

**FOR IMMEDIATE RELEASE**

## **euNetworks Reports First Quarter Results**

- Total revenue of €8.0 million
- Gross Margin of 80%
- 13 new customers gained in the quarter
- Increased local focus combined with simplification of the product portfolio to deliver improved market positioning

**London, UNITED KINGDOM – 13 May 2010** - euNetworks Group Limited (SGX: H23.SI), announced quarterly growth in total revenue of 14% against first quarter 2009, achieving €8.0 million revenue. Gross Margin was 80%, remaining constant compared to first quarter 2009. Revenue growth has been accompanied by a 14% increase in direct costs from first quarter 2009. Focus on growing long term recurring revenue continued in the quarter, with 13 new customer wins in the finance, wholesale and media segments, with an average contract length of 25 months.

At the beginning of 2010, the Company changed the way gross profit is presented. Gross profit is now determined as revenues less expenses directly related to revenues, or 'Direct Network Expense'. The management and directors of the Company believe that this presentation of gross profit is in line with standard telecoms industry practice and will provide a clearer picture of the profitability of current and future customer revenues.

"We have made good progress through the first quarter, delivering revenue growth, gaining more long term recurring revenue contracts and establishing customer relationships which will deliver further revenue growth to the business in the future," said Brady Rafuse, Chief Executive Officer of euNetworks. "Improving our position in the European market as a bandwidth infrastructure provider is crucial as we move through 2010. Following the simplification of our product portfolio in the quarter along with increasing our local focus to leverage market growth opportunities, I am confident we are moving forward with our plan. The completion of the Rights Issue on 6 April 2010 and a growing sales funnel provides a solid platform for the year."

The year ahead for euNetworks is centred on continued implementation of the operational model. Investing in the network to maximise return on invested capital and



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adding traffic intensive buildings onto the network are key initiatives. We are extremely focused on the importance of managing our cost base, and ensuring our expenditures are an investment. At the same time, it is critical that we drive on-net networking revenues across our whole footprint, delivering the value that our unique assets offer.

### **Significant Milestones in First Quarter 2010**

Through the first quarter, the management team continued to develop these plans, increasing the number of sales people in growth markets and extending Ethernet and Wavelength services into the metro networks.

### ***Positioning for Segment Growth***

The fastest growth segment in the quarter was once more the financial services and trading sectors, demanding high performance and ultra low latency networking solutions. euNetworks continues to invest in improving the latency in our metro and longhaul networks, improving our competitive position in this fast growing market. The wholesale segment also showed steady growth in the quarter, with a growing sales funnel of opportunity.

### ***Leveraging the Growth Opportunity***

In the metro we see growing demand for high capacity end-to-end connectivity. With 13 operational metro networks across Europe, the company is positioned for growth. A program of directly connecting traffic intensive buildings to the metro network is commencing, and important to that has been strengthening our local sales teams. During the quarter euNetworks recruited 10 new sales people in Germany, the United Kingdom and the Netherlands, opening offices for the first time in Munich and Hamburg. We are now confident that the teams in place can effectively address and grow our revenue in all 13 operational markets.

### ***Continued Shift in New Sales Blend***

In 2009 we saw a fundamental shift in our sales profile, with a significant portion of new sales falling into the networking side of our business. In 2009, 75% of sales were networking related. This trend continued through the first quarter, with over 98% of new sales in networking services and less than 2% in colocation. We anticipate quarterly fluctuations of this ratio through the year, but in keeping with our overall strategy, networking services is our core business focus going forward.

### ***Product Realignment***

During the quarter we simplified our product portfolio to provide a clear message to the market of our position as a bandwidth infrastructure provider. Consisting of fibre, dedicated fibre, wavelengths, Ethernet and IP transit, our product set provides customers with the building blocks to support their growing demand for bandwidth in the metro.

### ***Rights Issue***

Although completed after the first quarter, it is worth noting that on 6 April 2010 the company completed a renounceable partially underwritten Rights Issue of approximately S\$86.5 million in aggregate principal amount of zero coupon convertible bonds due 2013 in the denomination of S\$1 on the basis of one convertible bond for every 100 existing extraordinary shares at an issue price S\$0.97 for each convertible bond. The gross proceeds raised were S\$83.9 million, with an equivalent Euro value of €44.8 million. The net proceeds are being used to repay the convertible bonds due in 2012 and to fund capital expenditure and working capital.

### **2010 Business Outlook**

Demand for our services is growing but we are mindful that there remains a tipping point- our services come into their own at the Gigabit level. A number of our enterprise customers have embraced this, but for many enterprise organisations in Europe today, that may seem too much. Industry experience suggests that the European telecoms industry lags the US market by 18-24 months. In the US, the bandwidth infrastructure companies have seen a transition from 100Mb to Gigabit services, and we see this occurring in Europe as well. We anticipate increased demand from existing customers and a wider addressable market from more segments growing into our sweet spot for bandwidth service provision.

While this is the outlook we expect in the European market, macroeconomic conditions continue to create a challenging environment.

As we move into the second quarter, we will invest in the network and optimise our operating model across the business to deliver on the opportunity that we see. The increased local sales presence and simplification of our product portfolio as well as underlying operational processes that has occurred in the first quarter, enables us to drive revenue growth more effectively through the next three quarters. At the same



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time, we continue to monitor macroeconomic conditions that may impact our customers and subsequently, our business.

### **About euNetworks**

euNetworks Group Limited (SGX: H23:SI) is a bandwidth infrastructure provider and owns 15 fibre based metropolitan networks across Europe connected with a high capacity intercity backbone. The company offers a portfolio of metro and longhaul Ethernet and Internet Protocol services including dark fibre, dedicated fibre, wavelength, Ethernet, and Internet. Enterprise and carrier 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 Stock Exchange. For further information please visit [www.eunetworks.com](http://www.eunetworks.com).

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