



euNetworks

## euNetworks Reports First Quarter 2011 Results

### First Quarter 2011

- Total revenue of €10.5m, up 19% from 1Q 2010
- Gross profit of €7.8m, up 22% from 1Q 2010
- Gross margin of 74.3%, up from 72.7% in 1Q 2010
- Adjusted EBITDA of €0.4m, improving from €(1.6)m in 1Q 2010
- Net loss of €(3.6)m, improving from €(8.4)m in 1Q 2010
- 14 new customers signed in the quarter

**London, UNITED KINGDOM – 12 May 2011** – euNetworks Group Limited (SGX: H23.SI), announced strong first quarter results, with further improvement in key fundamentals. Total revenues grew by 19% year on year, from €8.8m in 1Q 2010 to €10.5m in 1Q 2011. All revenues were recurring in the quarter. Gross profit for the quarter increased by 22% from 1Q 2010. Gross margin for the quarter was 74.3%, up from 72.7% in 1Q 2010 and 70.1% in 4Q 2010. Adjusted EBITDA<sup>(1)</sup> was €0.4m for the quarter, achieved on the basis of recurring revenue and continuing the positive progression as the business scales.

“These results are a good start to the year and our funnel of opportunity continues to grow,” said Brady Rafuse, Chief Executive Officer of euNetworks. “Sales were strong in the period and will generate new revenues in the next couple of quarters. Our key financial metrics have continued to improve, with growth in revenues year on year, increasing gross margin and positive adjusted EBITDA for the quarter. Our product set is meeting our customer’s bandwidth needs, with continued traction in both key and new market segments. I am encouraged by this first quarter performance and look forward to the year ahead.”

### First Quarter 2011 in Review

A strong sales performance in the quarter and the continued focus on key financial metrics provides solid foundations for the year ahead for euNetworks. The Company continued the focus on leveraging network assets, with two new low latency routes developed, and more buildings connected to the network in the quarter.

### Sales Performance

Total new sales order contract value was €12.8m in 1Q 2011, up from €6.4m in 1Q 2010 and €8.0m in 4Q 2010. Over 98% of sales in the quarter were for network services, spread across euTrade, Fibre, Ethernet and Wavelengths.

Average contract term increased to 53 months, up from 25 in 1Q 2010 and 26 in 4Q 2010, driven by longer term contracts for Fibre services. Several customers made a strategic decision to incorporate euNetworks’ fibre into their network infrastructure, supporting their long term growth. The Company sees further opportunity to sell fibres under similar term agreements, with such deals being pursued across the euNetworks footprint.

(1) Adjusted EBITDA means EBITDA before the deduction of share option expense and is designed to broadly reflect the company’s operating cash flow.



# euNetworks

Wholesale and Financial services were key growth segments through the quarter. Wholesale sales were focused on Fibre and Wavelengths. The Company developed two new low latency routes to serve the growing demand for its euTrade service portfolio from existing customers in the financial services community. Pre-selling to Zurich and Milan was undertaken ahead of recent operational launch of these two routes. A new site in Stockholm was also added to euNetworks existing euTrade presence in that market. Today euNetworks delivers low latency connectivity solutions to the major multilateral trading facilities (MTFs) and exchanges across Europe.

Churn improved in the quarter, with €61k of monthly recurring revenue in 1Q 2011, reduced from €100k of monthly recurring revenue in 4Q 2010. The churn in 1Q 2011 reflects the desired standard of operating performance for the business and is in line with expectations going forward.

## ***Operational Performance***

As a bandwidth infrastructure company, having key buildings on-net is value accretive. The number of on-net buildings increased from 365 at 2010 exit to 394 at the end of 1Q 2011. This was a good performance given the seasonal slowdown of this activity through the winter months. As a comparison, in 1Q 2010 the Company increased on-net buildings by 6 from 2009 exit. There was a strong pipeline of buildings being added at the end of 1Q 2011, with 62 in progress.

## **2011 Business Outlook**

euNetworks continues its focus on the market opportunity, leveraging the deep metropolitan fibre based network assets. While macroeconomic conditions remain unchanged from 2010 across Europe, euNetworks is well positioned to take advantage of some key industry demand trends. Cloud computing and the growth in mobile data are two areas that dominate the technology industry. These trends will ultimately require enterprises and mobile operators to take up fibre based connectivity between key buildings in cities over time to manage traffic demand appropriately.

Connecting further bandwidth intensive buildings to the network, driving up sales with product and market developments and a relentless focus on good data to deliver a great experience to customers and value to shareholders and stakeholders remain key to euNetworks in 2011. The Company will continue to invest to drive top line revenue growth through the year ahead, carefully managing against key financial indicators.

## **About euNetworks**

euNetworks Group Limited (SGX: H23:SI) is a bandwidth infrastructure provider, owning and operating 13 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.



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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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