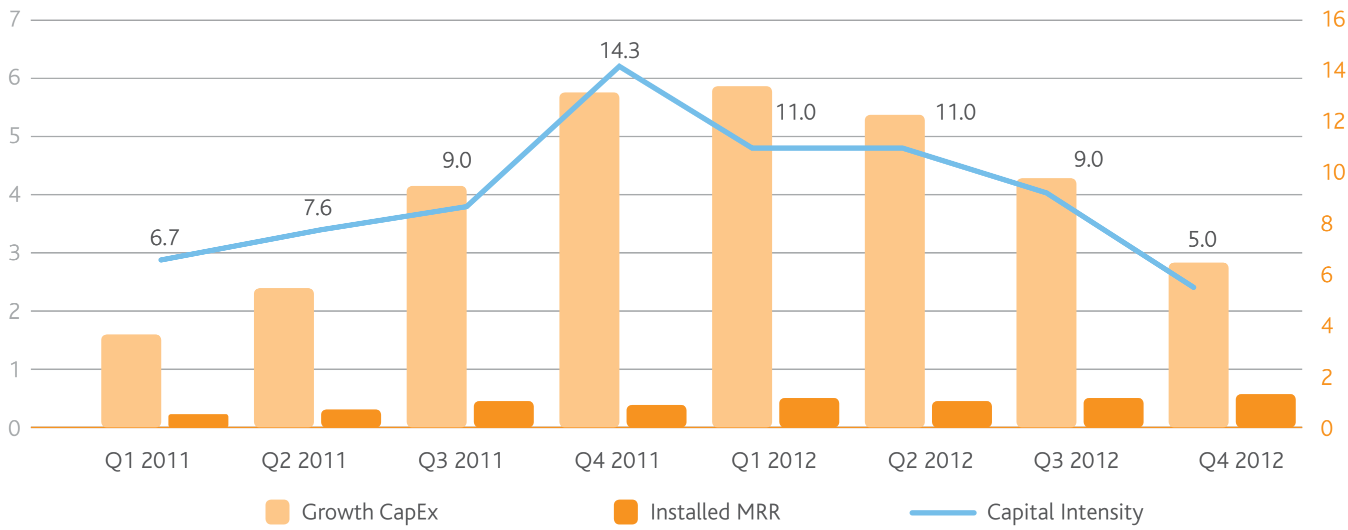
The Company's commercial strategy is focused on high margin sales, leveraging fibre infrastructure and shorter payback periods for incremental committed sales. Success based, or growth focused capital expenditure averaged 4 months' payback for committed incremental sales in 2012.

Review & Progression

Capital Expenditure Allocation (€M)



Capital Intensity (€M)



Key Networks Developments

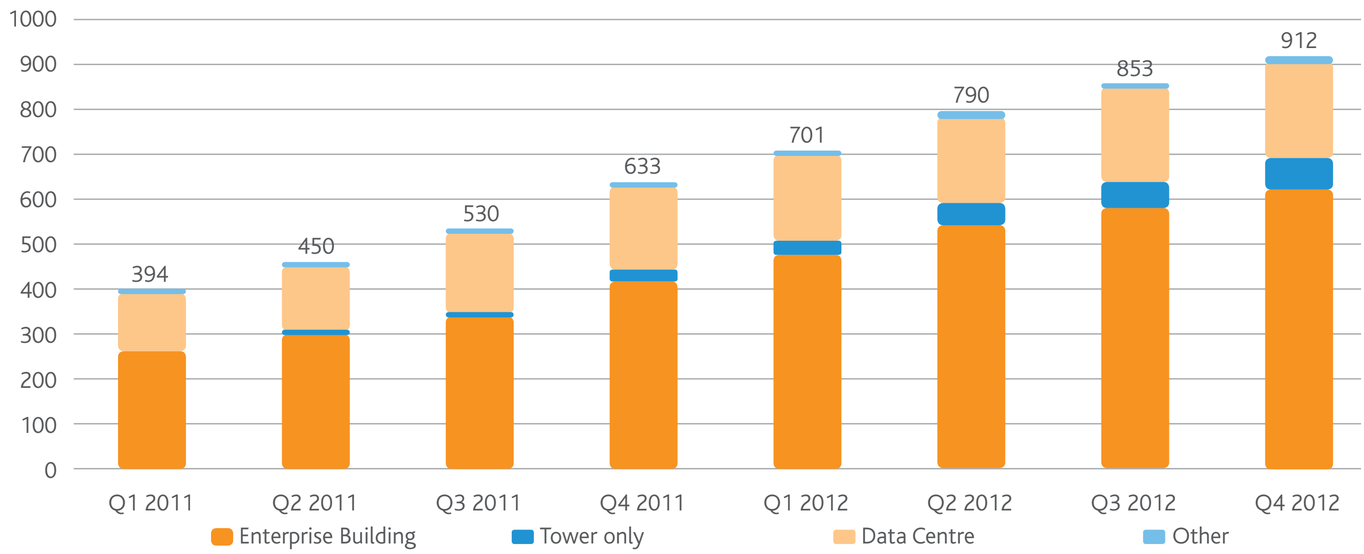
In the line with customer demand, and to ensure a seamless experience for customers across the entire euNetworks footprint, the Company made material lit services network investments, including deployment of an 8.8 Terabit per second Wavelength network from London through Manchester to Dublin and an upgrade to the long haul transport platform across its entire footprint. This new Dense Wave Division Multiplexing (DWDM) transport platform enabled euNetworks to offer customers an end-to-end connectivity solution, from 1G to 100G to over 100 key data centres in Western Europe.

The Company's low latency euTrade service portfolio continued to see strong sales, and was a revenue generator in 2012. The December launch of a new euTrade route, delivering high-capacity low latency fibre connectivity between Basildon, UK (NYSE Euronext) and Frankfurt, Germany contributed to sales in Q4 2012. Increased competition through microwave technologies however mean that euTrade is expected to be a smaller contributor to the Company's sales mix going forward.

Another key area of investment, supporting both Wholesale customers and the Enterprise base, is the focus by the Company of directly connecting buildings to the networks. As additional buildings are connected, customers enjoy the benefits of having access to essentially unlimited bandwidth capacity via euNetworks' infrastructure. The Company exited 2012 with 912 buildings on-net, with an additional 79 buildings in the process of being connected. Through 2012, euNetworks connected 279 new buildings, up from 268 new buildings in 2011.

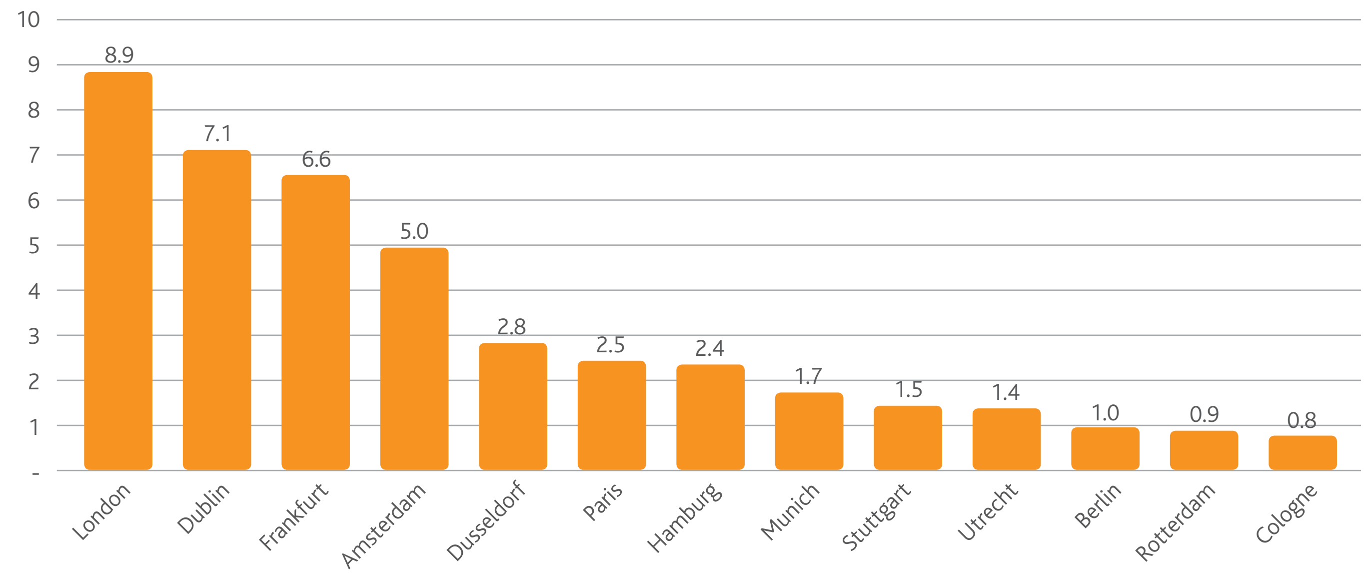
Review & Progression continued

Buildings Connected in the Metro Networks



Buildings on-net are categorised into three core areas of enterprise office buildings, data centres and towers. At the end of 2012, 68% of the buildings connected were enterprise, 23% were data centres, with 8% towers only. The Group's FTTx initiative is reflected across all three categories of buildings connected. The Company's ongoing focus is on growing the number of buildings connected to the network, with the addition of second and third customers in these connected buildings essential to maximising capital efficiency.

Average MRR per Building (€K) at 2012 Exit



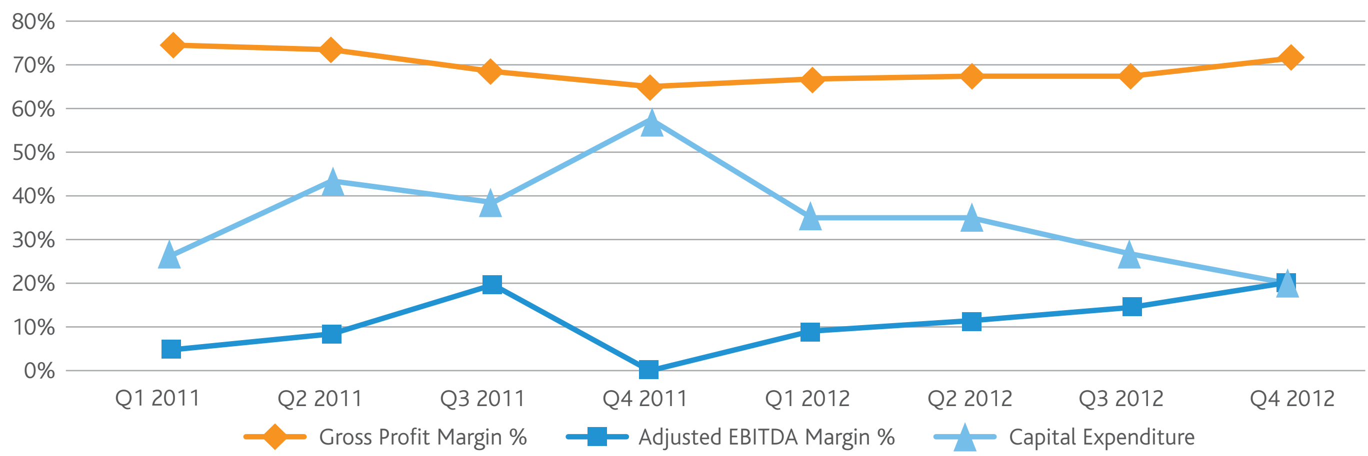
The final key area of network development in the year was the integration of the LambdaNet Ethernet and Internet platforms. LambdaNet owned and operated one of the most highly ranked Internet Autonomous Systems (AS13237) in Europe. euNetworks customers were migrated to AS13237, enhancing their Internet experience and offering one of the shortest and fastest pathways to a wider range of exchanges and destinations. Ethernet integration resulted in a solution for customers that offers end-to-end connectivity across 41 cities and 10 countries in Europe, with expansion into Stockholm and Manchester in Q4 2012.

Review & Progression

A Scaling Business

The Group's performance through 2012 indicated good signs of scaling.

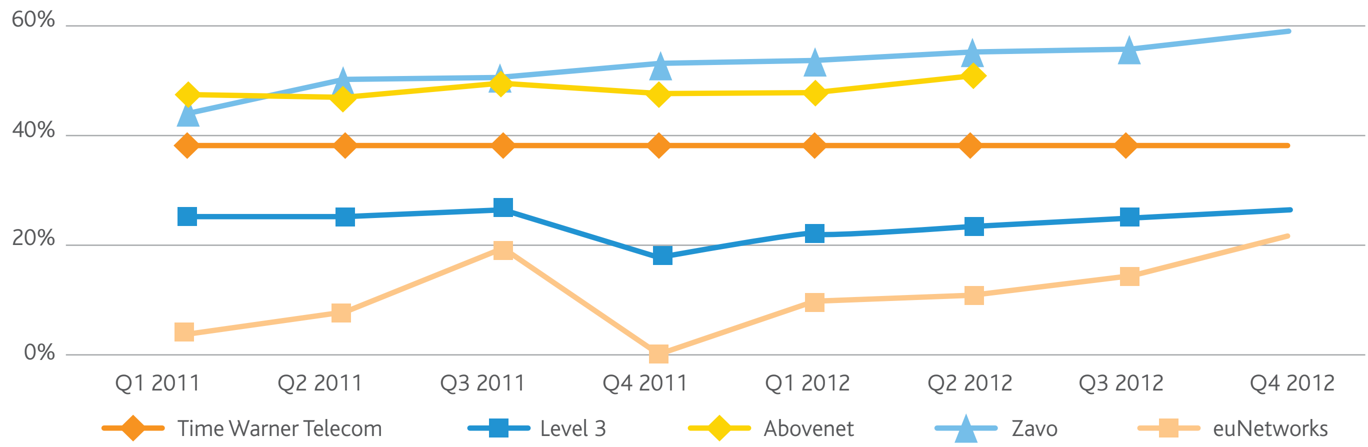
	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Gross Profit Margin %	74.3%	73.3%	68.1%	64.7%	66.5%	67.1%	67.1%	71.2%
Adjusted EBITDA Margin %	4%	8%	19%	0%	9%	11%	14%	20%
Capital Expenditure as a % of Revenue	27%	43%	38%	58%	35%	35%	27%	20%
Operational Expenditure as a % of Revenue	71%	65%	50%	65%	57%	56%	54%	51%
Annualised Revenue per FTE (€k)	318.2	319.1	412.4	428.8	436.0	435.7	461.2	471.2



To recap, euNetworks' goal is to at scale deliver gross margins of 80%, Adjusted EBITDA margins of 45%, a 30% capital expenditure to revenue ratio and operating cash flow of 15%.

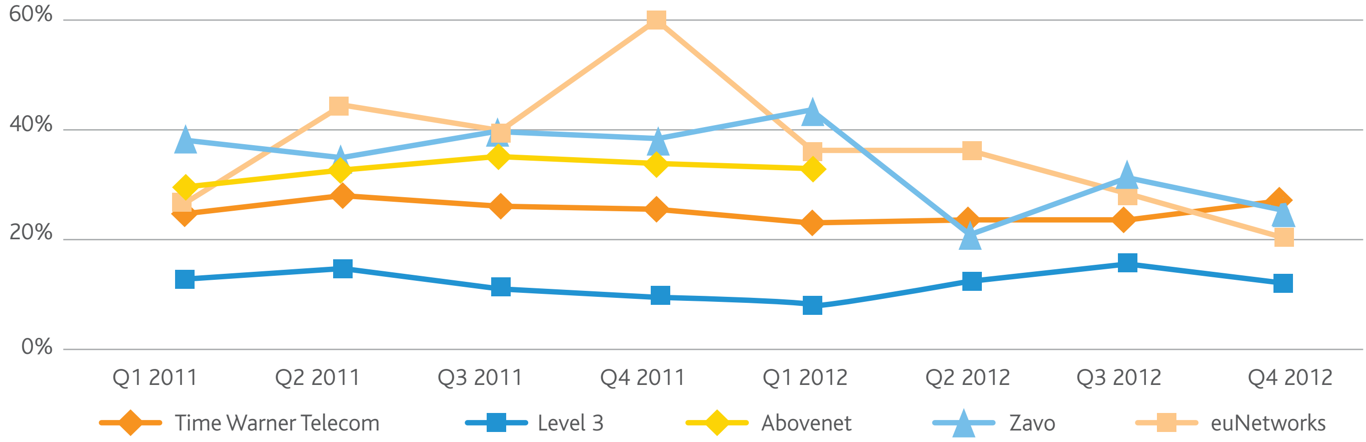
Benchmarking euNetworks against similar yet more established businesses indicates the Company is developing well along this path.

EBITDA Margin Trends (%)



Review & Progression continued

Capital Expenditure as a % of Revenue



Source: Telecom Ramblings; Company filings http://www.telecomramblings.com/competitive-telecom-trends/

Measuring the scalability of euNetworks is at the heart of the Company's performance metrics. euNetworks is focused on delivering services quickly and efficiently, not only to delight customers, but also to maximise the speed with which revenues turn into profits. And minimising headcount costs associated with turning up a service, yet further enhancing financial returns.

euNetworks' focus on its lean and 'friction free' production system is paramount to being able to achieve its goals and take full advantage of organic and inorganic growth opportunities.

2013 Outlook

Following a year of strong financial performance, euNetworks expects to further grow its market share and opportunity in 2013. It has a strong customer base, and is serving significant brand names that have further requirements to grow their bandwidth usage with euNetworks. The Sales team is focused on working with existing customers to that end, and reducing churn in the business. In parallel, the Product and Marketing teams work to further refine solution propositions by segment, in support of new sales across the footprint. The Operations team continues to work on efficiency and its lean production model in support of customers and to manage a scaling business. The Management team and Board of Directors have identified a number of investment opportunities for further organic growth and conditions in the European market continue to point towards further inorganic growth opportunity for euNetworks.

Moving through 2013, tight management of financial metrics will continue, driving towards the Company's goals and to deliver further growth for its shareholders. euNetworks intends to increase capital expenditure, particularly to enable further connections to data centres, even if speculative in nature. Customers remain at the centre of all effort, ensuring euNetworks delivers a world class service experience for bandwidth provision.

Corporate Information

1

Corporate Information

BOARD OF DIRECTORS

Non-Executive Chairman

Nicholas George	Independent

Executive

Brady Reid Rafuse	Chief Executive Officer
John Louis Scarano	Vice Chairman and Executive Vice President of Finance, Operations and Corporate Development
Uwe Markus Nickl	Chief Marketing Officer

Non-Executive

Daniel Simon Aegerter	Non-Independent
Lam Kwok Chong	Independent
Duncan James Daragon Lewis	Independent
Kai Uwe-Ricke	Independent
John Tyler Siegel Jr.	Non-Independent
Jason Robert Booma	Non-Independent, Alternate Director to John Tyler Siegel Jr.
Simon Daniel Koenig	Non-Independent, Alternate Director to Daniel Simon Aegerter

AUDIT COMMITTEE

Lam Kwok Chong (Chairman)
Nicholas George
Duncan James Daragon Lewis
John Tyler Siegel Jr.

NOMINATING COMMITTEE

Duncan James Daragon Lewis (Chairman)
Nicholas George
Brady Reid Rafuse
Kai Uwe-Ricke
John Tyler Siegel Jr.

REMUNERATION COMMITTEE

Nicholas George (Chairman)
Kai Uwe-Ricke
John Tyler Siegel Jr.

ESOS COMMITTEE

Nicholas George (Chairman)
Kai Uwe-Ricke
John Tyler Siegel Jr.

COMPANY SECRETARY

Yip Ming Fai

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#32-01 Singapore Land Tower
Singapore 048623

AUDITORS
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#05-01 Royal Merukh S.E.A. Building
Singapore 058267

AUDIT PARTNER-IN-CHARGE
Aw Vern Chun Philip
(Year of appointment: 2012)

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South Tower
Singapore 048583

SPONSOR
CIMB Bank Berhad,
Singapore Branch
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#09-01 Singapore Land Tower
Singapore 048623

Board of Directors

NICHOLAS GEORGE

Non-Executive Chairman

Nicholas George is the Non-Executive Chairman of the Group and Chairman of the Remuneration and ESOS Committees. He is a Director of LGT Capital Partners (UK) Limited and also sits as an Independent Non-Executive Director on the Boards of GK Goh Holdings Limited, listed in Singapore, and Millennium and Copthorne Hotels PLC and Aberdeen New Dawn Investment Trust PLC, both listed in London.

In 2003, Mr. George co-founded KGR Capital Management, a manager of alternative funds based in Asia that was sold to LGT Capital Partners in 2008. He has over 30 years' experience in investment banking and was Managing Director and head of Corporate Broking for Asia for JP Morgan Securities (previously Jardine Fleming) in Hong Kong until 2002. He had previously served on the Boards of BZW Securities and WI Carr Overseas, two leading Asian security companies.

Mr. George is a Fellow of the Institute of Chartered Accountants in England and Wales.

He was appointed to the Board on 22 May 2009 and was last re-elected on 28 April 2011.

BRADY REID RAFUSE

Chief Executive Officer

Brady Rafuse is the Chief Executive Officer of euNetworks Group Limited. He joined the company in March 2009.

Mr. Rafuse has over 20 years' experience in the telecom industry. He is the former President and Chief Executive Officer of Level 3 Europe where he was responsible for all of the Company's operations in the European market. He led that business to becoming a free cash flow generating operation and the largest carrier of Internet traffic in Europe. In addition, he was also President of Level 3 Content Markets, where he and his team took Level 3 into the content delivery business, as well as managing their Global IP and colocation businesses.

Prior to Level 3, Mr. Rafuse served as Head of Commercial Operations for Concert (a joint venture between AT&T and British Telecom). In his time in Concert his team delivered more than $2bn of contracted revenues.

Mr. Rafuse began his career in telecom in BT in 1986. He holds a Masters degree from McGill University and a Diploma from Insead.

He was appointed to the Board on 30 April 2009 and was last re-elected on 29 April 2011. He will be seeking re-election to the Board at the forthcoming Annual General Meeting.

JOHN LOUIS SCARANO

Vice Chairman and Executive Vice President of Finance, Operations and Corporate Development

John Scarano is Vice Chairman on the Board of Directors and Executive Vice President of Finance, Operations and Corporate Development of euNetworks Group Limited. Prior to this he was the Strategic and Corporate Development Adviser to euNetworks Group Limited. He joined the Company in January 2011.

Mr. Scarano has over 20 years of experience in the telecom industry. He is the Co-Founder and former Chief Operating Officer of Zayo Group and former President of Zayo Bandwidth. Under Mr. Scarano's leadership, Zayo acquired and integrated 16 entities.

Prior to Zayo, Mr. Scarano was Executive Vice President for the turnaround of ICG Communications. Prior to ICG, Mr. Scarano led Level 3 Communications' global business development group following his leadership of the network development and build-out of Level 3's North American networks.

Mr. Scarano began his career in telecom at AT&T in 1989. He has held elected office as Town Councilman for four terms in Orange County New York. He holds a Bachelor of Science degree in Business Administration and Computer Science from State University of New York at Albany.

He was appointed to the Board on 1 January 2012 and was re-elected on 26 April 2012.

Board of Directors continued

UWE MARKUS NICKL

Chief Marketing Officer

Uwe Nickl is Executive Director on the Board of Directors and Chief Marketing Officer of euNetworks Group Limited. He joined the Company in July 2009 and is responsible for strategy, business development, products, marketing and all direct and indirect sales activities of the Company.

Prior to joining euNetworks, Mr. Nickl worked for Level 3 Communications for 10 years, where he held key positions. In his most recent role as Senior Vice President for Strategy, Product Delivery and Marketing in Europe, Mr. Nickl delivered industry leading results for the European business, while also maintaining global responsibility for the operations and development of the Company's subsea cable system. Prior to this and as Managing Director for Central and Eastern Europe, he oversaw the successful expansion of the Level 3 network from Germany into key growth markets across Eastern Europe.

He started his career in telecom with Siemens AG in their public network division in 1997. He studied business administration in Germany and The Netherlands.

Mr. Nickl was appointed to the Board on 1 January 2012 and was re-elected on 26 April 2012

DANIEL SIMON AEGERTER

Non-Independent, Non-Executive Director

Daniel Aegerter is Chairman and Founder of Armada Investment Group which he established as his family office organisation after the successful merger of his B2B software company, TRADEX Technologies, with Ariba for $5.6b in March 2000.

As Chairman and Chief Executive Officer of TRADEX, Mr. Aegerter built the Atlanta, Georgia-based e-commerce pioneer into the leading provider of B2B digital marketplace platforms that powered the world's leading e-marketplaces.

Since 2000, Mr. Aegerter has been actively involved in initiating various private equity and venture capital transactions, and invested across asset classes and regions. His business experience spans both sides of the Atlantic, as an investor and entrepreneur.

Mr. Aegerter started his first business at the age of 18 (while completing his apprenticeship at Swiss Bank Corporation). That first business venture was an importer and distributor of Apple Macintosh peripherals founded in 1988.

He is also a proactive initiator of several social investment projects and an active member of the World Economic Forum.

Mr. Aegerter was appointed to the Board on 12 April 2010 and was last re-elected on 26 April 2012.

LAM KWOK CHONG

Independent, Non-Executive Director

Until December 2009, Lam Kwok Chong was the Managing Director of Keppel Telecommunications and Transportation Ltd, a company listed on the Singapore Exchange and a member of the Keppel Group of Companies. He currently provides management services to businesses based in Singapore and the region.

Mr. Lam first joined Keppel Telecommunications and Transportation Ltd as its Chief Financial Officer in 2003 and went on to assume the role of Managing Director the following year. Together with its Board of Directors, Lam Kwok Chong was responsible for formulating and implementing the Company's business strategies.

He began his career with the Keppel Group in 1980 and held a variety of senior management positions within the Group, before his move to Keppel T&T.

Mr. Lam holds a Bachelor of Business Administration from the National University of Singapore.

He was appointed to the Board on 29 April 2008 and was last re-elected on 28 April 2011. Mr. Lam will be seeking re-election to the Board at the forthcoming Annual General Meeting.

DUNCAN JAMES DARAGON LEWIS

Independent, Non-Executive Director

Duncan Lewis is Chairman of the Nominating Committee for euNetworks. He is also a Director of Spirent Communications plc, where he is a member of their Remuneration Committee. He has worked in the telecom and media industry for more than 25 years, holding Chief Executive, Managing Director and Chairman positions. Most recently Mr. Lewis was Chief Executive Officer of Vislink plc, stepping down from this position in March 2011. He has held similar positions at companies such as GTS Inc, Equant, Granada Media Group and Mercury Communications. His previous Director appointments include Chairman of Euphony Holdings, Mobix Interactive, MessageLabs and Sinotel Limited. He was also a Non-Executive Director of Viridian Plc. from 2002 to 2006 and an Independent Director of Completel from 2002 to 2008. Between 2002 and 2008, he served as an advisor to The Carlyle Group.

He is a graduate of Cambridge University, and did post-graduate research in both France and the United States.

Mr. Lewis was appointed to the Board on 17 October 2011 and was re-elected on 26 April 2012.

KAI-UWE RICKE

Independent, Non-Executive Director

Kai-Uwe Ricke is Partner and Chairman of the Board of Directors for Delta Partners. He is also active as a co-investor with private equity and has been a Director in various companies of the TMT sector. Mr. Ricke serves as a member of the Supervisory Board of United Internet AG, Germany. He worked for nearly 20 years in the telecommunication industry, finally serving as Chief Executive Officer of Deutsche Telekom AG.

Mr. Ricke is a German national and gained his business education by studying at the European Business School in Germany and France and at the American Graduate School of International Management in the United States.

He was appointed to the Board on 12 April 2010 and was re-elected on 28 April 2010. Mr. Ricke will be seeking re-election to the Board at the forthcoming Annual General Meeting.

JOHN TYLER SIEGEL JR.

Non-Independent, Non-Executive Director

John Siegel has been a Partner of Columbia Capital since April 2000, where he focuses on communication services investments. He is also a member of the Board of Directors of GTS Central Europe, Virtustream, Cologix, Teliris Inc, CloudSherpas, and Zayo Group LLC.

Mr. Siegel received his Bachelor of Arts from Princeton University and his Master of Business Administration from Harvard Business School.

He was appointed to the Board on 6 August 2009 and was last re-elected on 26 April 2012.

Board of Directors continued

JASON ROBERT BOOMA

Non-Independent, Alternate Non-Executive Director to John Tyler Siegel Jr.

Jason Booma has been a Partner at Columbia Capital since 2008 and focuses on investments in the communications and information services sectors. He is a member of the Board of Directors of Cloud Sherpas and is directly involved in Columbia's investments in EGS, Zayo Group LLC, and GTS Central Europe.

Prior to joining Columbia Capital, Mr. Booma was an investor at Centennial Ventures and held operating roles at Level 3 Communications.

Mr. Booma received a Bachelor of Science in Computer Engineering from Northwestern University and a Master of Business Administration from the Kellogg School of Management.

He was appointed to the Board as alternate to Mr. Siegel on 6 August 2009.

SIMON DANIEL KOENIG

Non-Independent, Alternate Non-Executive Director to Daniel Simon Aegerter

Simon Koenig joined Armada Investment Group, a Swiss based single Family Office, in May 2009. He leads the Küsnacht (Zurich) based office. He is involved in the Wealth Management of the Aegerter Family and is a member of the Board of Directors of Perseus Real Estate and Agrifutura Holding.

Prior to joining Armada Investment Group, Mr. Koenig held positions with Pemba Credit Advisers, KPMG Corporate Finance, AMC International, Credit Suisse First Boston and Credit Suisse.

Mr. Koenig received his Bachelor of Arts from the University of Applied Sciences Zurich and is a member of the CFA Institute and the Swiss CFA Society.

He was appointed to the Board as alternate to Mr. Aegerter on 12 April 2010.

Key Management

DAVID SELBY

Vice President Product & Strategy

David Selby is Vice President of Product & Strategy of euNetworks Group Limited. He joined the Company in August 2009 and is responsible for products and strategy activities of the Company.

Prior to joining euNetworks, Mr. Selby worked for Level 3 Communications for 10 years, where he held key positions. In his most recent role as Vice President for Product Delivery in Europe, Mr. Selby delivered industry leading results for the European Transport, Infrastructure and Internet businesses while also leading Level 3's European business development activities. Prior to this and as Senior Director for Transport Services, he oversaw the growth of Level 3's North American transport business, including expansion of the Level 3 network through 7 major acquisitions.

He started his career in consulting with Accenture in the United States in 1996. Mr. Selby received a Bachelors of Arts in Economics from Northwestern University.

RICHARD TAYLOR

General Counsel

Richard Taylor joined euNetworks Group Limited as General Counsel from Olswang solicitors in April 2009. Mr. Taylor is responsible to the Company and the Board of Directors for all legal, human resources and compliance matters, including in relation to Singapore Stock Exchange issues.

Mr. Taylor worked for Olswang from 1996, although from 2002 to 2004 he worked for Gilbert + Tobin lawyers in Sydney, Australia. At Olswang, Mr. Taylor specialised in commercial dispute resolution, in particular focusing on the technology and telecom sectors, and acted for euNetworks in its High Court claim against Abovenet, which settled in 2008.

He is qualified as a solicitor of the Supreme Court of England and Wales and as a Legal Practitioner of the Supreme Court of New South Wales, Australia.

ANDREW WEDDELL

Vice President Sales

Andrew Weddell is Vice President of Sales of euNetworks Group Limited. He joined the Company in August 2009 and is responsible for all sales activity of the Company.

Prior to joining euNetworks, Mr Weddell worked for Level 3 Communications for 11 years, where he held key sales positions. In his most recent role as Vice President, UK Sales and European Channel, Mr. Weddell delivered industry leading results for the European business. Prior to this, and as Sales Director for the UK, he oversaw the development of Level 3's European Partner Programme.

He started his career in sales within the photocopier industry, with 10 very successful years. He moved into the telecom industry in 1991.

Corporate Governance

2

Corporate Governance Report

The Company is committed to high standards of corporate governance in order to protect shareholders' interests and maximise long-term shareholder value. As required by the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("SGX-ST", the "Catalist Rules"), the following report outlines the corporate governance practices of the Company with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2005 (the "Code").

Board Matters

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS

The Board's responsibilities are distinct from Management's responsibilities.

The principal functions of the Board are to:

- Set strategic aims.
- Ensure necessary financial and human resources are in place for the Company to meet its objectives.
- Provide entrepreneurial leadership to the Company, including deciding on its corporate strategies and providing guidance to Management on significant issues.
- Review and challenge Management's strategic options and planning processes and approve them.
- Approve the Company's annual business plan, including the annual budget, capital expenditure and operational plans.
- Monitor Management's performance, including against budgets and business plans and in the deployment of capital expenditure, and achieve an adequate return for shareholders.
- Approve all Board and Senior Management appointments and assess the effectiveness of the Board as a whole.
- Perform an oversight role to ensure that Management has established a framework of effective internal controls to safeguard the shareholders' investment and the Company's assets.
- Approve announcements of material transactions and the release of the Company's quarterly, half-yearly and annual results.
- Assist Management in the review, assessment and mitigation of risk which the Company faces.
- Ensure that obligations to shareholders and others are understood and met.

In financial year 2012, the Board reviewed and updated its formal Delegation of Authority to Management. The Board retained authority to approve material transactions including material acquisitions and disposal of assets, corporate and financial restructuring, share issuance and write-off of assets.

Material transactions that require Board approval are contracts outside approved budget by more than €750,000 per annum (or non-budgeted expenses exceeding €500,000 per annum), sales with a total contract value above €7,500,000 and disposals of assets or acquisitions in excess of €5,000,000.

Four key Board committees support the Board, which are, the Nominating Committee ("NC"), the Remuneration Committee ("RC"), the Audit Committee ("AC") and the Employee Share Option Scheme Committee (the "ESOS Committee"). In financial year 2012, the Terms of Reference of the AC were updated to reflect that the Board had formally delegated to the AC responsibility for assisting the Board with risk governance and oversight.

All of the Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. All of the Committees are comprised of a majority of Independent, Non-Executive Directors.

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise.

The attendance of the Directors at meetings of the Board and Committees, as well as the frequency of such meetings during the financial year ended 31 December 2012 is as set out in the following table. In addition, the Board and each of the Committees met on an ad hoc basis on a number of occasions and also acted by written resolutions.

Name	Board		Audit Committee		Remuneration Committee		ESOS		Nominating Committee	
	No. of meetings held	attended	No. of meetings held	attended	No. of meetings held	attended	No. of meetings held	attended	No. of meetings held	attended
Nicholas George	8	8	4	4	3	2	1	0	1	1
Brady Reid Rafuse	8	8	N/A	N/A	N/A	N/A	N/A	N/A	1	1
John Louis Scarano	8	8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Uwe Markus Nickl	8	8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Daniel Simon Aegerter[1]	8	8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lam Kwok Chong	8	8	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Duncan James Daragon Lewis	8	8	4	4	N/A	N/A	N/A	N/A	1	1
Kai-Uwe Ricke	8	7	N/A	N/A	3	3	1	1	1	1
John Tyler Siegel Jr.[2]	8	8	4	4	3	3	1	1	1	0

(1) Including attendances by Daniel Aegerter's alternate, Simon Daniel Koenig
(2) Including attendances by John Siegel's alternate, Jason Robert Booma

The Company Secretary and/or General Counsel attends Board and Committee meetings and ensures that all Board procedures are followed and that applicable rules and regulations are complied with.

Before their appointment, all Directors who have not previously been a director of a Singapore company receive training explaining their duties and obligations as Directors. All newly appointed Directors also undergo an orientation programme which includes Management presentations on the Group's businesses and strategic plans and objectives. Upon appointment, they are also provided with formal letters, setting out their duties and obligations.

The Board engaged in a full day's strategy meeting on 21 June 2012 at which senior members of Management presented an in depth review of the Group's proposed Strategic Plan for value creation, which was considered and approved by the Board. The Board will continue to hold in depth strategy meetings at least annually.

The Directors are conscious of the importance of continuing education in areas such as legal and regulatory responsibility and accounting issues, so as to update and refresh themselves on matters that affect their performance as a Board, or as a Board committee member. The Directors' 2012 programme included training elements (in particular with regard to the management of risk), and further training for Directors will extend to relevant new laws, regulations and changing commercial risks from time to time.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Board currently has a strong and independent element, with four out of nine Directors (including the Chairman and the Chairman of the NC) considered Independent by the NC. The NC determines on an annual basis whether or not a Director is Independent, bearing in mind the Code's definition of an "Independent Director" and guidance as to relationships, the existence of which would deem a Director not to be Independent.

As the Company's activities continue to grow, the NC will continuously review the composition of the Board so that it will have the necessary competency to be effective. The NC is of the view that the Board comprises Directors who, as a group, provide core competencies including accounting, finance, business, management, industry knowledge, strategic planning experience and customer-based experience and knowledge, required for the Board to be effective.

The Board and Management fully appreciate that fundamental to good corporate governance is an effective and robust Board whose members engage in open and constructive debate and challenge Management on its assumptions and proposals, and that for this to happen, the Board, in particular, the Non-Executive Directors, led by the Non-Executive Chairman, must be kept well informed of the Company's businesses and affairs and be knowledgeable about the industry in which the businesses operate. The Company continues to put in place processes to ensure that the Non-Executive Directors are well supported by accurate, complete and timely information, have unrestricted access to Management, and have sufficient time and resources to discharge their oversight function effectively.

In addition, Non-Executive Directors constructively challenge and help develop proposals on strategy and also review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Non-Executive Directors also meet regularly without the presence of Management.

PRINCIPLE 3: ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

The division between Non-Executive Chairman and CEO ensures an appropriate balance of power, accountability and independent decision making by the Board. The Non-Executive Chairman's role and responsibilities are set out in his appointment letter and include acting as Chairman of the Board, RC and ESOS Committee as follows:

(a) leading the Board to ensure its effectiveness on all aspects of its role and set its agenda;

(b) ensuring that the Directors receive accurate, timely and clear information;

(c) ensuring effective communication with shareholders;

(d) encouraging constructive relations between the Board and Management;

(e) facilitating the effective contribution of Non-Executive Directors;

(f) encouraging constructive relations between Executive Directors and Non-Executive Directors;

(g) ensuring that the performance of the Board, its committees and individual Directors is evaluated at least once a year;

(h) ensuring clear structure for, and the effective running of, Board committees; and

(i) promoting the highest standards of integrity, probity and corporate governance.

The Chairman and CEO are not related to each other.

The Chairman, with the assistance of the Company Secretary and General Counsel, schedules meetings and prepares meeting agendas to enable the Board to perform its duties responsibly, having regard to the flow of the Company's business and operations.

PRINCIPLE 4: BOARD MEMBERSHIP

The members of the Board during the financial year ended 31 December 2012 are set out on page 20.

The Company has established a NC to, among other things, make recommendations to the Board on all Board appointments. The NC operates in accordance with its written Terms of Reference that describe the responsibilities of its members. The NC currently comprises five Directors, the majority of whom (including the Chairman) are Independent, namely:

- Duncan James Daragon Lewis (Chairman) (Independent Director)
- Nicholas George (Independent Director)
- Kai-Uwe Ricke (Independent Director)
- John Tyler Siegel Jr. (Non-Independent Director)
- Brady Reid Rafuse (Executive Director)

The Chairman of the NC is neither a substantial shareholder nor directly associated with a substantial shareholder.

The NC leads the process and makes recommendations to the Board for the selection and approval of new Directors as follows:

(a) NC evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with Management, prepares a description of the role and the essential and desirable competencies for a particular appointment;

(b) where necessary, external help may be used to source for potential candidates. Directors and Management may also make suggestions;

(c) NC meets with short-listed candidates to assess their suitability and to ensure that the candidate(s) are aware of the expectations and the level of commitment required; and

(d) NC makes recommendations to the Board for approval.

Criteria for appointment of new Directors

All new appointments of Directors are subject to the recommendation of the NC based on objective criteria including the following:

(a) integrity;

(b) independent mindedness;

(c) diversity – possess core competencies that meet the current needs of the Company and complement the skills and competencies of the existing Directors on the Board;

(d) ability to commit time and effort to carry out duties and responsibilities effectively;

(e) track record of making good decisions;

(f) experience in high-performing companies; and

(g) financial literacy.

The NC is also charged with determining the "Independence" status of the Directors annually and the responsibility for re-nomination of Directors, having regard to the Director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual Director by his peers for the previous financial year.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to the Company's Articles of Association, one-third of the Directors retire from office at the Company's Annual General Meeting ("AGM"), and a Director newly appointed by the Board must submit himself for re-election at the AGM immediately following his appointment.

The NC also determines annually whether a Director with multiple board representations is able to, and has been adequately carrying out his duties, as a Director of the Company. The NC takes into account the effectiveness of the individual Director and the Director's conduct on the Board in making the determination, and is satisfied that all the Directors have been able to, and have adequately carried out their duties as Director, notwithstanding their multiple board representations.

The following key information regarding Directors is set out in the following pages of this Annual Report:

Pages 20-24: Academic and professional qualifications, date of first appointment as Director, date of last re-election as Director, Directorships and Chairmanships both present and past held over the preceding five years in other listed companies and other major appointments.

Pages 21-24: Board committees served on (as a member or Chairman), whether appointment is Executive or Non-Executive, whether considered by the NC to be Independent.

Page 35: Shareholdings in the Company and its subsidiaries.

Pages 21-24: Biographies of the Directors.

PRINCIPLE 5: BOARD PERFORMANCE

The Board has undertaken a formal annual assessment of the effectiveness of the Board led by the NC. The performance criteria reviewed did not change from the previous year.

Each of the Directors completed an anonymous online questionnaire and, based on the answers, the UK Institute of Directors (IoD) prepared a Board Governance Analysis Report (BGA Report). The IoD reported on key areas including strategy, business principles, internal controls, risk management, performance management, Boardroom activity, Board committees and the role of Board members, including the Chairman.

Following the review of the BGA Report by the NC, the Chairman of the NC and the CEO have agreed to identify areas for improvement to the Board's effectiveness and to propose a schedule to address these at Board meetings over the coming year. In addition, the Chairman is meeting with each Director individually to undertake individual evaluation in accordance with Guideline 5.4 of the Code.

PRINCIPLE 6: ACCESS TO INFORMATION

The Company's Management has an obligation to provide the Board with timely, complete, accurate and adequate information before a Board meeting. The information provided to the Board includes necessary background or explanatory information.

The Company's senior Management present monthly reports to the Board on the Company's business, finance and strategic position.

In exercising their duties, the Directors have separate and independent access to the Company's Management, as well as to the General Counsel and Company Secretary at all times. If necessary, the Directors can seek professional advice and services on any areas they deem necessary, at the expense of the Company.

The Company Secretary and General Counsel have responsibility for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The General Counsel defers to the Company Secretary on matters of Singaporean regulatory compliance. The Company Secretary and General Counsel are responsible for ensuring good information flows within the Board and its committees and between the Management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required.

The appointment and removal of the Company Secretary is subject to the approval of the Board.

Remuneration Matters

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC currently comprises three Non-Executive Directors, the majority of whom (including the Chairman) are Independent, namely:

- Nicholas George (Chairman) (Independent Director)
- Kai-Uwe Ricke (Independent Director)
- John Tyler Siegel Jr. (Non-Independent Director)

The RC recommends to the Board a framework of remuneration for the Directors and key executives and determines specific remuneration packages and terms of employment for each Executive Director, key executive and any employee who is related to the Executive Directors and controlling shareholders of the Group. The objectives of such policy are to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, thereby maximising shareholder value. The RC has worked closely with Management to ensure that discretionary pay is linked to the creation of shareholder value.

The RC's recommendations in respect of the Directors' remuneration are submitted for endorsement by the entire Board.

All aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC.

Each member of the RC will abstain from voting on any resolutions in respect of his remuneration package.

The RC has access to third party and expert advice in the field of corporate compensation outside the Company as required. The members of the RC also sit separately as the ESOS Committee and have responsibility for overseeing the Company's share option schemes in accordance with the terms of the schemes.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The Company's Chief Executive Officer, Mr Brady Reid Rafuse, Vice Chairman and Executive Vice President, Mr John Louis Scarano and Chief Marketing Officer, Mr Uwe Markus Nickl, have rolling contracts with the Company of a duration that is not fixed, with 12 month, 9 month and 9 month notice periods respectively. In setting the remuneration package of the Executive Directors, the Company has regard to pay and employment conditions within the industry and in comparable companies.

Non-Executive Directors do not have service contracts with the Company and their terms are specified in the Articles of Association of the Company which contain retirement and re-election provisions. Independent Non-Executive Directors are paid Directors' fees which are subject to the approval of the shareholders at the AGM. Independent Non-Executive Directors may also be paid consultancy fees in respect of their work for the Group above and beyond the scope of their Directors' fees. The remuneration of Independent

Non-Executive Directors is appropriate to the level of contribution and scope of responsibilities of such Directors and they are not over-compensated to the extent of compromising their independence.

Executive Directors and Non-Independent Non-Executive Directors do not receive any fees.

The performance-related elements of Executive Directors' remuneration are designed to be linked to align the interests of Directors with those of shareholders and link rewards to corporate and individual performance.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Remuneration of the Directors of the Company for the year ended 31 December 2012

Remuneration Band & Name of Director	Base/Fixed Salary	Director's Fees	Consultancy Fee	Benefits-in-Kind	Performance Based Bonuses	Employers Pension Contributions	Share Options	Payments on Termination
From S$3,250,000 to below S$3,500,000								
Executive Directors								
Brady Reid Rafuse	19%	-	-	2%	14%	3%	62%	-
From S$3,000,000 to below S$3,250,000								
John Louis Scarano	13%	-	-	23%	7%	-	57%	-
From S$1,500,000 to below S$3,000,000								
From S$1,250,000 to below S$1,500,000								
Executive Directors								
Uwe Markus Nickl	27%	-	-	1%	14%	1%	57%	-
From S$500,000 to below S$1,250, 000								
From S$250,000 to below S$500, 000								
Non-Executive Directors								
Kai-Uwe Ricke	-	18%	12%	-	-	-	70%	-
Below S$250,000								
Non-Executive Directors								
Duncan James Daragon Lewis	-	64%	36%	-	-	-	-	-
Lam Kwok Chong	-	47%	27%	-	-	-	26%	-
Nicholas George	-	56%	15%	-	-	-	29%	-

Corporate Governance Report continued

Remuneration of top five Executives of the Company for the year ended 31 December 2012

Remuneration Band & Name of Executive	Base/Fixed Salary	Benefits-in-Kind	Performance Based Bonuses and/or Commission	Employers Pension Contributions	Share Options
From S$1,000,000 to below S$1,250,000					
John Franklin	35%	-	9%	2%	54%
David Selby	36%	-	13%	-	51%
Andrew Weddell	32%	2%	14%	2%	50%
From S$750,000 to below S$1,000,000					
Richard Taylor	35%	-	13%	2%	50%
From S$500,000 to below S$750,000					
-	-	-	-	-	-
From S$250,000 to below S$500,000					
Andrew Field	92%	-	7%	1%	-

Remuneration of employees who are immediate family members of a Director or the Chief Executive Officer

No employee of the Company or its subsidiaries was an immediate family member of a Director, the Chief Executive Officer or a substantial shareholder during the financial year ended 31 December 2012.

Details of Employee Share Option Scheme

During the financial year ended 31 December 2012, the Company operated two employee share option schemes: euNetworks Group Limited Employee Share Option Scheme adopted on 4 January 2000, which expired on 4 January 2010, and the euNetworks Group Limited 2009 Share Option Scheme adopted by shareholders on 17 July 2009. Both schemes were approved by shareholders of the Company and are administered by the ESOS Committee. Please refer to pages 36-39 for details of the schemes.

The share option schemes are long-term incentive schemes, which are intended to align the interests of participants with the interests of shareholders. Share options are granted subject to a vesting schedule, and whilst in previous years this generally provided for vesting in equal thirds over a period of three years from the date of grant, the majority of grants made in 2011 provided for vesting over four years, with no vesting until the second anniversary of the date of grant.

Accountability and Audit

PRINCIPLE 10: ACCOUNTABILITY

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required).

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNet to SGX-ST, press releases, the Company's website, and in the case of financial results, through media and analyst briefings where appropriate. The Company's Annual Report is sent to all shareholders and its interim and full year financial reports are available on request and accessible at the Company's website.

Management provides Board members with monthly management accounts and reports that keep the Board informed of the Group's performance, position and prospects and consist of the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax and attributable profit with explanation given for variances.

Corporate Governance Report

PRINCIPLE 11: AUDIT COMMITTEE

The AC is currently comprised entirely of Non-Executive Directors (including the Chairman), the majority of whom are also Independent:

- Lam Kwok Chong (Chairman) (Independent Director)
- Nicholas George (Independent Director)
- Duncan James Daragon Lewis (Independent Director)
- John Tyler Siegel Jr. (Non-Independent Director)

The AC members all have extensive senior management experience with profit and loss responsibilities in reputable companies and/or as investors in relevant markets or industries.

The Board considers them as having sufficient financial management knowledge and experience to discharge their responsibilities in the AC.

The AC's main role is to assist the Board to ensure integrity of financial reporting and that there is in place sound internal control systems. In 2012, the AC also formally assumed responsibility in respect of assisting the Board with risk governance and oversight. The AC has explicit authority to investigate any matters within its terms of reference, full access to and co-operation of the Management, full discretion to invite any Director or Executive Officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC also has the duty to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

The AC met with the auditors during the year to review the audit plans, the results of audit findings, and the evaluation of the Company's internal controls. The AC also met without the presence of Management, both with and without the external and internal auditors.

The AC reviewed the Group's internal audit function, as explained below.

During the year, the AC reviewed the Company's financial statements before the announcement of the Company's quarterly, half year and full-year financial results, and in the process, also reviewed the key areas of Management judgement applied in adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a material impact on the financials of the Company.

The AC would have reviewed any interested person transactions ("IPTs") reported by Management to ensure that they were carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

In 2009, the AC approved a 'whistle blowing' policy that was implemented by the Company. Through this policy, all employees are encouraged and enabled to report any concerns regarding impropriety in financial matters directly to the AC for consideration and review.

In addition, the AC also reviewed the cost effectiveness, independence and objectivity of the external auditors through discussions with the external auditors, as well as reviewed the non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditors would not affect their independence.

PRINCIPLE 12: INTERNAL CONTROLS

In financial year 2012, the Board formally delegated to the AC responsibility for assisting the Board with risk governance and oversight of the Company's implementation and maintenance of its Enterprise Risk Management Framework. The Company further reviewed and enhanced its risk management processes to support and guide the Board, Management and staff in identifying, reviewing and monitoring the financial, operational, market and regulatory risks that may affect the Company's outputs, projects or operating process from the Group, down to each significant business unit level.

During the year, the AC reviewed the effectiveness of the Group's internal controls including financial, operational and compliance controls and risk management. These reviews were undertaken together with Management and the Company's Internal Auditors. Any material non-compliance or failure in internal control and recommendation for improvement is discussed with Management for action. The AC monitors the follow-up actions taken by Management in its quarterly AC meetings. The AC regularly reported its findings to the Board.

Based on the Group's framework of management control, internal control policies and procedures established and maintained by the Group, regular audits, monitoring and reviews performed by internal auditors, the Board, with the concurrence of the AC, is of the view that the Group's internal controls are adequate to address the relevant financial, operational and compliance risks.

The system of internal controls and risk management established by the Company are designed to manage, rather than eliminate, the risk of failure in achieving the Company's strategic objectives.

However, it should be recognised that such systems are designed to provide reasonable assurance, but not an absolute guarantee against material misstatement or loss.

PRINCIPLE 13: INTERNAL AUDIT

The internal audit function continues to be fulfilled by a professional services firm, Grant Thornton UK LLP ("Grant Thornton"). The Company is of the view that Grant Thornton is qualified for this role to the standards set by internationally recognised professional bodies, including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

Grant Thornton reports directly to the AC and its primary line of reporting is to the Chairman of the AC.

The AC reviewed and approved Grant Thornton's internal audit plans and agreed a scope of work for FY2012 and beyond. This will continue to be implemented in the year to 31 December 2013. The AC reviewed and is satisfied with the internal audit plans and the adequacy of the internal audit function and will continue to keep this under review.

Communication with Shareholders

PRINCIPLE 14: COMMUNICATION WITH SHAREHOLDERS

During the financial year ended 31 December 2012, communication with the shareholders was managed by the Executive Directors with the assistance of the Group's internal marketing function and the provision of third party investor relation services by Ark Advisors Pte Ltd. In this manner, the Company was able to respond to investor queries as well as ensure the fair and timely dissemination of the Company's public releases.

Announcements and news releases are published via SGXNET, as well as on the Company's investor relations website (eunetworks.listedcompany.com). Price sensitive information is provided to the public in a timely manner through these channels.

All shareholders will be sent an Annual Report together with a Notice of the AGM which is also published through SGXNET.

The Notice of the AGM is also advertised in a daily newspaper.

PRINCIPLE 15: GREATER SHAREHOLDER PARTICIPATION

At the AGM, the Company's shareholders have the opportunity to participate effectively through open discussions and to vote on the resolutions tabled at the AGM. At General Meetings, separate resolutions are put up for approval on each distinct issue.

Shareholders can vote either in person or through proxies.

Directors of the Company are expected to be able to attend the AGM, together with the Company's external auditor, to address any shareholder queries including at least the Non-Executive Chairman (who chairs the RC and ESOS Committee), Chairman of the AC, CEO and Vice Chairman.

The minutes of the general meetings are prepared and made available to shareholders upon request.

Other Information Required Under SGX-ST Listing Manual

Dealing in securities

The Company has adopted a Code of Conduct in providing guidance to its Directors and officers with regards to dealings in the Company's securities, including reminders that the law on insider trading is applicable at all times. The Code of Conduct was reviewed by the Board and updated in February 2013. Directors and officers are prohibited from dealing in the Company's securities at least two weeks before the announcement of the Company's quarterly results and one month before the announcement of the Company's half-year or full year results until one day after the announcement.

Directors and officers are also discouraged from dealing in the Company's securities on short-term considerations. This has been made known to Directors, Management and staff of the Company and the Group. In particular, it has been highlighted that it is an offence to deal in the Company's securities when the officers (Directors and employees) are in possession of unpublished material price sensitive information.

During the financial year ended 31 December 2012, the Company has complied with the best practices on dealings in securities in accordance with Rule 1204(19) of the Catalist Rules.

Material contracts involving the interests of the Chief Executive Officer, Director or controlling shareholder

No material contract involving the interests of any Director or controlling shareholder of the Company has been entered into by the Company or any of its subsidiary companies since the end of the previous financial year and no such contract subsisted at the end of the financial year.

Interested Person Transactions

There were no transactions with interested persons during 2012.

Audit and Non-audit Fees

Fees of €595,486 (excluding GST and similar taxes) were paid to the Company's auditors, BDO LLP, and other members of the BDO International group in the financial year ended 31 December 2012. Of these fees, €400,000 was paid for audit services and €195,486 was paid for non-audit services in relation to taxation advice, preparation of filings, advice on share option schemes, business combination, revenue recognition, property, plant and equipment, impairment of assets, carrying value of investments in subsidiary companies, financial instruments and share based payments, going concerns.

Non-sponsorship Fees

During 2012, non-sponsorship related fees of an aggregate of approximately S$76,000 (excluding GST) were paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, in connection with its role as the Manager of the Exchange Offer completed in July 2012.

Report of the Directors

The Directors are pleased to present their report to the members, together with the audited financial statements of the Group for the financial year ended 31 December 2012 and the statement of financial position of the Company as at 31 December 2012 and statement of changes in equity of the Company for the financial year ended 31 December 2012.

1. Directors

The Directors of the Company in office at the date of this report are:

Nicholas George
Brady Reid Rafuse
John Louis Scarano
Uwe Markus Nickl
Daniel Simon Aegerter
Lam Kwok Chong
Duncan James Daragon Lewis
Kai-Uwe Ricke
John Tyler Siegel Jr.
Jason Robert Booma (Alternate Director to John Tyler Siegel Jr.)
Simon Daniel Koenig (Alternate Director to Daniel Simon Aegerter)

2. Arrangements to enable Directors to acquire shares and debentures

Except as described in paragraph 5 below, neither at the end of nor at any time during the financial year, was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

3. Directors' interests in shares and debentures

The following Directors holding office at the end of the financial year had, according to the Register of Directors' Shareholdings required to be kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), an interest in the shares or debentures of the Company as stated below:

	Shareholdings registered in the name of Director or nominee		Shareholdings in which the Directors are deemed to have an interest	
Name of Directors	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
The Company (Ordinary shares)				
Daniel Simon Aegerter	1,290,273,796	1,806,284,867	-	-
Nicholas George	11,577,000	11,577,000	-	-
John Tyler Siegel Jr.	-	-	5,427,022,872	8,591,598,538
Lam Kwok Chong	9,000,000	16,592,053	4,500,000	9,245,033
Kai-Uwe Ricke	40,063,500	40,063,500	-	-
The Company (Options to subscribe for number of ordinary shares)				
Kai-Uwe Ricke	84,227,702	84,227,702	-	-
Nicholas George	43,227,702	43,227,702	-	-
Brady Reid Rafuse	867,369,271	867,369,271 (1)	-	-
John Louis Scarano	284,992,761	284,992,761 (2)	-	-
Uwe Markus Nickl	322,165,730	322,165,730 (3)	-	-
Lam Kwok Chong	21,613,850	21,613,850	-	-

Note

(1) Out of the 867,369,271 options to subscribe for or purchase, 345,059,400 ordinary shares are subject to a performance target.
(2) Out of the 284,992,761 options to subscribe for or purchase, 113,376,660 ordinary shares are subject to a performance target.
(3) Out of the 322,165,730 options to subscribe for or purchase, 128,164,920 ordinary shares are subject to a performance target.

Report of the Directors continued

	Shareholdings registered in the name of Director or nominee		Shareholdings in which the Directors are deemed to have an interest	
Name of Directors	At beginning of the year or date of appointment, if later	At end of the year	At beginning of the year or date of appointment, if later	At end of the year
The Company (Number of convertible bonds due 2013)				
Daniel Simon Aegerter	8,156,071	-	-	-
John Tyler Siegel Jr.	-	-	50,019,283	-
Lam Kwok Chong	120,000	-	75,000	-
The Company (Number of warrants)				
John Tyler Siegel Jr.	-	-	75,446,012	75,446,012

By virtue of Section 7 of the Act, all of the Directors save for Duncan James Daragon Lewis, namely Nicholas George, Brady Reid Rafuse, John Louis Scarano, Uwe Markus Nickl, Daniel Simon Aegerter, Lam Kwok Chong, Kai-Uwe Ricke and John Tyler Siegel Jr., are deemed to have an interest in the Company and in all the related corporations of the Company.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company or of related corporations either at the beginning or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2013.

4. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received, or become entitled to receive, a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for salaries and other benefits as disclosed in the financial statements. Certain Directors received remuneration from subsidiaries of the Group in their capacity as Directors and/or Executives of these subsidiaries as disclosed in Note 35 to the financial statements.

5. Share options

(a) The Horizon Share Option Scheme (the"Scheme") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 4 January 2000. The shareholders of the Company approved the change of name of the Scheme to the GlobalVoice Group Limited Share Option Scheme on 7 June 2005 and to the euNetworks Group Limited Share Option Scheme on 29 April 2009 (the "2000 Scheme"). The 2000 Scheme expired for the grant of new options on 4 January 2010.

(b) The euNetworks Group Limited 2009 Share Option Scheme (the "2009 Scheme") was approved by the shareholders of the Company at an Extraordinary General Meeting held on 17 July 2009 and amended by the shareholders at an Extraordinary General Meeting held on 28 April 2010.

(c) The 2000 Scheme and 2009 Scheme are administered by the Company's ESOS Committee, comprising three Directors, namely Nicholas George (Chairman), Kai-Uwe Ricke and John Tyler Siegel Jr.

Under the 2000 Scheme and the 2009 Scheme, share options granted, exercised and cancelled/expired during the financial year and outstanding as at 31 December 2012 were as follows:

Date of grant	Balance at 1 January 2012	Cancelled/ expired	Balance at 31 December 2012	Subscription price	Vesting date
	No.	No.	No.	S$	
2000 Scheme					
1 January 2007	32,560,713	-	32,560,713	0.0467	31 December 2008
1 January 2007	15,897,092	(935,123)	14,961,969	0.0433	31 December 2009
1 January 2007	22,500,000	-	22,500,000	0.0333	31 December 2009
30 June 2009	50,432,317	(28,818,467)	21,613,850	0.03	29 June 2012
	121,390,122	(29,753,590)	91,636,532		

Date of grant	Balance at 1 January 2012	Cancelled/ expired	Balance at 31 December 2012	Subscription price	Vesting date
	No.	No.	No.	S$	
2009 Scheme					
27 October 2009	82,497,654	-	82,497,654	0.025	26 October 2010
27 October 2009	82,497,655	-	82,497,655	0.025	26 October 2011
27 October 2009	73,852,114	-	73,852,114	0.025	26 October 2012
27 October 2009	57,636,936	-	57,636,936	0.015	16 February 2010
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2010
27 October 2009	57,636,936	-	57,636,936	0.015	16 February 2011
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2011
27 October 2009	57,636,936	-	57,636,936	0.015	16 February 2012
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2012
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2013
16 March 2010	52,881,847	(52,881,847)	-	0.015	16 March 2011
16 March 2010	2,881,847	(2,881,847)	-	0.015	16 March 2012
16 March 2010	2,881,847	(2,881,847)	-	0.015	16 March 2013
26 March 2010	11,527,386	-	11,527,386	0.015	26 March 2011
26 March 2010	11,527,386	-	11,527,386	0.015	26 March 2012
26 March 2010	11,527,387	-	11,527,387	0.015	26 March 2013
28 April 2010	31,700,314	-	31,700,314	0.020	28 April 2011
28 April 2010	31,700,314	-	31,700,314	0.020	28 April 2012
28 April 2010	31,700,315	-	31,700,315	0.020	28 April 2013
28 April 2010	240,807,932	(1,905,454)	238,902,478	0.020	28 April 2014
6 July 2010	21,613,851	-	21,613,851	0.015	6 July 2011
6 July 2010	21,613,851	-	21,613,851	0.015	6 July 2012
6 July 2010	21,613,851	-	21,613,851	0.015	6 July 2013
6 July 2010	8,310,397	-	8,310,397	0.015	6 July 2014
2 December 2010	15,866,656	-	15,866,656	0.016	2 December 2011
2 December 2010	15,866,657	-	15,866,657	0.016	2 December 2012
2 December 2010	15,866,657	-	15,866,657	0.016	2 December 2013
21 June 2011	8,333,333	(8,333,333)	-	0.015	21 June 2012
21 June 2011	8,333,333	(8,333,333)	-	0.015	21 June 2013
21 June 2011	8,333,334	(8,333,334)	-	0.015	21 June 2014
14 November 2011	745,194,055	(36,143,960)	709,050,095	0.0158	14 November 2013
14 November 2011	372,597,027	(18,071,981)	354,525,046	0.0158	14 November 2014
14 November 2011	372,597,027	(18,071,980)	354,525,047	0.0158	14 November 2015
21 December 2011	7,500,000	(7,500,000)	-	0.0178	21 December 2013
21 December 2011	3,750,000	(3,750,000)	-	0.0178	21 December 2014
21 December 2011	3,750,000	(3,750,000)	-	0.0178	21 December 2015
21 December 2011	94,997,587	-	94,997,587	0.0178	21 December 2012
21 December 2011	94,997,587	-	94,997,587	0.0178	21 December 2013
21 December 2011	94,997,586	-	94,997,586	0.0178	21 December 2014
	3,122,849,211	(172,838,916)	2,950,010,295		
Total	3,244,239,333	(202,592,506)	3,041,646,827		

Note: *The grants above have been announced on SGXNET and there were no grants in 2012.*

On 10 June 2009, the Company gave notice to participants in the 2000 Scheme that, following the 2009 Rights Issue, the ESOS Committee determined to adjust the exercise price and number of shares comprised in an option (to the extent unexercised) by reducing the exercise price by a factor of 0.333 and increasing the number of options by a factor of 3.

(d) In accordance with the Catalist Rule 851, the reproduced and required disclosures in the 2000 Scheme and 2009 Scheme are as follows:

(1) 2000 Scheme

(i) The options granted by the Company to Directors holding office at the end of the financial year to subscribe for ordinary shares of the Company at the respective exercisable price were as follows:

Name	Aggregate options granted since commencement of Scheme	Aggregate options outstanding as at end of financial year
Lam Kwok Chong	21,613,850	21,613,850

Note: *No options have been exercised, cancelled or expired in respect of the above Director since the commencement of the Scheme.*

(ii) There were no share options granted to controlling shareholders of the Company and their associates.

(iii) At the end of the financial year there were no outstanding grants to participants who received 5% or more of the total number of options available under the 2000 Scheme.

(iv) No options were granted during the financial year ended 31 December 2012.

(v) From the commencement of the 2000 Scheme to the end of the financial year, a total of 838,735,324 options were granted (this number assumes all options were adjusted on 10 June 2009), of which 91,636,532 options remained outstanding (i.e. not exercised or cancelled) as at the end of the financial year.

(vi) No options were granted at a discount during the financial year ended 31 December 2012.

(vii) No options were exercised during the financial year.

(2) 2009 Scheme

(i) The options granted by the Company to Directors holding office at the end of the financial year to subscribe for ordinary shares of the Company at the respective exercisable price are as follows:

Name	Options granted during the financial year under review	Aggregate options granted since commencement of Scheme	Aggregate options outstanding as at end of financial year
Kai-Uwe Ricke	Nil	84,227,702	84,227,702
Nicholas George	Nil	43,227,702	43,227,702
Brady Reid Rafuse	Nil	867,369,271	867,369,271
John Louis Scarano	Nil	284,992,761	284,992,761
Uwe Markus Nickl	Nil	322,165,730	322,165,730

Note: *No options have been exercised, cancelled or expired in respect of the above Directors since the commencement of the Scheme.*

(ii) There were no share options granted to controlling shareholders of the Company and their associates.

(iii) Other participants under the 2009 Scheme who received 5% or more of the total number of options available are as follows:

Name	Options granted during the financial year under review	Aggregate options granted since commencement of Scheme	Aggregate options outstanding as at end of financial year
None	-	-	-

(iv) No options were granted during the financial year ended 31 December 2012 (2011: 1,815, 380, 570 share options).

(v) From the commencement of the 2009 Scheme to the end of the financial year, options over a total of 3,348,854,855 shares were granted, of which options over 2,950,010,295 shares remained outstanding (i.e. not exercised or cancelled) as at the end of the financial year.

(vi) No options were granted at a discount during the financial year ended 31 December 2012.

(vii) No options were exercised during the financial year.

(e) Each share option entitles the Director or employee of the Company to subscribe for new ordinary shares in the Company. The options may be exercised once they have vested, and in the case of some options upon a performance target being met, and after one year or two years in stages except under certain circumstances but not later than:

(i) six years for options granted under the 2000 Scheme;

(ii) ten years for options granted under the 2009 Scheme; and

(iii) five years for options granted to individuals who were Non-Executive Directors or employees of associated companies on the date the option was granted.

The options may be exercised in full or in 1,000 shares or a multiple thereof on the payment of the subscription price. The subscription price is generally determined at market price in accordance with the rules of the 2000 Scheme and 2009 Scheme. The ESOS Committee may, at its discretion, fix the subscription price at a discount to market price. The employees to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company. Options granted are cancelled after the option holder ceases to be in full-time employment of the Company or any corporation in the Group subject to certain exceptions at the discretion of the ESOS Committee.

During the financial year,

(i) no options to take up unissued shares of any subsidiary were granted and there were no shares of any subsidiary issued by virtue of the exercise of an option to take up unissued shares; and

(ii) these options do not entitle the holder to participate by virtue of the options, in any share issue of any other corporations.

There were no unissued shares of the Company or any subsidiary under any other option at the end of the financial year.

6. Warrants

(1) 2009 Warrants

On 15 October 2009, the Company announced that it had entered into a conditional subscription agreement (the "Subscription Agreement") for the issue of an aggregate of 86,455,400 warrants at a nominal consideration. Each warrant entitles the warrant holder the right to subscribe for one new ordinary share in the capital of the Company, at an exercise price of S$0.05 per warrant (subject to adjustment in certain circumstances pursuant to the terms and conditions on which the warrants are issued).

On 8 December 2009, the Company announced the completion of the subscription for three groups of warrants on that date, as follows:

(a) one warrant group comprising 43,227,700 warrants;

(b) one warrant group comprising 21,613,850 warrants; and

(c) one warrant group comprising 21,613,850 warrants, (together the "2009 Warrants").

At the time of issue, the 2009, Warrants represented 1.0% of the issued share capital of the Company. Assuming all of the 2009 Warrants were exercised by the warrant holder, the Company could expect to receive aggregate proceeds of S$4,322,770. The exercise price represented a 100% premium to the prevailing market price of the ordinary shares in the capital of the Company prior to the signing of the Subscription Agreement, based on the volume weighted average price of S$0.025 for trades done for the ordinary shares for the full market day on which the Subscription Agreement was signed.

On 15 September 2011, the Company announced certain adjustments to the 2009 Warrants following the recent rights issue and pursuant to the terms and conditions of the 2009 Warrants. The exercise price of each 2009 Warrant was adjusted to S$0.0325 and the number of 2009 Warrants in each of the warrant groups referred to above was adjusted, in each case doubling the number of 2009 Warrants.

Following these adjustments, the 2009 Warrants continued to represent 1.0% of the issued share capital of the Company until 2 August 2012, at which time this figure reduced to 0.8%. Assuming all of the 2009 Warrants were exercised by the warrant holder, the Company could expect to receive aggregate proceeds of S$5,619,601.

(2) Columbia Warrants

On 30 June 2011, the Company announced that it had entered into a conditional subscription agreement (the "Columbia Subscription Agreement") for the issue of an aggregate of 105,000,000 warrants at nominal consideration. Each warrant entitles the warrant holder the right to subscribe for one new ordinary share in the capital of the Company, at an exercise price of S$0.02 per warrant (subject to adjustment in certain circumstances pursuant to the terms and conditions on which the warrants are issued).

On 8 August 2011, the Company announced the completion of the subscription for nine groups of warrants, exercisable in the following numbers and from the following dates:

(a) 26,250,000 Group A Warrants, 8 August 2011;

(b) 9,843,750 Group B Warrants, 31 August 2011;

(c) 9,843,750 Group C Warrants, 30 November 2011;

(d) 9,843,750 Group D Warrants, 29 February 2012;

(e) 9,843,750 Group E Warrants, 31 May 2012;

(f) 9,843,750 Group F Warrants, 31 August 2012;

(g) 9,843,750 Group G Warrants, 30 November 2012;

(h) 9,843,750 Group H Warrants, 28 February 2013; and

(i) 9,843,750 Group I Warrants, 31 May 2013

(together the "Columbia Warrants")

At the time of issue, the Columbia Warrants represented 1.2% of the issued share capital of the Company, although this percentage reduced following completion of the rights issue in September 2011 and is currently 0.5%. Assuming all of the Columbia Warrants were exercised by the warrant holders, the Company could expect to receive aggregate proceeds of S$2,100,000. The exercise price represented a 100% premium to the prevailing market price of the ordinary shares in the capital of the Company prior to the signing of the Columbia Subscription Agreement, based on the volume weighted average price of S$0.01 for trades done on 29 June 2011, being the last market day prior to the signing of the Columbia Subscription Agreement on which there were trades done on the shares.

The proceeds received from the exercising of any warrants will be used for general working capital purposes of the Company.

The impact of the exercise of all warrants was accounted for in determining the weighted average number of ordinary shares for the diluted loss per share.

There were no movements in warrants during the year.

Date of Grant	Balance at 1 January and 31 December 2012	Subscription price (S$)	Expiry date
8 August 2011	105,000,000	0.0760	8 August 2016
6 September 2011	172,910,800	0.0325	8 December 2014
	277,910,800		

7. Audit Committee

The Audit Committee ("AC") comprises the following four members, all but one of whom are Independent:

- Lam Kwok Chong (Chairman) (Independent Director)
- Nicholas George (Independent Director)
- Duncan James Daragon Lewis (Independent Director)
- John Tyler Siegel Jr. (Non-Independent Director)

The AC performs the functions specified in Section 201B (5) of the Act, the Listing Manual and the Code of Corporate Governance 2005.

The AC held four meetings during the financial year ended 31 December 2012. In performing its functions, the AC reviewed the following:

(a) the audit plans of the internal and external auditors and the results of the internal auditor's examination and evaluation of the Company's systems of internal accounting controls;

(b) the Company's and the Group's financial and operating results and accounting policies;

(c) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditor's report on those financial statements;

(d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the Management to the Company's external auditor; and

(f) the re-appointment of the external auditor of the Company.

The AC has full access to and co-operation of the Management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any Director and/or Executive Officer to attend its meetings. The external auditors have unrestricted access to the AC. The AC also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The AC is satisfied with the independence and objectivity of the external auditors and the Company complies with Catalist Rules 712 and 715 in relation to its auditors. The AC has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditors of the Company at the forthcoming annual general meeting.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the AC and the Board are of the opinion that the Group's internal controls were adequate as at 31 December 2012 to address the relevant financial, operation and compliance risks.

8. Auditors

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Brady Reid Rafuse
Director

John Louis Scarano
Director

Singapore
22 March 2013

Statement by Directors

In the opinion of the Directors,

(a) the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, together with the notes thereon, are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Brady Reid Rafuse
Director

John Louis Scarano
Director

Singapore
22 March 2013

Independent Auditors' Report

3

Independent Auditors' Report

Independent Auditors' Report to the members of euNetworks Group Limited

Report on the Financial Statements

We have audited the accompanying financial statements of euNetworks Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46-91.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Certified Public Accountants

Singapore
22 March 2013

Financial Statements

4

Financial Statements

Consolidated statement of comprehensive income for the financial year ended 31 December 2012

	Note	2012 €'m	2011 €'m
Revenue	5	94.8	72.1
Direct network expenses	6	(30.3)	(22.4)
Network operating expenses	6	(21.5)	(14.5)
Staff costs	7	(27.8)	(24.8)
Other administration expenses	8	(7.8)	(8.1)
Depreciation of property, plant and equipment	14	(21.8)	(17.3)
Amortisation of intangibles	15	(2.3)	(1.3)
Other operating income	9	0.2	0.2
Loss on disposal of property, plant and equipment		(0.6)	(0.7)
Operating loss		(17.1)	(16.8)
Financial costs	10	(12.4)	(8.4)
Gain on bargain purchase of a subsidiary		-	4.5
Loss before income tax	11	(29.5)	(20.7)
Income tax (charge)/credit	12	(0.3)	0.6
Loss for the year		(29.8)	(20.1)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(29.8)	(20.1)
Loss for the year and total comprehensive loss for the year			
attributable to:			
Shareholders of the Company		(29.8)	(20.1)
Loss per ordinary share (eurocents)			
- basic and diluted	13	(0.15)	(0.18)

The accompanying notes form an integral part of these financial statements

Financial Statements

Consolidated statement of financial position as at 31 December 2012

	Note	2012 €'m	2011 €'m
Assets			
Non-current assets			
Property, plant and equipment	14	186.7	183.6
Intangible assets	15	37.0	37.0
Deferred tax assets	33	4.9	4.9
Prepayments	16	0.3	0.3
Total non-current assets		228.9	225.8
Current assets			
Infrastructure assets held for resale	18	-	0.3
Trade receivables	19	11.1	8.7
Other receivables	20	1.3	1.1
Prepayments	16	3.6	3.1
Cash and cash equivalents	21	22.6	45.4
Total current assets		38.6	58.6
Total assets		267.5	284.4
Equity and liabilities			
Equity			
Share capital	22	291.7	222.1
Treasury shares	23	(1.9)	(1.9)
Reserves	25	20.6	15.3
Accumulated losses		(104.4)	(74.6)
Total equity		206.0	160.9
Non-current liabilities			
Obligations under finance leases	26	5.9	7.7
Interest bearing borrowings	27	4.7	59.1
Option embedded in bond	27	-	6.5
Provisions	28	5.3	5.1
Deferred revenue	29	8.2	4.6
Deferred tax liabilities	33	6.3	6.7
Total non-current liabilities		30.4	89.7
Current liabilities			
Obligations under finance leases	26	1.3	1.6
Interest bearing borrowings	27	2.8	1.6
Deferred revenue	29	5.4	7.0
Trade and other payables	30	20.7	23.0
Income tax payable		0.9	0.6
Total current liabilities		31.1	33.8
Total liabilities		61.5	123.5
Total equity and liabilities		267.5	284.4

The accompanying notes form an integral part of these financial statements

Statement of financial position of the Company as at 31 December 2012

	Note	2012 €'m	2011 €'m
Assets			
Non-current assets			
Investments in subsidiaries	17	244.3	225.8
Total non-current assets		244.3	225.8
Current assets			
Other receivables	20	0.6	0.2
Prepayments	16	0.2	0.5
Cash and cash equivalents	21	2.4	14.2
Total current assets		3.2	14.9
Total assets		247.5	240.7
Equity and liabilities			
Capital and reserves			
Share capital	22	291.7	222.1
Treasury shares	23	(1.9)	(1.9)
Reserves	25	39.7	34.4
Accumulated losses		(86.0)	(74.1)
Total equity		243.5	180.5
Non-current liabilities			
Interest bearing borrowings	27	-	52.8
Option embedded in bond	27	-	6.5
Total non-current liabilities		-	59.3
Current liabilities			
Interest bearing borrowings	27	1.2	-
Option embedded in bond	27	-	-
Trade and other payables	30	2.8	0.9
Total current liabilities		4.0	0.9
Total equity and liabilities		247.5	240.7

The accompanying notes form an integral part of these financial statements

Financial Statements

Consolidated statement of cash flows for the financial year ended 31 December 2012

	Note	2012 €'m	2011 €'m
Operating activities			
Loss before income tax		(29.5)	(20.7)
Add back/(deduct):			
Depreciation of property, plant and equipment	14	21.8	17.3
Amortisation of intangibles	15	2.3	1.3
Share options expenses	7	5.3	3.4
Financial costs	10	12.4	8.4
Gain on bargain purchase of a subsidiary		-	(4.5)
Loss on disposal of property, plant and equipment		0.6	0.7
Provisions		0.2	0.3
Operating cash flows before working capital changes		13.1	6.2
Total change in working capital	31	(3.1)	10.4
Income tax paid		(0.6)	(0.4)
Net cash inflow from operating activities		9.4	16.2
Cash flows from investing activities			
Purchase of property, plant and equipment	32	(25.5)	(25.6)
Purchase of intangible assets	32	(2.3)	(1.6)
Acquisition of subsidiaries		-	(22.1)
Proceeds on disposal of property, plant and equipment		-	1.3
Net cash outflow from investing activities		(27.8)	(48.0)
Cash flows from financing activities			
Gross proceeds from rights issue		-	73.2
Bond conversion costs		(0.4)	(0.6)
Repayment of vendor loan		(1.6)	(2.0)
Repayment of finance lease obligations	26	(2.1)	(1.5)
Interest paid		(1.0)	(1.5)
Net cash (outflow)/inflow from financing activities		(5.1)	67.6
Effect of exchange rates on cash and cash equivalents		0.7	0.1
Net change in cash and cash equivalents		(22.8)	35.9
Cash and cash equivalents at beginning of the year		45.4	9.5
Cash and cash equivalents at end of the year	21	22.6	45.4

The accompanying notes form an integral part of these financial statements

Financial Statements continued

Statement of changes in equity for the financial year ended 31 December 2012

Group	Share capital €'m	Treasury shares €'m	Reserves: Employee share option reserve €'m	Reserves: Foreign currency translation reserve €'m	Accumulated losses €'m	Total equity €'m
2012						
At 1 January 2012	222.1	(1.9)	14.6	0.7	(74.6)	160.9
Issue of new shares (Note 22)	69.6	-	-	-	-	69.6
Loss for the year, representing total comprehensive income for the year	-	-	-	-	(29.8)	(29.8)
Share options expenses	-	-	5.3	-	-	5.3
At 31 December 2012	291.7	(1.9)	19.9	0.7	(104.4)	206.0
2011						
At 1 January 2011	149.5	(1.9)	11.2	0.7	(54.5)	105.0
Issue of new shares (Note 22)	72.6	-	-	-	-	72.6
Loss for the year, representing total comprehensive income for the year	-	-	-	-	(20.1)	(20.1)
Share options expenses	-	-	3.4	-	-	3.4
At 31 December 2011	222.1	(1.9)	14.6	0.7	(74.6)	160.9

Company	Share capital €'m	Treasury shares €'m	Reserves: Employee share option reserve €'m	Reserves: Asset revaluation reserve €'m	Accumulated losses €'m	Total equity €'m
2012						
At 1 January 2012	222.1	(1.9)	14.6	19.8	(74.1)	180.5
Issue of new shares (Note 22)	69.6	-	-	-	-	69.6
Loss for the year, representing total comprehensive income for the year	-	-	-	-	(11.9)	(11.9)
Share options expenses	-	-	5.3	-	-	5.3
At 31 December 2012	291.7	(1.9)	19.9	19.8	(86.0)	243.5
2011						
At 1 January 2011	149.5	(1.9)	11.2	19.8	(66.5)	112.1
Issue of new shares (Note 22)	72.6	-	-	-	-	72.6
Loss for the year, representing total comprehensive income for the year	-	-	-	-	(7.6)	(7.6)
Share options expenses	-	-	3.4	-	-	3.4
At 31 December 2011	222.1	(1.9)	14.6	19.8	(74.1)	180.5

The accompanying notes form an integral part of these financial statements

Notes to Financial Statements

1. General information

euNetworks Group Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and listed on the Singapore Exchange Securities Trading Limited (SGX – ST). The registered office of the Company is 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. The principal place of business is at 15 Worship Street, London EC2A 2DT, United Kingdom.

The principal activities of the Company are those of investment holding and acting as a corporate manager, advisor and administrative centre to support the business development and marketing of the businesses of its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

The euNetworks group of companies (the "Group") operates high capacity fibre networks, provides high capacity communications infrastructure and networking solutions and services to large corporate companies, carriers, and service providers.

In particular, the Group operates a network which combines a 'long-haul' inter-city network linking Germany, the Netherlands, the United Kingdom, Ireland, France, Belgium, Austria, Sweden, Denmark and the Czech Republic and high density 'last-mile' metropolitan optical fibre networks in London, Frankfurt, Munich, Berlin, Stuttgart, Hamburg, Düsseldorf, Cologne, Paris, Amsterdam, Rotterdam, Utrecht, and Dublin. Duct infrastructure is in place in The Hague and Hanover. The Group also has a nationwide network in Germany.

The main products and services of the Group include lease and sale of private fibre networks to corporate, carrier and mobile customers, bespoke private fibre networking designing and deployment, and carrier grade Internet Protocol (IP) services for enterprises.

The Group also operates 2 secure data centre facilities in Amsterdam and 26 in Germany.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements have been drawn up in accordance with the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

2.2 Basis of preparation

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Euros ("€"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. Euro is the presentation currency of the Group as the major part of the Group's business has been carried out in Euros. All values presented are rounded to the nearest million ("€'m"), except when indicated otherwise.

The accounting policies adopted are consistent with those of the previous financial year. In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior years.

FRS and INT FRS issued but not yet effective

At the date of authorisation of these statements, the following FRS and INT FRS that are relevant to the Group were issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	Presentation of Item of Other Comprehensive Income	1 July 2012
FRS 19 (Revised)	Employee Benefits	1 January 2013
FRS 27 (Revised)	Separate Financial Statements	1 January 2014
FRS 28 (Revised)	Investments in Associate and Joint Ventures	1 January 2014
FRS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 101 (Amendments)	Government Loans	1January 2013
FRS 107 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 110	Consolidated Financial Statements	1 January 2014
FRS 111	Joint Arrangements	1 January 2014
FRS 112	Disclosure of Interests in Other Entities	1 January 2014
FRS 113	Fair Value Measurement	1 January 2013
Improvements to FRSs 2012		1 January 2013
- FRS 1 (Amendments)	Presentation of Financial Statements	
- FRS 16 (Amendments)	Property, Plant and Equipment	
-FRS 32 (Amendments)	Financial Instruments: Presentation	

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Management anticipates that the adoption of the above FRS and INT FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

2.3 Going concern assumption

The Group incurred a loss of €29.8m for the financial year ended 31 December 2012 (2011: €20.1m).

In preparing the consolidated financial statements, the Directors of the Company have considered the future liquidity of the Group and the Company in view of the losses incurred by the Group.

The Directors of the Company actively monitor the cash outflows of the Group and prepare cash forecasts for future periods. The Directors of the Company continue to take action to tighten cost controls over various administrative and other operating expenses, and are actively seeking new business opportunities with an aim to attain profitable and positive cash flow operations.

Under the terms of the Convertible Bonds due to mature on 1 April 2013, bonds will automatically convert into new ordinary shares unless Bondholders elect to exercise their put option to redeem all of their bonds for cash.

During the financial year, Singapore Dollar ("S$") 84,770,731 of the Convertible Bonds were converted into 5,363,199,450 shares as a result of the Exchange Offer made by the Company.

Following the Exchange Offer, the maximum cash payable to Bondholders at the maturity date is now approximately €1.2m. Refer to Note 27 for details of the Convertible Bonds.

In the opinion of the Directors of the Company, the Group and the Company will have sufficient working capital to finance their operations and remain as a going concern in the foreseeable future. Accordingly, notwithstanding that the Group had incurred a loss of €29.8m for the financial year ended 31 December 2012 (2011: €20.1m), the Directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2012 on a going concern basis.

The Management has considered the recoverable amount of non-current assets and determined that these are not impaired.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Company has the power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Notes to Financial Statements

2.5 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from rendering services in connection with the fibre networks and data centre colocation services of the Group is recognised when the services are performed. Payments received in advance for such services are deferred and recognised based on actual usage.

Installation fees are deferred as unearned income and recognised over the period of the contract.

Sale of infrastructure and fibre

The Group, in the course of its ordinary activities, routinely sells items of network infrastructure which it had previously held for use in its network services. The proceeds from such sales are recognised as revenue.

Revenue is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction (including future costs) can be measured reliably. The enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Data centre power revenues

The Group purchases the supply of power to a data centre for both its own use and for the supply of power to the customers' server equipment held in that centre. The Group makes separate charges to its customers, in addition to those it raises for the supply of colocation facilities, to recover the element of power cost that relates to the use of power by customer equipment. Such recharges are recognised as revenue in the period in which the power is consumed.

2.7 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's and the Company's liabilities for current tax are calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate, by the end of the financial year.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of sales tax included.

2.8 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are recognised as an expense in the statement of comprehensive income in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs, interest expense and similar charges are expensed in the statement of comprehensive income in the period in which they are incurred, using the effective interest method.

2.10 Foreign currency transactions and translation

Functional and presentation currency

The individual financial statements of each entity in the Group are measured in the currency of the primary economic environment in which the entity operates ("functional currency").

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Euros (€), which is the functional currency of the Company.

Transactions and balances

Transactions entered into by the Group's entities in a currency other than their functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case, exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

On consolidation, the results of overseas operations are translated into Euros at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences are recognised in profit or loss of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned and are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative amount of exchange differences recognised in the foreign exchange reserve relating to that foreign operation, up to the date of disposal, is recognised in the consolidated statement of comprehensive income as part of the gain or loss on disposal.

2.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment and furniture	over 3 to 10 years
Network equipment	over 3 to 20 years
Telecommunication networks	over 20 years

No depreciation is charged on construction-in-progress as such assets are not yet in use as at the end of the financial year.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of the financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The Group capitalises costs directly associated with expansions and improvements of the Group's telecommunications network and customer installations, costs associated with network construction and provisioning of services. This includes employee related costs. The Group amortises such costs over an estimated useful life of 3 to 20 years.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

The Group transfers infrastructure assets from property, plant and equipment to inventories at their carrying amount at the date on which the intended use of the asset changes from network service delivery to infrastructure sale of assets. These items are carried at the lower of net book value and fair value less cost to sell.

2.12 Intangible assets

Externally acquired intangible assets such as software are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of gain or loss on disposal.

Customer contracts acquired in a business combination

Customer contracts acquired are recognised at their fair value at the acquisition date. The customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the contract period of up to 15 years.

Software licences

Acquired software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use, including employee related costs. Direct expenditure which enhances or extends the performance of the software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining the software are recognised as an expense as incurred.

Software licences are subsequently carried at costs less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 4 years.

Trademarks

Trademarks are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 5 years, which is the shorter of their estimated useful lives and periods of contractual rights.

2.13 Subsidiaries

Investment in subsidiaries is stated at cost on the Company's statement of financial position less impairment in value, if any.

Amounts owing by subsidiaries where settlements are neither planned for nor expected in the foreseeable future are treated as part of the investment cost in the subsidiary and are presented as such (see also Note 17).

2.14 Impairment of non-financial assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.15 Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash with banks and financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group's and Company's loans and receivables in the statement of financial position comprise trade and other receivables and cash and cash equivalents.

Impairment of financial assets

The Group and the Company assess at the end of the financial year whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent the carrying amount of the asset does not exceed its amortised cost at the reversal date.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as fair value through profit or loss if the financial liability is either held for trading, including derivatives not designated are effective as a hedging instrument or it is designated as such upon initial recognition.

Other financial liabilities

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.9).

Trade and other payables

Trade and other payables, including payables to related parties, are recognised initially at fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group or to the Company, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Where financial instruments are redeemed prior to maturity, the difference between the redemption proceeds and the carrying value at the date of redemption is recognised in profit or loss. Where financial instruments are converted to equity, the increase in equity is recorded at the carrying value of the financial liability at the date of conversion.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged.

2.16 Convertible bonds

Convertible bonds issued by the Company can be converted to share capital at the option of the bondholders. On the annual anniversaries of the issuance of the bond there is a test for an annual reset of the conversion price based on the average of the 30 days closing price prior to the anniversary. The number of shares to be issued would be determined based on this reset of the conversion price where applicable.

The liability component of the convertible bond is recognised initially at the fair value of a similar liability that does not have an embedded derivative.

The derivative is recognised initially at its fair value at the date the host contract is entered into and subsequently re-measured to their fair values at the end of each financial year.

Any directly attributable transaction costs are allocated to the liability and embedded derivative in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of the financial instrument is measured at amortised cost using the effective interest method until its extinguishment upon conversion or at the instrument's maturity date. The effective interest rate is the rate that the Group would have to pay if there had been no embedded derivative included in the bond.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.18 Leases

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position of the Group as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated statement of comprehensive income.

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.19 Share-based payments

The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at the fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each financial year, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

Fair value is measured using either the Black-Scholes or the Monte Carlo pricing model. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

2.20 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

2.21 Related parties

A related party is defined as follows:

(a) A person or a close of member of that person's family is related to the Group and Company if that person:

   (i) Has control or joint control over the Company;

   (ii) Has significant influence over the Company; or

   (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions apply:

   (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employees are also related to the Company.

   (vi) The entity is controlled or jointly controlled by a person identified in (a);

   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to Financial Statements continued

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, Management made judgments, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgments made in applying the accounting policies

The following are the critical judgments, apart from those involving estimates that Management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

(i) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgment is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local Management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

(ii) Leases

Leases are classified as an operating lease if the duration of the arrangement is for less than a major part of the facilities' useful lives and the present value of the minimum payments under the arrangement does not amount to at least substantially all of the fair value of the facilities. The classification of leases may change if there are significant changes from previous estimates of the facilities' useful lives and the present value of the minimum payments. The Group uses all readily available information in estimating the useful lives and present value of minimum payments.

(iii) Income taxes

The Management has exercised significant judgment when determining the Group's and the Company's provisions for income taxes. These involve assessing the probabilities that deferred tax assets resulting from deductible temporary differences, unutilised tax losses and unabsorbed tax allowances, if any, can be utilised to offset future taxable income. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of action. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

Given the wide range of international business arrangements, the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate adjustments to tax income and expense in future periods. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group and Company domicile. The carrying amount of income tax payable as at 31 December 2012 is €0.9m (2011: €0.6m) and the carrying amounts of deferred tax assets and liabilities as at 31 December 2012 are disclosed in Note 33 to the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and reported amounts of revenue and expense within the next financial year, are discussed below.

(i) Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account their estimated residual values. The estimated useful life reflects Management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects Management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the useful economic lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's property, plant and equipment at 31 December 2012 are disclosed in Note 14 to the financial statements.

(ii) Impairment of property, plant and equipment

At the end of each financial year, an assessment is made whether there is objective evidence that property, plant and equipment is impaired.

An impairment exists when the carrying value of property, plant and equipment exceed their recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The recoverable amount of property, plant and equipment is determined based on value-in-use, by discounting the expected future cash flows for each cash generating units ("CGU"). Management considers that the Network business and the Colocation business each constitute a CGU.

The expected future cash flows are based on financial budgets approved by Management for a period up to 5 years using a discount rate of 10% (2011:10%) and a long term growth rate of 3% (2011: 3%). Based on this, Management estimated that recoverable amount of property, plant and equipment are in excess of its carrying value and accordingly no allowance for impairment was deemed necessary for property, plant and equipment as at 31 December 2012.

(iii) Impairment of intangible assets

At the end of each financial year, an assessment is made whether there is objective evidence that the intangible assets are impaired.

Impairment exists when the carrying value of intangible assets, comprising of customer contracts, trademarks, software and goodwill, exceed their recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value-in-use. The recoverable amounts of intangible assets are determined based on value-in-use, by discounting the expected future cash flows for each CGU. Management considers that the Network business and the Colocation business each constitute a CGU.

The recoverable amount is sensitive to the discount rate used for discontinued cash flow model as well as the expected future cash inflows and the growth rates used. For further details of assumptions applied in the impairment assessment of intangible assets refer to Note 15 to the financial statements.

(iv) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made whether there is objective evidence that the investments in subsidiaries are impaired. Management's assessment is based on the estimation of the value-in-use of the CGU by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries at 31 December 2012 was €244.3m (2011: €225.8m).

(v) Allowance for doubtful receivables

The policy for allowances for doubtful receivables of the Group and the Company is based on the evaluation of collectability and aging analysis of accounts and on Management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group and the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of the trade and other receivables as at 31 December 2012 is as disclosed in Notes 19 and 20 to the financial statements.

(vi) Equity-settled share-based payments

The charge for equity-settled share-based payments is calculated in accordance with estimates and assumptions which are described in Note 36 to the financial statements. The option valuation model used requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yields, risk-free interest rates and expected staff turnover. The Management draws upon a variety of external sources to aid them in determination of the appropriate data to use in such calculations.

Notes to Financial Statements continued

4. Segmental reporting information

Segment information is based on distinguishable components of the Group that are engaged either in providing products and services (business segments) which are subject to risks and rewards that are different from those other segments.

Segment information is presented in respect of the Group's business, as viewed for management purposes.

Segmental results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated corporate assets and liabilities consist mainly of corporate assets and corporate liabilities that cannot be attributable to any specific segment.

The Group has two operating segments, both located within Europe. Europe is a single geographic segment for the purposes of management and reporting within the Group.

Network business

The Group operates high capacity fibre networks and provides high capacity communications infrastructure and networking solutions and services to large corporate companies, carriers, and service providers.

In particular, the Group operates a network which combines a 'long-haul' inter-city network linking Germany, the Netherlands, the United Kingdom, Ireland, France, Belgium, Austria, Sweden, Denmark and the Czech Republic and high density 'last-mile' metropolitan optical fibre networks in London, Frankfurt, Munich, Berlin, Stuttgart, Hamburg, Düsseldorf, Cologne, Paris, Amsterdam, Rotterdam, Utrecht, and Dublin. Duct infrastructure is in place in The Hague and Hanover. The Group also has a nationwide network in Germany.

The main products and services of the Group include lease and sale of private fibre networks to corporate, carrier and mobile customers, bespoke private fibre networking designing and deployment, and carrier grade Internet Protocol (IP) services for enterprises.

Colocation business

The Group also operates 2 secure data centre facilities in Amsterdam and 26 in Germany.

These facilities provide customers with colocation space and power as either larger suites or individual racks. These activities complement the Network business as customers require connectivity from the data centre to office locations.

Notes to Financial Statements

	2012 €'m	2011 €'m
Revenue		
Network business	75.0	54.6
Colocation business	19.8	17.5
Total	94.8	72.1
All revenue is derived from external sales		
Gross profit		
Network business	51.4	37.0
Colocation business	13.1	12.7
Total	64.5	49.7
Gross profit is revenue less direct network expenses		
Operating (loss)/profit		
Network business	(15.9)	(15.2)
Colocation business	8.6	6.8
Total segments	(7.3)	(8.4)
Corporate costs	(9.8)	(8.4)
Total	(17.1)	(16.8)
Additions to property, plant and equipment and intangible assets		
Network business	26.8	30.8
Colocation business	1.0	1.0
Total	27.8	31.8
Depreciation and amortisation		
Network business	(22.6)	(17.3)
Colocation business	(1.5)	(1.3)
Total	(24.1)	(18.6)
Statement of financial position (Group)		
Assets		
Network business	239.4	244.2
Colocation business	24.9	25.3
Total segment assets	264.3	269.5
Corporate assets	3.2	14.9
Total assets	267.5	284.4
Liabilities		
Network business	49.9	54.9
Colocation business	7.6	8.4
Total segment liabilities	57.5	63.3
Corporate liabilities	4.0	60.2
Total liabilities	61.5	123.5

4. Segmental reporting information *(continued)*

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2012 €'m	2011 €'m	2012 €'m	2011 €'m
Germany	48.9	34.3	142.1	146.5
Netherlands	17.3	17.6	22.9	21.5
United Kingdom	13.4	13.4	40.5	34.4
Ireland	7.8	6.8	13.0	13.1
France	0.5	-	8.9	9.0
Others	6.9	-	1.5	1.3
	94.8	72.1	228.9	225.8

Non-current assets information presented above consists of property, plant and equipment, intangible assets, deferred tax assets and prepayments as presented in the Consolidated Statement of Financial Position of the Group.

5. Revenue

	2012 €'m	2011 €'m
Network services	75.0	54.6
Colocation services	19.8	17.5
	94.8	72.1

There was no revenue from the sale of infrastructure included within network services in 2012 (2011: €1.3m).

Revenues from the single largest customer (in respect of data centre services) represented 7.7% of total revenues (2011: 9.4%).

6. Direct network expenses and network operating expenses

	2012 €'m	2011 €'m
Direct network expenses	30.3	22.4
Network operating expenses	21.5	14.5

Direct network expenses include those costs directly related to the delivery of customer revenues.

Network operating expenses include those costs that relate to the general operation and maintenance of the Group's network assets, and network related charges.

These costs include operating lease expenses of €12.8m (2011: €8.9m).

Notes to Financial Statements

7. Staff costs

	2012 €'m	2011 €'m
Wages and salaries	23.2	19.1
Social security costs	2.3	1.5
Share options expenses	5.3	3.4
Termination costs	0.3	2.1
Other staff costs	0.7	0.7
	31.8	26.8
Less: costs capitalised	(4.0)	(2.0)
	27.8	24.8

Wages and salaries include Directors' remuneration and Directors' fees.

Termination costs in 2011 include an exceptional charge of €0.4m relating to settlements with former Directors.

Other staff costs include costs of recruitment and costs of interim staff.

8. Other administration expenses

	2012 €'m	2011 €'m
Legal and professional fees	1.5	3.6
Office rental	1.5	1.3
Other office costs	1.2	0.5
Travel expenses	1.0	1.2
Marketing costs	0.4	0.2
Other costs	2.2	1.3
	7.8	8.1

Legal and professional fees in 2011 include acquisition costs of €0.5m.

9. Other operating income

	2012 €'m	2011 €'m
Rental income	0.2	0.2

10. Financial costs

	2012 €'m	2011 €'m
Interest on Convertible Bond 3	5.9	7.8
Change in value of the embedded derivative element of Convertible Bond 3	-	(2.0)
Foreign exchange movements	5.0	1.2
Other net interest	1.5	1.4
	12.4	8.4

Details of the convertible bonds are given in Note 27.

Notes to Financial Statements continued

11. Loss before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the consolidated statement of comprehensive income, the above includes the following charges/(credits):

	2012 €'m	2011 €'m
Audit fees:		
- Auditors of the Company	0.1	0.1[1]
- Other auditors	0.3	0.3
Non-audit fees:		
- Auditors of the Company	-	-[2]
- Other auditors	0.2	0.1
	0.6	0.5

Note: *(1) Audit fee paid/payable to the auditors of the Company is €92,000 (2011: €67,000)*
(2) Non-audit fee paid/payable to the auditors of the Company is €7,000 (2011: €6,000)

12. Income tax charge/(credit)

Major components of income tax for the financial years ended 31 December 2012 and 2011 are as follows:

	2012 €'m	2011 €'m
Current tax:		
- Current year	-	0.4
- Under/(Over) provision from prior years	0.7	(0.6)
Deferred income tax:		
- Current year	(0.4)	(0.4)
	0.3	(0.6)

Domestic income tax is calculated at 17% (2011: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2011: 17%) to loss before income tax as a result of the following differences:

	2012 €'m	2011 €'m
Loss before income tax	(29.5)	(20.7)
Income tax at statutory rate of 17% (2011: 17%)	(5.0)	(3.5)
Effect of different tax rates of overseas operations	(1.1)	(0.1)
Unrecognised tax losses	7.3	5.0
Income not subject to tax	(1.6)	(1.4)
Under/(Over) provision of current tax from prior years	0.7	(0.6)
	0.3	(0.6)

Notes to Financial Statements

13. Loss per ordinary share

Loss per ordinary share is stated in eurocents. Basic and diluted loss per ordinary share amounts are calculated by dividing net loss for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Basic and diluted	
	2012	2011
Loss attributable to ordinary equity holders of the Company (€'m)	(29.8)	(20.1)
Weighted average number of ordinary shares (m)	19,272	11,368
Loss per ordinary share (eurocents)	(0.15)	(0.18)

3,424m (2011: 8,992m) issuable shares that could potentially dilute basic earnings per ordinary share in the future were not included in the calculation of diluted earnings per ordinary share because they are anti-dilutive for the years presented.

14. Property, plant and equipment

Group	Telecommunications networks	Network equipment	Office furniture and equipment	Assets under construction	Total
2012	€'m	€'m	€'m	€'m	€'m
Cost					
Balance at 1 January 2012	233.1	46.2	5.2	1.0	285.5
Reclassifications	7.5	(4.3)	(2.2)	(1.0)	-
Additions	15.8	9.2	0.5	-	25.5
Disposals	(0.8)	-	-	-	(0.8)
Balance at 31 December 2012	255.6	51.1	3.5	-	310.2
Accumulated depreciation					
Balance at 1 January 2012	(94.5)	(3.5)	(3.9)	-	(101.9)
Reclassifications	3.7	(5.5)	1.8	-	-
Depreciation	(14.4)	(7.0)	(0.4)	-	(21.8)
Disposals	0.2	-	-	-	0.2
Balance at 31 December 2012	(105.0)	(16.0)	(2.5)	-	(123.5)
Carrying amount					
At 31 December 2012	150.6	35.1	1.0	-	186.7

Notes to Financial Statements continued

14. Property, plant and equipment *(continued)*

Group 2011	Telecommunications networks €'m	Network equipment €'m	Office furniture and equipment €'m	Assets under construction €'m	Total €'m
Cost					
Balance at 1 January 2011	221.5	21.6	4.4	0.2	247.7
Additions	13.4	15.4	0.7	0.7	30.2
Acquisition of subsidiaries	-	18.0	0.1	0.1	18.2
Disposals	(1.8)	(8.8)	-	-	(10.6)
Balance at 31 December 2011	233.1	46.2	5.2	1.0	285.5
Accumulated depreciation					
Balance at 1 January 2011	(83.3)	(5.0)	(3.8)	-	(92.1)
Depreciation	(11.5)	(5.7)	(0.1)	-	(17.3)
Disposals	0.3	7.2	-	-	7.5
Balance at 31 December 2011	(94.5)	(3.5)	(3.9)	-	(101.9)
Carrying amount					
At 31 December 2011	138.6	42.7	1.3	1.0	183.6

As at 31 December 2012, network equipment of the Group with carrying amount of €6.5m (2011: €8.6m) were acquired under finance lease arrangements (Note 26).

15. Intangible assets

Group 2012	Customer contracts €'m	Trademarks €'m	Software €'m	Goodwill €'m	Total €'m
Cost					
Balance at 1 January 2012	16.8	0.5	2.8	21.6	41.7
Additions	-	-	2.3	-	2.3
Reclassifications	0.4	-	(0.4)	-	-
Balance at 31 December 2012	17.2	0.5	4.7	21.6	44.0
Accumulated amortisation					
Balance at 1 January 2012	(4.0)	-	(0.7)	-	(4.7)
Amortisation	(1.3)	(0.1)	(0.9)	-	(2.3)
Reclassifications	(0.1)	-	0.1	-	-
Balance at 31 December 2012	(5.4)	(0.1)	(1.5)	-	(7.0)
Carrying amount					
At 31 December 2012	11.8	0.4	3.2	21.6	37.0

Notes to Financial Statements continued

15. Intangible assets *(continued)*

Group 2011	Customer contracts €'m	Trademarks €'m	Software €'m	Goodwill €'m	Total €'m
Cost					
Balance at 1 January 2011	5.7	-	0.8	-	6.5
Additions – Separately acquired	-	-	1.6	-	1.6
Additions – Acquisition of subsidiaries	11.1	0.5	0.4	21.6	33.6
Balance at 31 December 2011	16.8	0.5	2.8	21.6	41.7
Accumulated amortisation					
Balance at 1 January 2011	(3.2)	-	(0.2)	-	(3.4)
Amortisation	(0.8)	-	(0.5)	-	(1.3)
Balance at 31 December 2011	(4.0)	-	(0.7)	-	(4.7)
Carrying amount					
At 31 December 2011	12.8	0.5	2.1	21.6	37.0

Customer contracts, trademarks and goodwill

The customer contracts additions arose as a result of the acquisitions of LambdaNet and TeraGate in 2011.

The trademarks arose on the acquisition of LambdaNet in 2011.

The goodwill arose as a result of the acquisition of LambdaNet in 2011. There were no other intangible assets with indefinite useful lives at 31 December 2012 and 2011.

Impairment testing on customer contracts, trademarks and goodwill

The customer contracts, trademarks and goodwill have been allocated to two CGUs, which are also the reportable operating segments, for impairment testing as follows:
- Network business
- Colocation business

The carrying amounts of goodwill and other intangibles allocated to each CGU are as follows:

	Network business		Data centres		Total	
	2012 €'m	2011 €'m	2012 €'m	2011 €'m	2012 €'m	2011 €'m
Goodwill	17.5	17.5	4.1	4.1	21.6	21.6
Customer contracts	9.9	10.8	1.9	2.0	11.8	12.8
Trademarks	0.3	0.4	0.1	0.1	0.4	0.5

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for these value-in-use calculations are those regarding the discount rates, growth rates and expected changes to revenue and costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in revenue and costs are based on past practices and expectations of future changes in the market.

The key assumptions adopted for the testing include:

(a) Pre-tax discount rate – Management assessed its weighted average cost of capital and adjusted this rate for asset specific risks as at 31 December 2012 in determining an appropriate pre-tax discount rate for impairment purposes. The resulting discount rate calculated was 10%.

(b) Cash flows – Value-in-use calculations are based on cash flows expected to be generated by the Group over the next 5 years, and is aligned with the long-term forecast approved by the Board of Directors on 7 February 2013. The long-term forecast approved by the Board incorporates forecast operating cash flows for the Network business and Colocation business. All cash flow projections were completed in Euros.

(c) Inflation rate – The assumed inflation rate applied to future expenditure is 3%.

(d) The terminal value growth rate applied is 3%.

(e) Sensitivity testing has been performed on the value-in-use model applied for a reasonably possible change in key assumptions. For both the Network business and Colocation business CGUs, the model showed sufficient headroom over the carrying value of assets, further indicating no impairment loss is required at 31 December 2012.

The testing carried out at the end of the year indicated that both the Network business and Colocation business assets and associated goodwill were not impaired.

16. Prepayments

	Group		Company	
	2012	2011	2012	2011
	€'m	€'m	€'m	€'m
Non-current	0.3	0.3	-	-
Current	3.6	3.1	0.2	0.5
	3.9	3.4	0.2	0.5

Prepayments mainly pertain to network expense, fibre and office rentals and insurance paid in advance.

17. Investments in subsidiaries

	Company	
	2012	2011
	€'m	€'m
Unquoted equity shares, at cost	84.0	84.0
Receivables from subsidiaries	160.3	141.8
	244.3	225.8

The receivables from subsidiaries of €160.3m (2011: €141.8m) comprise mainly of advances provided by the Company to the subsidiaries to fund the subsidiaries' capital expenditure and working capital, and therefore is treated as part of the cost of investment in these subsidiaries. The repayment of these debts owing by the subsidiaries are neither planned nor expected to be made in the foreseeable future. No interest is charged on these receivables.

The details of the subsidiaries are as follows:

Name	Country of incorporation and operation	Principal activities
euNetworks Pte Limited(1)	Singapore	Investment holding company
euNetworks GmbH(2)	Germany	Data network services
euNetworks (BVI) Limited(6)	British Virgin Islands	Investment holding company
euNetworks Ireland Private Fiber Limited(3)	Ireland	Data network services
euNetworks B.V.(4)	The Netherlands	Data network services
euNetworks Data Centres BV(6)	The Netherlands	Colocation services
euNetworks DCH BV(6)	The Netherlands	Colocation services
euNetworks Fiber UK Limited(5)	United Kingdom (England)	Data network services
euNetworks Services GmbH(2)	Germany	IP transit & Colocation services
European Fiber Networks Asset GmbH(6)	Germany	Infrastructure provision
European Fiber Networks "GND" GmbH(6)	Germany	Infrastructure provision
TeraGate AG Storage Optical Network(2)	Germany	Data network services
LambdaNet Communications Deutschland AG(2)	Germany	Data network services
LambdaNet Communications Austria GmbH(6)	Austria	Data network services
LambdaNet Communications s.r.o.(6)	Czech Republic	Data network services
euNetworks SAS(7)	France	Data network services
euNetworks BVBA(6)	Belgium	Data network services

Note: (1) *Audited by BDO LLP, Singapore, a member firm of BDO International Limited.*
(2) *Audited by BDO AG Wirtschaftsprüfungsgesellschaft, a member firm of BDO International Limited.*
(3) *Audited by BDO (Ireland), a member firm of BDO International Limited.*
(4) *Audited by BDO Audit & Assurance B.V., a member firm of BDO International Limited.*
(5) *Audited by BDO LLP (United Kingdom), a member firm of BDO International Limited.*
(6) *Audit not required by law in the country of incorporation.*
(7) *Audited by Deloitte SA.*

The Company has an effective equity interest of 100% in all subsidiaries as at 31 December 2012 and 2011.

18. Infrastructure assets held for resale

The infrastructure assets held for resale of €0.3m at 31 December 2011 comprised specific network assets.

19. Trade receivables

	Group	
	2012	2011
	€'m	€'m
Amounts due from third parties	12.6	9.9
Allowance for doubtful trade receivables	(1.5)	(1.2)
	11.1	8.7

The average credit period on trade receivables in 2012 is 38 days (2011: 36 days).

Allowances made in respect of estimated irrecoverable amounts are determined by reference to past default experience.

The Group does not hold collateral as security for its trade receivables.

19. Trade receivables *(continued)*

Movements in allowance for doubtful trade receivables are as follows:

	Group	
	2012	2011
	€'m	€'m
Balance at 1 January	1.2	0.5
Acquisition of subsidiaries	-	0.6
Written off against allowance	(0.8)	(0.1)
Additions	1.1	0.2
Balance at 31 December	1.5	1.2

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2012	2011
	€'m	€'m
Days due		
0 – 90 days	3.7	1.7
91 – 180 days	0.2	-
181 days and over	-	0.2
Total	3.9	1.9

Management considers that the carrying amount of trade receivables in the financial statements approximates to their fair values.

Trade receivables that were neither past due nor impaired are substantially companies with good collection track record with the Group.

The currency profiles of the Group's trade receivables as at 31 December are as follows:

	Group	
	2012	2011
	€'m	€'m
Euro	10.0	8.3
Pound Sterling	1.0	0.4
Singapore Dollar	0.1	-
	11.1	8.7

Notes to Financial Statements

20. Other receivables

	Group		Company	
	2012	2011	2012	2011
	€'m	€'m	€'m	€'m
Deposits	0.6	0.5	-	-
Sundry receivables	0.7	0.6	0.6	0.2
	1.3	1.1	0.6	0.2

The currency profiles of the Group's and Company's other receivables as at 31 December are as follows:

	Group		Company	
	2012	2011	2012	2011
	€'m	€'m	€'m	€'m
Euro	0.7	1.1	-	0.2
Pound Sterling	0.6	-	0.6	-
	1.3	1.1	0.6	0.2

21. Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
	€'m	€'m	€'m	€'m
Bank balances	20.9	43.4	2.4	14.2
Fixed deposits	1.7	2.0	-	-
	22.6	45.4	2.4	14.2

Fixed deposits of the Group amounting to €1.7m (2011: €1.7m) were pledged to banks to secure credit facilities granted to the subsidiaries.

Fixed deposits bear interest ranging from nil to 0.5% (2011: nil to 0.5%) per annum and are for a tenure of approximately 90 days (2011: 90 days).

The currency profiles of the Group's and Company's cash and cash equivalents as at 31 December are as follows:

	Group		Company	
	2012	2011	2012	2011
	€'m	€'m	€'m	€'m
Euro	12.3	21.5	-	-
Pound Sterling	7.7	9.7	-	-
Singapore Dollar	2.4	14.2	2.4	14.2
Others	0.2	-	-	-
	22.6	45.4	2.4	14.2

Bank deposits are mainly deposits with banks with high credit ratings assigned by international rating agencies.

22. Share capital

	Group and Company			
	2012	2011	2012	2011
	No. of ordinary shares (m)		€'m	€'m
Issued and paid up:				
At beginning of year	17,141	8,646	222.1	149.5
Issued during year	5,363	8,495	69.6	72.6
At end of year	22,504	17,141	291.7	222.1

During the year, S$84,770,731 of the convertible bonds were converted into 5,363,199,450 ordinary shares at a price of S$0.01997 each, increasing share capital by S$107.1m or €69.6m.

In the previous year, a similar, partial conversion of the 2013 bond was undertaken, which resulted in the issue of 324,481 ordinary shares at a price of S$0.018491 each and 1,209,222 ordinary shares at a price of S$0.017780 each, increasing share capital by S$27,500 or €16,000. In addition, the Company also announced a Rights Issue on 20 May 2011 which was completed on 9 September 2011. As a result of the Rights Issue, 8,494,291,524 ordinary shares were issued by the Company, with net proceeds of S$127m or €72.6m.

All newly issued ordinary shares rank pari-passu with the existing ordinary shares. The Company has one class of ordinary shares which carry no right to fixed income. Share capital does not have a par value and there is no authorised share capital. The holders of ordinary shares of the Company are entitled to receive dividends as and when declared by the Company. All ordinary shares of the Company carry one vote per share without restriction.

23. Treasury shares

	Group and Company			
	2012	2011	2012	2011
	Number of ordinary shares		€'m	€'m
Issued and paid up:				
At beginning and end of year	46,160,000	46,160,000	(1.9)	(1.9)

24. Warrants

(1) 2009 Warrants

On 15 October 2009, the Company announced that it had entered into a conditional subscription agreement (the "Subscription Agreement") for the issue of an aggregate of 86,455,400 warrants at a nominal consideration. Each warrant entitles the warrant holder the right to subscribe for one new ordinary share in the capital of the Company, at an exercise price of S$0.05 per warrant (subject to adjustment in certain circumstances pursuant to the terms and conditions on which the warrants are issued).

On 8 December 2009, the Company announced the completion of the subscription for three groups of warrants on that date, as follows:

(a) one warrant group comprising 43,227,700 warrants;

(b) one warrant group comprising 21,613,850 warrants; and

(c) one warrant group comprising 21,613,850 warrants, (together the "2009 Warrants").

At the time of issue, the 2009 Warrants represented 1.0% of the issued share capital of the Company. Assuming all of the 2009 Warrants were exercised by the warrant holder, the Company could expect to receive aggregate proceeds of S$4,322,770. The exercise price represented a 100% premium to the prevailing market price of the ordinary shares in the capital of the Company prior to the signing of the Subscription Agreement, based on the volume weighted average price of S$0.025 for trades done for the ordinary shares for the full market day on which the Subscription Agreement was signed.

On 15 September 2011, the Company announced certain adjustments to the 2009 Warrants following the recent rights issue and pursuant to the terms and conditions of the 2009 Warrants. The exercise price of each 2009 Warrant was adjusted to S$0.0325 and the number of 2009 Warrants in each of the warrant groups referred to above was adjusted, in each case doubling the number of 2009 Warrants.

Following these adjustments, the 2009 Warrants continued to represent 1.0% of the issued share capital of the Company. Assuming all of the 2009 Warrants were exercised by the warrant holder, the Company could expect to receive aggregate proceeds of S$5,619,601.

(2) Columbia Warrants

On 30 June 2011, the Company announced that it had entered into a conditional subscription agreement (the "Columbia Subscription Agreement") for the issue of an aggregate of 105,000,000 warrants at nominal consideration. Each warrant entitles the warrant holder the right to subscribe for one new ordinary share in the capital of the Company, at an exercise price of S$0.02 per warrant (subject to adjustment in certain circumstances pursuant to the terms and conditions on which the warrants are issued).

On 8 August 2011, the Company announced the completion of the subscription for nine groups of warrants, exercisable in the following numbers and from the following dates:

(a) 26,250,000 Group A Warrants, 8 August 2011;

(b) 9,843,750 Group B Warrants, 31 August 2011;

(c) 9,843,750 Group C Warrants, 30 November 2011;

(d) 9,843,750 Group D Warrants, 29 February 2012;

(e) 9,843,750 Group E Warrants, 31 May 2012;

(f) 9,843,750 Group F Warrants, 31 August 2012;

(g) 9,843,750 Group G Warrants, 30 November 2012;

(h) 9,843,750 Group H Warrants, 28 February 2013; and

(i) 9,843,750 Group I Warrants, 31 May 2013

(together the "Columbia Warrants")

At the time of issue, the Columbia Warrants represented 1.2% of the issued share capital of the Company, although this percentage reduced following completion of the rights issue in September 2011. Assuming all of the Columbia Warrants were exercised by the warrant holders, the Company could expect to receive aggregate proceeds of S$2,100,000. The exercise price represented a 100% premium to the prevailing market price of the ordinary shares in the capital of the Company prior to the signing of the Columbia Subscription Agreement, based on the volume weighted average price of S$0.01 for trades done on 29 June 2011, being the last market day prior to the signing of the Columbia Subscription Agreement on which there were trades done on the shares.

The proceeds received from the exercising of any warrants will be used for general working capital purposes of the Company.

The impact of the exercise of all warrants was accounted for in determining the weighted average number of ordinary shares for the diluted loss per share.

There were no movements in Warrants during the year.

	Number	S$	Expiry Date
Balance at 1 January 2012 and 31 December 2012			
Issued on 8 August 2011	105,000,000	0.0760	8 August 2016
Issued on 6 September 2011	172,910,800	0.0325	8 December 2014
Total	277,910,800		

25. Reserves

	Group 2012 €'m	Group 2011 €'m	Company 2012 €'m	Company 2011 €'m
Employee share option reserve	19.9	14.6	19.9	14.6
Foreign currency translation reserve	0.7	0.7	-	-
Asset revaluation reserve	-	-	19.8	19.8
	20.6	15.3	39.7	34.4

Movements in these reserves accounts are set out in the statements of changes in equity of the Group and the Company.

(i) Employee share option reserve
The employee share option reserve of the Company and the Group arises on the grant of share options of the Company and is dealt with in accordance with the accounting policies set out in Note 2.19 to the financial statements.

(ii) Foreign currency translation reserve
The foreign currency translation reserve account comprises all foreign exchange differences arising from the translation of the financial statements of the companies in the Group whose functional currencies are different from that of the Group's presentation currency.

(iii) Asset revaluation reserve
The asset revaluation reserve is used to record increases in the fair value of asset and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

26. Obligations under finance leases

The Group has finance leases for certain items of property, plant and equipment. The finance lease payable is denominated in Euro. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group Minimum lease payments €'m	Group Future finance charges €'m	Group Present value of minimum lease payments €'m
2012			
Within one year	2.0	(0.6)	1.4
Within one to five years	5.8	(1.3)	4.5
Greater than five years	1.6	(0.3)	1.3
	9.4	(2.2)	7.2
Current			1.3
Non-current			5.9
			7.2
2011			
Within one year	2.2	(0.6)	1.6
Within one to five years	7.1	(1.3)	5.8
Greater than five years	2.0	(0.1)	1.9
	11.3	(2.0)	9.3
Current			1.6
Non-current			7.7
			9.3

The finance lease terms range from 5 to 18 years.

The average effective interest rate charged during the financial year is 7.54% (2011: 7.49%) per annum. Interest rates are fixed at the contract date. As at the end of the financial year, the fair values of the Group's finance lease obligations approximate their carrying amounts.

The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets, which will revert to the lessors in the event of default by the Group.

27. Interest bearing borrowings

	Group		Company	
	2012	2011	2012	2011
	€'m	€'m	€'m	€'m
Current:				
Loans from former owners of an acquired company	1.6	1.6	-	-
Liability component of convertible bonds	1.2	-	1.2	-
Total current portion	2.8	1.6	1.2	-
Non-current:				
Loans from former owners of an acquired company	4.7	6.3	-	-
Liability component of convertible bonds	-	52.8	-	52.8
Total non-current portion	4.7	59.1	-	52.8
	7.5	60.7	1.2	52.8

The loan from the former owner is repayable in four annual instalments of €1.6m each and incurs interest at a rate of LIBOR +2%. The loan has been guaranteed in exchange for the issue of Columbia Warrants. Refer to Note 24 for more details on the warrant issue.

The carrying amount of the liability component of the convertible bonds at the end of the respective financial years is analysed as follows:

	Group and Company	
	2012	2011
	€'m	€'m
Convertible Bond 3		
Liability component on 1 January/issue of bond	52.8	44.0
Converted to share capital	(62.6)	-
Interest expense	5.9	7.8
Foreign exchange movement	5.1	1.0
Liability component at 31 December	1.2	52.8
Total liability component of bonds at 31 December	1.2	52.8
Fair value of bonds at 31 December	1.2	52.8

Convertible Bond 3

In April 2010, the Company entered into a subscription agreement in relation to the issue by the Company of the aggregate S$86.5m in principal amount of the convertible bonds due 2013.

Each convertible bond will be convertible at the option of the holder into fully paid new equity shares of the Company at an initial conversion price of S$0.02 per share ("conversion price"). The conversion price is subject to adjustment in certain circumstances in the manner provided in the terms and conditions. Subject to this, the conversion is reset every six months from the issue date to values reaching S$0.015806 on maturity.

Principal terms of Convertible Bond 3

Issue date:	1 April 2010
Maturity date:	31 March 2013 (3 Years)
Issue price:	97%
Redemption price:	126.53%
Coupon:	Nil

The gross proceeds from the issue of the convertible bond in 2011 were €44.8m. Underwriting fees and other expenses relating to this offering were €1.6m. The net proceeds of the issue were used to repay Convertible Bond 2 and to fund existing and future capital expenditure and for general corporate purposes and for working capital. The interest charged for the financial year is calculated by applying an effective interest rate of 18.1% to the liability component.

The bond has been treated as a hybrid financial instrument, having a host debt component and an embedded conversion option under FRS 39. The embedded derivative was separated from its host contract and was shown as a liability, rather than equity. It was revalued to its fair value at the end of each accounting period, and the movement taken to the consolidated statement of comprehensive income.

The embedded derivative was valued at €8.0m at inception and nil at 31 December 2012 (2011: €6.5m).

The terms and salient features of the 2013 bond are as set out in the Offer Information Statement dated 8 March 2010.

During the year, S$84,770,731 of the convertible bonds were converted into 5,363,199,450 ordinary shares at a price of S$0.01997 each, increasing share capital by €69,560,836.

28. Provisions

	Group	
	2012	2011
	€'m	€'m
At 1 January	5.1	-
Arose during the year	0.2	0.3
Acquisition of subsidiary	-	4.8
At 31 December	5.3	5.1

The provision for restoration costs was in relation to the rebuilding obligations that exist on the 25 (2011: 25) points of presence locations in Germany.

Notes to Financial Statements

29. Deferred revenue

	Group	
	2012	2011
	€'m	€'m
The deferred revenue will be released		
- within one financial year	5.4	7.0
Total current deferred revenue	5.4	7.0
- between two and five financial years	4.2	3.3
- more than five financial years	4.0	1.3
Total non-current deferred revenue	8.2	4.6
Total deferred revenue	13.6	11.6

Deferred revenue comprises dark fibre leases, operational and maintenance services as well as instalment fees.

30. Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	€'m	€'m	€'m	€'m
Trade payables – owed to third parties	3.3	6.7	-	0.1
Other payables – owed to third parties	1.7	1.3	-	-
Accrued expenses	15.7	15.0	2.8	0.8
	20.7	23.0	2.8	0.9

The average credit period on trade payables is 29 days (2011: 36 days).

No interest is charged on the trade and other payables.

The currency profiles of the Group's and Company's trade and other payables as at 31 December are as follows:

	Group		Company	
	2012	2011	2012	2011
	€'m	€'m	€'m	€'m
Euro	14.3	14.9	-	-
Pound Sterling	6.4	5.9	0.6	0.1
Singapore Dollar	-	1.1	2.2	0.8
United States Dollar	-	1.1	-	-
	20.7	23.0	2.8	0.9

Management considers that the carrying amount of trade and other payables in the financial statements approximates their fair value.

31. Changes in working capital

	Group	
	2012	2011
	€'m	€'m
Trade receivables	(2.4)	2.6
Other receivables	(0.2)	4.5
Prepayments	(0.5)	0.3
Trade and other payables	(2.3)	4.5
Deferred revenue	2.0	(2.4)
Infrastructure assets held for resale	0.3	0.9
	(3.1)	10.4

32. Purchase of property, plant and equipment and intangible assets

During the financial year, the Group acquired plant and equipment and intangible assets for an aggregate of €27.8m (2011: €31.8m) of which nil (2011: €0.3m) was acquired by means of finance leases. Cash payments of €27.8m (2011: €27.2m) were made to purchase property, plant and equipment and intangible assets. There were no non-cash payments in 2012 and 2011.

33. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position of the Group as follows:

	Group	
	2012	2011
	€'m	€'m
Deferred tax assets		
- to be recovered after one year	4.9	4.9
Deferred tax liabilities		
- to be settled after one year	(6.3)	(6.7)

Notes to Financial Statements

The movements in deferred tax liabilities are as follows:

Group	Difference in amortisation of intangibles €'m	Difference in depreciation for tax purposes €'m	Provisions €'m	Total €'m
2012				
At beginning of financial year	3.2	3.3	0.2	6.7
Credited to consolidated statement of comprehensive income (Note 12)	-	(0.4)	-	(0.4)
At end of financial year	3.2	2.9	0.2	6.3
2011				
At beginning of financial year	-	3.7	-	3.7
Acquisition of subsidiaries	3.2	-	0.2	3.4
Credited to consolidated statement of comprehensive income (Note 12)	-	(0.4)	-	(0.4)
At end of financial year	3.2	3.3	0.2	6.7

At the end of the financial year, the Group had unutilised tax losses of approximately €309.6m (2011: €284.2m) which are available for offset against future taxable profits. A deferred tax asset of €4.9m has been recognised in respect of €24.1m (2011: €24.1m) of such losses. This arose from the acquisition of LambdaNet in the previous year which mainly pertains to tax losses of the subsidiary which are available to offset against future taxable profits.

No deferred tax asset has been recognised in respect of the remaining of €285.5m (2011: €260.1m) due to uncertainty of their future realisation. These losses may be carried forward indefinitely subject to agreement by relevant tax authorities.

34. Commitments

Operating lease commitments

Group as lessee

The Group has entered into commercial non-cancellable leases on properties (office rooms, points of presence), dark fibre, data centre space, motor vehicles and items of small machinery where it is not in the best interests of the Group to purchase these assets. The leases have an average life of between 3 and 10 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

	Group	
	2012 €'m	2011 €'m
Not later than one year	15.8	25.1
Later than one year and not later than five years	22.8	35.0
Later than five years	22.5	21.4
	61.1	81.5

Notes to Financial Statements continued

34. Commitments *(continued)*

Group as lessor

The Group has entered into commercial leases on its networks properties. The following table sets out the future minimum lease payments receivable under non-cancellable operating leases as at 31 December as follows:

	Group	
	2012	2011
	€'m	€'m
Not later than one year	8.8	6.7
Later than one year and not later than five years	19.5	13.8
Later than five years	14.6	6.5
	42.9	27.0

Capital commitments

As at the end of the financial year, commitments in respect of capital expenditure are as follows:

	Group	
	2012	2011
	€'m	€'m
Capital expenditure contracted but not provided for		
- Commitments for the acquisition of property, plant and equipment	2.1	4.5

35. Related parties disclosures

Related parties are entities with common direct or indirect shareholders and/or Directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

The amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

There were no related party transactions in 2012.

In the prior year, the following table provides the total amount of transactions which were entered into in 2011 with related parties:

Related party	Financial year	Interest paid to related parties €'m
Shareholders of the Group		
Columbia EUN Partners V, LLC	2011	0.1
EUN Partners V, LLC	2011	0.7
GK Goh Strategic Holdings Pte Ltd	2011	0.1
Key management personnel of the Group		
Directors	2011	0.1

In 2011, the above Shareholders and Directors made loans totalling €37.8m to the Company which were repaid within the same year. The loans all incurred interest at a rate of 9% per annum.

Compensation of key management personnel of the Group:

	2012 €'m	2011 €'m
Short term employee benefits	1.6	1.3
Share option expenses	2.5	1.5
Settlements with departing Directors	-	0.4
	4.1	3.2

The total remuneration of the Directors of the Company during the year amounted to €5.5m (2011: €3.8m).

36. Share option scheme

The euNetworks Group Limited Share Option Scheme (the "2000 Scheme") and the euNetworks Group Limited 2009 Share Option Scheme (the "2009 Scheme") enables certain Directors and certain classes of employees of the Company and its subsidiaries to subscribe for ordinary shares in the capital of the Company, exercisable at varying periods from the date of grant depending on whether the exercise price is set at market price in respect of that offer. Other information regarding the Scheme is set out below:

(a) The exercise price of the option can be set at a discount to the market price in respect of options granted at the time of grant; and

(b) The shares under option are to be exercised in full or in 1,000 share or a multiple thereof on the payment of the subscription price.

Under the 2000 Scheme and the 2009 Scheme, share options granted, exercised and cancelled/expired during the financial year and outstanding as at 31 December 2012 are as follows:

Date of grant	Balance at 1 January 2012 No.	Cancelled/ expired No.	Balance at 31 December 2012 No.	Subscription price S$	Vesting date
2000 Scheme					
1 January 2007	32,560,713	-	32,560,713	0.0467	31 December 2008
1 January 2007	15,897,092	(935,123)	14,961,969	0.0433	31 December 2009
1 January 2007	22,500,000	-	22,500,000	0.0333	31 December 2009
30 June 2009	50,432,317	(28,818,467)	21,613,850	0.03	29 June 2012
	121,390,122	(29,753,590)	91,636,532		

36. Share option scheme *(continued)*

Date of grant	Balance at 1 January 2012 No.	Cancelled/ expired No.	Balance at 31 December 2012 No.	Subscription price S$	Vesting date
2009 Scheme					
27 October 2009	82,497,654	-	82,497,654	0.025	26 October 2010
27 October 2009	82,497,655	-	82,497,655	0.025	26 October 2011
27 October 2009	73,852,114	-	73,852,114	0.025	26 October 2012
27 October 2009	57,636,936	-	57,636,936	0.015	16 February 2010
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2010
27 October 2009	57,636,936	-	57,636,936	0.015	16 February 2011
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2011
27 October 2009	57,636,936	-	57,636,936	0.015	16 February 2012
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2012
27 October 2009	86,455,404	-	86,455,404	0.015	15 March 2013
16 March 2010	52,881,647	(52,881,847)	-	0.015	16 March 2011
16 March 2010	2,881,847	(2,881,847)	-	0.015	16 March 2012
16 March 2010	2,881,847	(2,881,847)	-	0.015	16 March 2013
26 March 2010	11,527,386	-	11,527,386	0.015	26 March 2011
26 March 2010	11,527,386	-	11,527,386	0.015	26 March 2012
26 March 2010	11,527,387	-	11,527,387	0.015	26 March 2013
28 April 2010	31,700,314	-	31,700,314	0.020	28 April 2011
28 April 2010	31,700,314	-	31,700,314	0.020	28 April 2012
28 April 2010	31,700,315	-	31,700,315	0.020	28 April 2013
28 April 2010	240,807,932	(1,905,454)	238,902,478	0.020	28 April 2014
6 July 2010	21,613,851	-	21,613,851	0.015	6 July 2011
6 July 2010	21,613,851	-	21,613,851	0.015	6 July 2012
6 July 2010	21,613,851	-	21,613,851	0.015	6 July 2013
6 July 2010	8,310,397	-	8,310,397	0.015	6 July 2014
2 December 2010	15,866,656	-	15,866,656	0.016	2 December 2011
2 December 2010	15,866,657	-	15,866,657	0.016	2 December 2012
2 December 2010	15,866,657	-	15,866,657	0.016	2 December 2013
21 June 2011	8,333,333	(8,333,333)	-	0.015	21 June 2012
21 June 2011	8,333,333	(8,333,333)	-	0.015	21 June 2013
21 June 2011	8,333,334	(8,333,334)	-	0.015	21 June 2014
14 November 2011	745,194,055	(36,143,960)	709,050,095	0.0158	14 November 2013
14 November 2011	372,597,027	(18,071,981)	354,525,046	0.0158	14 November 2014
14 November 2011	372,597,027	(18,071,980)	354,525,047	0.0158	14 November 2015
21 December 2011	7,500,000	(7,500,000)	-	0.0178	21 December 2013
21 December 2011	3,750,000	(3,750,000)	-	0.0178	21 December 2014
21 December 2011	3,750,000	(3,750,000)	-	0.0178	21 December 2015
21 December 2011	94,997,587	-	94,997,587	0.0178	21 December 2012
21 December 2011	94,997,587	-	94,997,587	0.0178	21 December 2013
21 December 2011	94,997,586	-	94,997,586	0.0178	21 December 2014
	3,122,849,211	(172,838,916)	2,950,010,295		
	3,244,239,333	(202,592,506)	3,041,646,827		

Note: *The grants above have been announced on SGXNET and there were no grants in 2012.*

There were no share options granted in 2012 (2011: 1,815,380,870 share options). The estimated fair values of the share options granted in 2011 were €18.4m for the vesting period from 21 June 2012 to 21 December 2014.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The estimate of the fair value of share options as at the date of grant is estimated by the Directors using the Black Scholes model (or using Monte Carlo simulation, where the share option contain performance criteria), taking into account the terms and conditions upon which the options were granted. The inputs to the model used and the fair value at measurement date are shown below.

Date of grant	Expected dividend yield (%)	Performance conditions	Expected volatility (%)	Risk-free interest rate (%)	Expected life of options (years)	Exercise price (S$)	Share price at date of grant (S$)	Fair value at measurement date (S$)	Valuation model
Share options granted under the 2000 Scheme									
1 January 2007	0	No	70	3.03	5	0.0467	0.14	0.0837	Black-Scholes
1 January 2007	0	No	70	3.03	5	0.0433	0.13	0.0859	Black-Scholes
1 January 2007	0	No	70	3.03	5	0.0333	0.1	0.0934	Black-Scholes
27 August 2007	0	No	70	2.59	5	0.055	0.165	0.0979	Black-Scholes
30 June 2009	0	No	70	1.45	5	0.03	0.03	0.0175	Black-Scholes
Share options granted under the 2009 Scheme									
27 October 2009	0	No	70	1.44	8	0.015	0.025	0.0193	Black-Scholes
27 October 2009	0	No	70	1.44	8	0.025	0.025	0.0174	Black-Scholes
16 March 2010	0	No	70	1.30	8	0.015	0.015	0.0104	Black-Scholes
26 March 2010	0	No	70	1.32	8	0.015	0.015	0.0104	Black-Scholes
28 April 2010	0	No	70	1.12	8	0.02	0.02	0.0138	Black-Scholes
28 April 2010	0	No	70	1.12	8	0.02	0.02	0.0116	Black-scholes
28 April 2010	0	Yes	70	1.12	8	0.02	0.02	0.0123	Monte Carlo
6 July 2010	0	No	70	0.80	8	0.015	0.02	0.0146	Black-Scholes
6 July 2010	0	Yes	70	0.80	8	0.015	0.02	0.0133	Monte Carlo
14 September 2010	0	No	70	0.72	8	0.015	0.015	0.0103	Black-Scholes
14 September 2010	0	Yes	70	0.72	8	0.015	0.015	0.0080	Monte Carlo
2 December 2010	0	No	70	1.23	8	0.016	0.015	0.0102	Black-Scholes
21 June 2011	0	No	70	1.05	8	0.015	0.01	0.0062	Black-Scholes
14 November 2011	0	No	70	0.56	8	0.0158	0.016	0.0110	Black-Scholes
14 November 2011	0	Yes	70	0.56	8	0.0158	0.016	0.0088	Monte Carlo
14 November 2011	0	No	70	0.56	5	0.0158	0.016	0.0092	Black-Scholes
21 December 2011	0	No	70	0.61	8	0.0178	0.018	0.0124	Black-Scholes
21 December 2011	0	Yes	70	0.61	8	0.0178	0.018	0.0108	Monte Carlo

The expected volatility is based on the historic volatility of the telecommunication services industry, adjusted for any expected changes to future volatility due to publicly available information.

37. Financial risk management objectives and policies

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between cost of risks occurring and the cost of managing risks. The Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Group's principal financial liabilities comprise a convertible bond, the option embedded within the bond and trade payables. The main purpose of the convertible bond is to provide finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and cash equivalents, which arise directly from its operations.

It is, and has been throughout the financial year, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (which includes interest rate risk and foreign currency risk). The Management reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

Credit risk is the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group has no significant concentration of credit risk because trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial conditions of trade receivables.

Whilst the Group has been increasing its customer base since the previous financial year, revenue from the single largest customer represented 7.7% of total revenues (2011: 9.4%).

For banks and financial institutions, only independently rated and regulated parties are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Management.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and other receivables, the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments. The Management does not expect counterparties to fail to meet their obligations.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group and the Company manage the liquidity risk by maintaining a level of cash and cash equivalents deemed adequate to finance the Group's and the Company's business operations, future capital expenditure and for working capital purposes. The Group's and the Company's objectives are to maintain a balance between continuing of funding and flexibility through the use of convertible bond issues and may consider other fund raising exercises such as rights issues, private placements or equity-related exercise.

The Group prepares weekly rolling cash flow forecasts which are reviewed by Management. Liquidity is managed centrally by the Group finance function.

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive (or pay). The table includes both interest and principal cash flows.

Notes to Financial Statements

Group	Effective interest rate	Up to 3 months	Between 3 and 12 months	1 to 2 years	2 to 4 years	Total
	%	€m	€m	€m	€m	€m
Financial assets						
Cash and cash equivalents	0	22.6	-	-	-	22.6
Trade and other receivables	0	12.4	-	-	-	12.4
As at 31 December 2012		35.0	-	-	-	35.0
Cash and cash equivalents	0	45.4	-	-	-	45.4
Trade and other receivables	0	9.8	-	-	-	9.8
As at 31 December 2011		55.2	-	-	-	55.2
Financial liabilities						
Trade and other payables	0	20.7	-	-	-	20.7
Obligations under finance leases	8	0.3	1.0	2.6	3.3	7.2
Convertible Bonds	18	-	1.3	-	-	1.3
As at 31 December 2012		21.0	2.3	2.6	3.3	29.2
Trade and other payables	0	23.0	-	-	-	23.0
Obligations under finance leases	7	0.4	1.2	2.9	4.8	9.3
Convertible Bonds	18	-	-	65.1	-	65.1
As at 31 December 2011		23.4	1.2	68.0	4.8	97.4

Company	Effective interest rate	Up to 3 months	Between 3 and 12 months	1 to 2 years	2 to 4 years	Total
	%	€m	€m	€m	€m	€m
Financial assets						
Cash and cash equivalents	0	2.4	-	-	-	2.4
Other receivables	0	0.6	-	-	-	0.6
As at 31 December 2012		3.0	-	-	-	3.0
Cash and cash equivalents	0	14.2	-	-	-	14.2
Other receivables	0	0.2	-	-	-	0.2
As at 31 December 2011		14.4	-	-	-	14.4
Financial liabilities						
Other payables	0	2.8	-	-	-	2.8
Convertible Bonds	18	-	1.3	-	-	1.3
As at 31 December 2012		2.8	1.3	-	-	4.1
Other payables	0	0.9	-	-	-	0.9
Convertible Bonds	18	-	-	65.1	-	65.1
As at 31 December 2011		0.9	-	65.1	-	66.0

37. Financial risk management objectives and policies *(continued)*

Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates could result in changes in interest income and expense as well as the value of financial instruments.

The Group's income and operating cash flows are substantially independent of changes in market interest rate. The Group has no significant interest-bearing assets and liabilities other than the convertible bonds.

The outstanding principal of convertible bond 2013 of S$1.7m has a premium on redemption of 26.53% payable on 31 March 2013 if the bonds are not converted to equity by or on that date. The effective interest amount, which the Group and the Company have to pay, could be reduced by conversion or redemption of convertible bonds.

At 31 December 2012, if there were conversions of €1.0m of the convertible bonds, the effect on the consolidated statement of comprehensive income would have been €0.18m (2011: €0.18m) lower, as a result of the conversions.

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates could result in fluctuation in the value of assets, liabilities, revenue and costs where the underlying transactions and balances are held in foreign currency.

The Group mainly operates in the Euro zone. Most of the transactions in relation to the European business are concluded in Euro and the functional currency of all subsidiaries is Euro.

The Group does not use derivative financial instruments to hedge its foreign currency risk except for the purchase and settlement of a foreign currency hedge in March 2010 to hedge against the movement of the Euro against the Singapore Dollar in respect of the proceeds of the 2013 bond.

Foreign currency sensitivity analysis

The Group is mainly exposed to Pound Sterling and Singapore Dollars.

The following table details the Group's sensitivity to a change of 10 eurocent against the Pound Sterling and Singapore Dollar. The sensitivity analysis assumes an instantaneous change of 10 eurocent for a Pound Sterling or a Singapore Dollar in the foreign currency exchange rates from the statement of financial position date, with all variables held constant.

	← Increase/(Decrease) →	
Group	**Consolidated statement of comprehensive income**	
	2012	**2011**
	€'m	**€'m**
Pound Sterling		
Strengthens against Euro	0.2	0.4
Weakens against Euro	(0.2)	(0.4)
Singapore Dollar		
Strengthens against Euro	(0.1)	(4.6)
Weakens against Euro	0.1	4.6

38. Fair value of financial assets and financial liabilities

The fair values of the convertible bonds and the provisions have been calculated by discounting the future cash flows at market rate. For all other financial assets and financial liabilities of the Group, their carrying amounts are a reasonable approximation of their fair values due to their short-term maturities.

Notes to Financial Statements

The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables, approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of financial liabilities are determined using the following fair value hierarchy.

(i) the fair values of financial liabilities with standard terms and conditions and which trade in active liquid markets are determined with reference to quoted market prices (Level 1 of fair value hierarchy);

(ii) in the absence of quoted market prices, the fair values of the other financial liabilities (excluding derivative fair value hierarchy instruments) are determined using the other observable inputs such as quoted prices for similar liabilities in active markets, quoted prices for identical or similar liabilities in non-active markets or inputs other than quoted prices that are observable for the liability (Level 2 of fair value hierarchy); and

(iii) in the absence of observable inputs, the fair values of the remaining financial liabilities (excluding derivatives instruments) are determined in accordance with generally accepted pricing models (Level 3 of fair value hierarchy).

The fair value of derivative instruments are calculated using quoted prices (Level 1 of fair value hierarchy). Where such prices are unavailable, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives (Level 3 of fair value hierarchy).

There have been no changes in the valuation techniques used.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

A summary of the financial instrument held by category is provided below:

	Loans and receivables	
	2012	2011
Group	€'m	€'m
Financial assets		
Cash and cash equivalents	22.6	45.4
Trade and other receivables	12.4	9.8
Total financial assets	35.0	55.2

	Amortised cost		Fair value through profit and loss	
	2012	2011	2012	2011
	€'m	€'m	€'m	€'m
Financial liabilities				
Trade and other payables	20.7	23.0	-	-
Obligations under finance lease	7.2	9.3	-	-
Convertible bonds	1.2	52.8	-	-
Interest bearing loan	6.3	7.9	-	-
Option embedded in bond (level 3 of hierarchy)	-	-	-	6.5
Total financial liabilities	35.4	93.0	-	6.5

38. Fair value of financial assets and financial liabilities *(continued)*

Movements in level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value base on significant unobservable input (level 3):

Embedded derivative	2012 €'m	2011 €'m
Opening balance	6.5	8.5
Released during the year	(6.5)	-
Total gains - in profit or loss	-	(2.0)
Closing balance	-	6.5

Impact of changes to key assumptions of fair value of level 3 financial instruments

The following table shows the impact on fair value of level 3 financial instruments by using reasonably possible alternative assumptions.

	Effect of reasonably possible alternative assumptions		
Embedded derivative	Carrying Amount €'m	Favourable €'m	Unfavourable €'m
2012	*	*	*
2011	6.5	4.0	(3.9)

* Denotes amount less than €100,000

For embedded derivatives, the fair value had been determined using either the Black Scholes valuation model or Monte Carlo simulation where stock price volatility is a key assumption. The Group adjusted the assumption by 20% from Management's estimates, which is considered by the Group to be a reasonably possible estimate.

39. Capital management policies and objectives

The Management's policy is to ensure that the Group is able to continue as a going concern and to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group regards the equity attributable to shareholders as capital. Equity is represented by net assets.

The Group's Management reviews the capital structure on a regular basis. As part of this review, Management considers the cost of capital and the risks associated with each class of capital. The Group balances its overall capital structure through new share issues, the issue of new debt and the redemption of existing debt. The Group's overall strategy remains unchanged from 2011.

	Group	
	2012 €'m	2011 €'m
Interest bearing borrowings	7.5	60.7
Obligations under finance leases	7.2	9.3
Cash and cash equivalents	(22.6)	(45.4)
Net (asset)/debt	(7.9)	24.6
Total equity	206.0	160.9
Total capital	198.1	185.5
Gearing ratio	n/a	13%

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents. The total capital is calculated as equity plus net debt.

The Board regularly reviews the funding profile of the Group and determines the issue or redemption of financial instruments to meet the Group's funding requirement while ensuring an appropriate balance between debt and equity.

The Company also purchases its own shares from the market and the timing of these purchases depends on market prices. Primarily, such actions are intended to enhance the return to the Company's shareholders and to be used for issuing shares under the Group's share options scheme. Buy and sell decisions are made on a specific transaction basis by the Management. The Company does not have a defined share buy-back plan.

The Management believes that employees' participation in the capital of the Company will increase the shareholders' value and therefore will maintain the Group's share option scheme, which is extended to both key Management personnel and to certain classes of employees of the Group.

There are no further changes in the Group's approach to capital management during the financial year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

40. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of euNetworks Group Limited on 22 March 2013.

Statistics of Shareholdings and Bondholdings

5

Shareholders' Information
as at 15 March 2013

Shareholders' Information as at 15 March 2013

I.	Class of equity securities	:	Ordinary shares
	Number of equity securities	:	22,505,781,663
	Voting rights	:	One vote per share
II.	Number of treasury shares	:	46,160,000
	Voting rights	:	None

The percentage of this holding against equity securities excluding treasury shares is 0.21%.

Statistics of Shareholdings

Distribution of Shareholdings

Size of Holdings	Number of Shareholders	%	Number of Shares	%
1 - 999	63	0.97	23,941	0.00
1,000 - 10,000	1,681	25.80	9,388,678	0.04
10,001 - 1,000,000	4,466	68.54	708,749,851	3.15
1,000,001 and above	306	4.69	21,787,619,193	96.81
Total	6,516	100.00	22,505,781,663	100.00

Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

	Direct Interests		Deemed Interests		Total Interests	
Substantial Shareholder	No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(1)
Mr Daniel Simon Aegerter (2)	1,806,284,867	8.03	-	-	1,806,284,867	8.03
Columbia EUN Partners V, LLC (3)	2,037,691,905	9.05	-	-	2,037,691,905	9.05
EUN Partners V, LLC (4)	6,553,906,633	29.12	-	-	6,553,906,633	29.12
Columbia Capital V, LLC and others (5)	-	-	8,591,598,538	38.18	8,591,598,538	38.18
G.K. Goh Strategic Holdings Pte Ltd	2,054,135,951	9.13	-	-	2,054,135,951	9.13
G.K. Goh Holdings Ltd (6)	-	-	2,054,135,951	9.13	2,054,135,951	9.13
GKG Investment Holdings Pte Ltd (7)	-	-	2,768,773,077	12.30	2,768,773,077	12.30
Mr Goh Yew Lin (7)	142,489,117	0.63	2,768,773,077	12.30	2,911,262,194	12.94
Mr Goh Geok Khim (7)	358,881,940	1.59	2,768,773,077	12.30	3,127,655,017	13.90
Mackenzie Cundill Recovery Fund (8)	1,895,523,219	8.42	-	-	1,895,523,219	8.42
Mackenzie Financial Corporation (9)	-	-	2,132,463,621	9.48	2,132,463,621	9.48
Gelco Enterprises Ltd., Nordex Inc. and Pansolo Holdings Inc. (9)	-	-	2,132,463,621	9.48	2,132,463,621	9.48
Power Financial Corporation, 171263 Canada Inc. and Power Corporation of Canada (9)	-	-	2,132,463,621	9.48	2,132,463,621	9.48
Mackenzie Inc. and IGM Financial Inc. (9)	-	-	2,132,463,621	9.48	2,132,463,621	9.48
Mr Paul G. Desmarais (9)	-	-	2,132,463,621	9.48	2,132,463,621	9.48
Fortress Partners Offshore Securities LLC (10)	1,177,307,000	5.23	-	-	1,177,307,000	5.23
Fortress Partners Master Fund L.P. and Fortress Partners Offshore Master GP LLC (11)	-	-	1,177,307,000	5.23	1,177,307,000	5.23
Fortress Partners Advisors LLC, Fortress Investment Holdings II LLC, Fortress Operating Entity I L.P., FIG Corp. and Fortress Investment Group LLC (12)	-	-	1,892,727,000	8.41	1,892,727,000	8.41

Shareholders' Information continued

Notes:

(1) *Based on 22,505,781,663 Shares (excluding treasury shares) as at 15 March 2013.*

(2) *The 1,806,284,867 Shares are registered in the name of Citibank Nominees Singapore Pte Ltd.*

(3) *Out of 2,037,691,905 Shares held by Columbia EUN Partners V, LLC, 31,459,066 Shares are registered in the name of Citibank Nominees Singapore Pte Ltd.*

(4) *Out of 6,553,906,633 Shares held by EUN Partners V, LLC, 60,540,934 Shares are registered in the name of Citibank Nominees Singapore Pte Ltd.*

(5) *Both Columbia EUN Partners V, LLC and EUN Partners V, LLC are under the management and control of Columbia Capital Equity Partners V, L.P. ("Columbia LP"). In turn, Columbia LP is under the management and control of Columbia Capital V, LLC (the "Columbia Manager"). Accordingly, both Columbia LP and the Columbia Manager are deemed to be interested in the 2,037,691,905 Shares held by Columbia EUN Partners V, LLC and in the 6,553,906,633 Shares held by EUN Partners V, LLC. Each of James B. Fleming Jr., Harry F. Hopper III and John T. Siegel Jr. (each, a "Management Individual"), is deemed to be interested in the 2,037,691,905 Shares held by Columbia EUN Partners V, LLC and in the 6,553,906,633 Shares held by EUN Partners V, LLC because the Columbia Manager is accustomed to act in accordance with their directions.*

In addition to the Columbia Manager, Columbia LP and the Management Individuals:

(a) *Columbia Capital Equity Partners V (QP) L.P. is also deemed to be interested in the 2,037,691,905 Shares held by Columbia EUN Partners V, LLC because Columbia Capital Equity Partners V (QP) L.P. holds all of the shares in Columbia EUN Partners V, LLC; and*

(b) *the following persons are also deemed to be interested in the 6,553,906,633 Shares held by EUN Partners V, LLC:*

(i) *Columbia Capital Equity Partners V (NON-US) L.P. and Columbia Capital Equity Partners V (Co-Invest) L.P., because they are associates who respectively hold 11% and 8% of the units in EUN Partners V, LLC.;*

(ii) *The Northern Trust Company in its capacity as custodian of Future Fund Investment Company No. 4 Pty Ltd ("Future Fund") holds 100% of the shares of Greenspring Growth Equity L.P. ("Greenspring"). In turn, Greenspring is entitled to exercise not less than 20% of the votes attached to the voting shares in Columbia Capital Equity Partners V (NON-US) L.P. and Columbia Capital Equity Partners V (Co-Invest) L.P. Accordingly, Future Fund and Greenspring are deemed interested in the shares held by EUN Partners V, LLC.;*

(iii) *Separately, Greenspring is also entitled to exercise not less than 20% of the votes attached to the voting shares in BVP Special Opportunity Fund L.P. ("BVPSOF"). BVPSOF holds 12,299,426 shares of the Company. Accordingly, Future Fund and Greenspring are deemed interested in the shares held by BVPSOF;*

(iv) *Columbia Capital Equity Partners IV (QP), L.P. and Columbia Capital Equity Partners IV (QPCO) L.P., because they are associates who respectively hold 34% and 4% of the units in EUN Partners V, LLC; and*

(v) *Morgan Stanley Private Markets Fund IV L.P., Stormbay & Co for the benefit of Vijverpoort Huizen C.V., and Yawlbreak & Co. for the benefit of GTB Capital Partners LP, and Morgan Stanley Private Markets Fund V L.P., because they are associates who respectively hold 19%, 1%, 18% and 5% of the units in EUN Partners V, LLC.*

(6) *G.K. Goh Holdings Ltd is deemed interested in the 2,054,135,951 Shares held by G.K. Goh Strategic Holdings Pte Ltd.*

(7) *GKG Investment Holdings Pte Ltd, Goh Yew Lin and Goh Geok Khim are deemed interested in the 2,054,135,951 Shares held by G.K. Goh Strategic Holdings Pte Ltd and 714,637,126 Shares held by Alpha Securities Pte Ltd.*

(8) *The 1,895,523,219 Shares are registered in the name of DBS Nominees (Private) Limited.*

(9) *Mackenzie Financial Corporation ("MFC") is the investment manager of Mackenzie Cundill Recovery Fund ("MCRF"). Mackenzie Cundill Investment Management (Bermuda) Ltd., a subsidiary of MFC, is the investment manager of Cundill International Company Limited ("CICL"). Accordingly, MFC is deemed interested in the 1,895,523,219 Shares held by MCRF and 236,940,402 Shares held by CICL. The 1,895,523,219 Shares held by MCRF are registered in the name of DBS Nominees (Private) Limited and the 236,940,402 Shares held by CICL are registered in the name of DBSN Services Pte Ltd.*

In addition to MFC, the following persons are also deemed to be interested in the 1,895,523,219 Shares held by MCRF and in the 236,940,402 Shares held by CICL:

(a) *Gelco Enterprises Ltd., Nordex Inc., and Pansolo Holdings Inc. by virtue of their deemed interests in such Shares managed by their downstream subsidiaries as fund managers;*

(b) *Power Financial Corporation, 171263 Canada Inc. and Power Corporation of Canada ("PCC") by virtue of their deemed interests in such Shares managed by their downstream subsidiaries as fund managers;*

(c) *Mackenzie Inc. and IGM Financial Inc. by virtue of their deemed interests in such Shares managed by their downstream subsidiaries as fund managers; and*

(d) *Mr Desmarais by virtue of his indirect controlling interest in, amongst others, PCC, which in turn has deemed interest in such Shares managed by PCC's subsidiaries as fund managers.*

(10) *The 1,177,307,000 Shares held by Fortress Partners Offshore Securities LLC ("FPOSL") comprised 847,911,000 Shares registered in the name of DBS Nominees (Private) Limited and 329,396,000 Shares registered in the name of Raffles Nominees (Pte.) Limited.*

(11) *Fortress Partners Master Fund L.P. ("FPMFL") is deemed interested in the 1,177,307,000 Shares held by FPOSL through its 100% shareholding in FPOSL. Fortress Partners Offshore Master GP LLC ("FPOMGL") is also deemed interested in the 177,307,000 held by FPOSL as it is the general partner of FPMFL and manages, controls the operation of, and determines the policy with respect to, FPMFL.*

Shareholders' Information

(12) *The following persons are deemed to be interested in 1,892,727,000 Shares comprising (i) 1,177,307,000 Shares held by FPOSL and (ii) 715,420,000 Shares held by Fortress Partners Securities LLC ("FPSL"), comprising 666,970,000 Shares registered in the name of DBS Nominees (Private) Limited and 48,450,000 Shares registered in the name of Raffles Nominees (Pte.) Limited:*

(a) *Fortress Partners Advisors LLC ("FPAL") is deemed interested in the 1,892,727,000 Shares held by FPOSL and FPSL as FPAL is the investment manager of both FPMFL (which in turn is deemed interested in the 1,177,307,000 Shares held by FPOSL through its 100% shareholding in FPOSL) and Fortress Partners Fund LP ("FPFL"), which in turn is deemed interested in the 715,420,000 Shares held by FPSL through its 100% shareholding in FPSL;*

(b) *Fortress Investment Holdings II LLC ("FIHIL") is deemed interested in the 1,892,727,000 Shares held by FPOSL and FPSL through its 100% shareholding in FPAL;*

(c) *Fortress Operating Entity I L.P. ("FOEIL") is deemed interested in the 1,892,727,000 Shares held by FPOSL and FPSL through its 100% shareholding in FIHIL.*

For completeness, FOEIL is also deemed interested in:

(i) *the 1,177,307,000 Shares held by FPOSL through its 100% shareholding in FPOGML, the general partner of FPMFL (which in turn holds 100% of the shares in FPOSL); and*

(ii) *the 715,420,000 Shares held by FPSL through its 100% shareholding in Fortress Principal Investment Holdings IV LLC which has a 100% shareholding stake in Fortress Partners GP LLC. Fortress Partners GP LLC is the general partner of FPFL (which in turn has a 100% shareholding stake in FPSL);*

(d) *FIG Corp. ("FC") is deemed interested in the 1,892,727,000 Shares held by FPOSL and FPSL as it is the general partner of FOEIL; and*

(e) *Fortress Investment Group LLC ("FIGL") is deemed interested in the 1,892,727,000 Shares held by FPOSL and FPSL through its 100% shareholding in FC.*

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	EUN Partners V, LLC	6,493,365,699	28.85
2	DBS Nominees Pte Ltd	3,554,253,994	15.79
3	Citibank Nominees Singapore Pte Ltd	3,205,577,717	14.24
4	G K Goh Strategic Holdings Pte Ltd	2,054,135,951	9.13
5	Columbia EUN Partners V, LLC	2,006,232,839	8.91
6	Alpha Securities Pte Ltd	714,637,126	3.18
7	DBSN Services Pte Ltd	535,614,670	2.38
8	Raffles Nominees (Pte) Ltd	380,470,000	1.69
9	Goh Geok Khim	358,881,940	1.59
10	HSBC (Singapore) Nominees Pte Ltd	345,830,001	1.54
11	Leong Wah Kheong	270,835,000	1.20
12	Morgan Stanley Asia (Singapore) Securities Pte Ltd	219,150,000	0.97
13	Goh Yew Lin	142,489,117	0.63
14	Ho Kam Yew	113,000,000	0.50
15	United Overseas Bank Nominees Pte Ltd	87,352,000	0.39
16	UOB Kay Hian Pte Ltd	52,220,714	0.23
17	Maybank Kim Eng Securities Pte Ltd	50,359,112	0.22
18	Brenda Ann O'Keefe	43,899,000	0.20
19	Maybank Nominees (S) Pte Ltd	36,425,000	0.16
20	CIMB Securities (Singapore) Pte Ltd	32,094,000	0.14
	Total	20,696,823,880	91.94

Percentage of Shareholdings in Public Hands

21.08% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the SGX-ST's Listing Manual Section B: Rules of Catalist.

Bondholders' Information as at 15 March 2013

Statistics of Bondholdings

Distribution of Bondholdings

Size of Holdings	Bondholders	%	No. of Bonds	%
1 - 999	35	38.46	11,324	4.29
1,000 - 10,000	50	54.95	142,050	53.83
10,001 - 1,000,000	6	6.59	110,500	41.88
Total	91	100.00	263,874	100.00

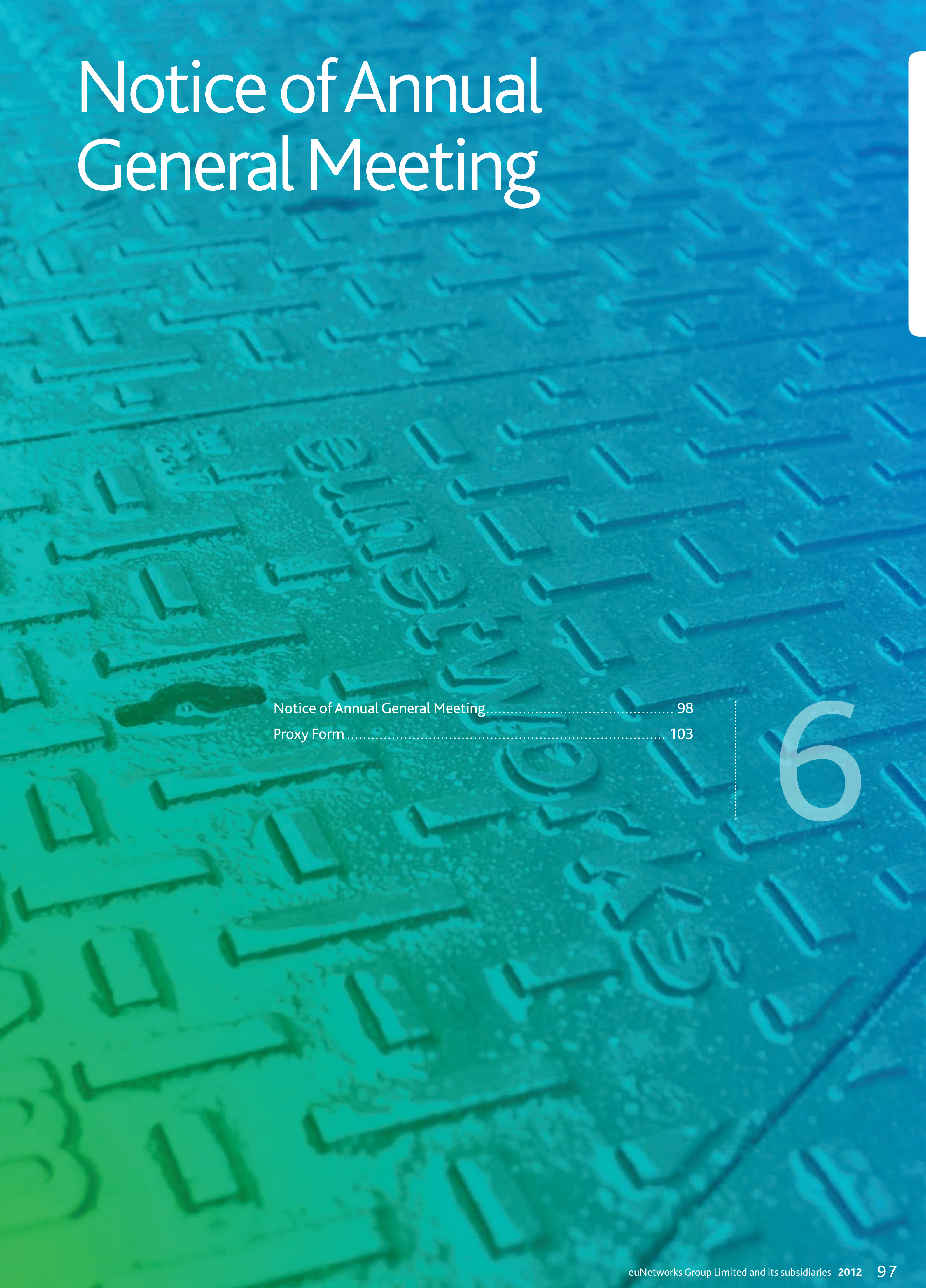
Twenty Largest Bondholders

No.	Name	No. of Bonds	%
1	Ong Choon Lim	28,000	10.61
2	Kong Ming Leong Nicholas	20,000	7.58
3	Looi Wah Loong	20,000	7.58
4	Tan Lin Kuan James	20,000	7.58
5	Cheng Yow Hui @ Cheng Yow Hooi	12,000	4.55
6	Ng Gek Kheng	10,500	3.98
7	DBS Vickers Securities (S) Pte Ltd	10,000	3.79
8	Maybank Kim Eng Securities Pte Ltd	10,000	3.79
9	Toh Wen Keong Joachim	10,000	3.79
10	Lee Kim	8,000	3.03
11	Sheng Lihua	7,000	2.65
12	Loh Boon Yiong	6,000	2.27
13	Winnie Lee @ Lee Fei Nee	6,000	2.27
14	Tan Nian Huang	5,450	2.07
15	Lim Wee Ngee	5,000	1.89
16	Low Kim Koon	5,000	1.89
17	Zhao Guo Ping	5,000	1.89
18	Low Li Li	3,200	1.21
19	Lim Chin Hock	3,000	1.14
20	Lim Chong Han	3,000	1.14
	Total	197,150	74.70

Note: *Information provided relates to Bondholders who have not exercised their Put Option.*

Notice of Annual General Meeting

6



Notice of Annual General Meeting

EUNETWORKS GROUP LIMITED
(Company Registration No. 199905625E)
(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of euNetworks Group Limited (the "Company") will be held at Samsung Hub, 3 Church Street, Level 8, Changi Room, Singapore 049483 on Wednesday, 24 April 2013 at 10.30 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2012, together with the Auditors' Report thereon.
   (Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Article 91 of the Articles of Association of the Company:

Mr. Brady Reid Rafuse	(Retiring under Article 91)	**(Resolution 2)**
Mr. Lam Kwok Chong	(Retiring under Article 91)	**(Resolution 3)**
Mr. Kai-Uwe Ricke	(Retiring under Article 91)	**(Resolution 4)**

   Mr. Rafuse will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee and will be considered Non-Independent.

   Mr. Lam will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and will be considered Independent.

   Mr. Ricke will, upon re-election as a Director of the Company, remain as a member of the Audit, Nominating, Remuneration and ESOS Committees and will be considered Independent.

3. To approve the payment of Directors' fees of up to €250,000 (equivalent to S$408,000) for the year ending 31 December 2013 (2012: €250,000 (equivalent to S$416,000)).
   (Resolution 5)

4. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
   (Resolution 6)

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

As Special Business

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist (the "Catalist Rules"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed three per centum (3%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (i)]

(Resolution 7)

Notice of Annual General Meeting continued

7. **Authority to issue shares under the euNetworks Group Limited 2009 Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the euNetworks Group Limited 2009 Share Option Scheme (the "2009 Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted by the Company under the 2009 Scheme, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the 2009 Scheme on any date shall not, when aggregated with any shares (a) capable of issue pursuant to outstanding options and awards granted under the euNetworks Group Limited Share Option Scheme, the 2009 Scheme, the euNetworks Group Limited Share Performance Plan and such other share incentive schemes as may be operated by the Company from time to time (collectively, the "Share Incentive Schemes") and (b) held by the trustee of any employee share trust as may be established by any member of the Group (being the Company, its subsidiaries and, if any, its associated companies over which the Company has control) from time to time, in connection with any Share Incentive Scheme or otherwise (the "Trustee"), exceed twenty-two per centum (22%) of the total number of issued shares (excluding treasury shares) in the capital of the Company on that date, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)]
(Resolution 8)

By Order of the Board

Yip Ming Fai
Secretary
Singapore, 5 April 2013

Notice of Annual General Meeting continued

Explanatory Notes

(i) The Ordinary Resolution 7 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, three per centum (3%) of the total number of issued shares (excluding treasury shares) in the capital of the Company.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the 2009 Scheme on any date, up to a number when aggregated with any shares (a) capable of issue pursuant to outstanding options and awards granted under the Share Incentive Schemes and (b) held by the Trustee not exceeding in total (for the entire duration of the 2009 Scheme) twenty-two per centum (22%) of the total number of issued shares (excluding treasury shares) in the capital of the Company on that date.

As at the date of this Notice, no member of the Group has established a trust in connection with the Share Incentive Schemes and, accordingly, no shares are currently held by the Trustee for purposes hereof.

For the avoidance of doubt, while the euNetworks Group Limited Share Performance Plan (the "Plan") that was adopted by the Company on 4 October 2006 is still in force, no authority for granting new awards is being sought as the Company does not intend to grant any new awards under the Plan and no authority for issuing new shares is being sought as no outstanding awards remain (and, accordingly, no Shares are capable of issue under the Plan).

Notes:

1. Every shareholder of the Company entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the registered office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

This notice and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this notice. This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice. The contact person for the Sponsor is Mr Jason Chian (Director, Corporate Finance), CIMB Bank Berhad, Singapore Branch, 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone (65) 6337 5115.

Notes

Proxy Form

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. For investors who have used their CPF monies to buy euNetworks Group Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF

euNetworks Group Limited (Company Registration No. 199905625E) (Incorporated in the Republic of Singapore)

I/We,*____________________________________ of ______________________________________
being a member/members of euNetworks Group Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
and/or (delete as appropriate)			
Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Samsung Hub, 3 Church Street, Level 8, Changi Room, Singapore 049483 on Wednesday, 24 April 2013 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' Report and Audited Accounts for the year ended 31 December 2012		
2	Re-election of Mr Brady Reid Rafuse as a Director		
3	Re-election of Mr Lam Kwok Chong as a Director		
4	Re-election of Mr Kai-Uwe Ricke as a Director		
5	Approval of Directors' fees amounting to €250,000 (equivalent to S$408,000) for the year ending 31 December 2013		
6	Re-appointment of Messrs BDO LLP as Auditors		
7	Authority to issue new shares		
8	Authority to issue shares under the euNetworks Group Limited 2009 Share Option Scheme		

Dated this ____________________ day of ____________________ 2013

____
Signature of Shareholder(s) or, Common Seal of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

*Delete where inapplicable

Proxy Form continued

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Email: info@eunetworks.com
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Registered in Singapore Number 199905625E

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euNetworks
bandwidth. from the ground up.