



euNetworks Reports First Quarter 2013 Results

For the quarter ended 31 March 2013:

- Recurring revenue of €24.8m, improving 8% from 1Q 2012
- Gross profit of €18.0m, improving 18% from 1Q 2012
- Gross margin of 72.4%, improving from 66.5% in 1Q 2012
- Adjusted EBITDA of €5.7m, improving from €2.1m in 1Q 2012
- Proxy Cash Flow of €2.1m, improving from €(6.0)m in 1Q 2012
- 25 new customers added
- 33 new buildings brought on-net

London, UNITED KINGDOM – 9 May 2013 – euNetworks Group Limited (SGX: H23.SI), a unique Western European provider of bandwidth infrastructure services, announced results for the three months ended 31 March 2013. The Group reported another strong quarter, with significant improvement in gross margin, Adjusted EBITDA¹ and proxy cash flow.

Recurring revenue improved 8% year over year, to €24.8m in 1Q 2013. Adjusted EBITDA was €5.7m in 1Q 2013, improving 171% from 1Q 2012 and 14% from 4Q 2012.

Gross margin for the quarter was 72.4%, increasing from 66.5% in 1Q 2012 and 71.2% in 4Q 2012. Year on year and sequential gross margin improvement in 1Q 2013 reflected the Group's continued focus on high margin new sales. As with previous quarters, new sales continued to deliver gross margins of greater than 80% through the period.

"The Group's discretionary capital investment was lower than in 1Q 2012 at €3.6m, but we plan to increase capital expenditure over the course of the year, particularly to enable further connections to data centres," said Brady Rafuse, Chief Executive Officer of euNetworks. "Additionally, the secured debt funding announced on 8 May 2013, enables euNetworks to deliver more bandwidth infrastructure services to growing in-place and new customers."

"As I mentioned last quarter, Adjusted EBITDA growth and utilising discretionary capital efficiency, is the primary measure for value creation in our business. Steadily improving operating efficiency and the leverage of increasing customer demand will enable euNetworks to deliver real value creation over time. We remain focused on this through 2013."

Performance Highlights for the First Quarter 2013

- **Sales** performance remained steady through the quarter. Total new customer contract value was in line with the new contract value secured in 4Q 2012, but was lower than 1Q 2012 due to the inclusion of large FTTx contracts in that quarter. Average contract term for new customer contracts was 22 months in the quarter, lower than 4Q 2012 and down from 1Q 2012 due to the long term FTTx contracts secured in that period.

euNetworks continued to gain new sales from its existing customer base in 1Q 2013, with these accounting for 87% of signed orders. As with previous quarters, more than 94% of sales were within the Company's core product portfolio of Fibre, Wavelengths,

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

Ethernet, Colocation and Internet, with sales of non-core products continuing to decline as anticipated.

In 2012 the Company noted increased awareness by customers of the benefits of fibre connections between buildings and data centres. This trend continued through 1Q 2013, with large enterprises increasingly seeking scalable data centre to data centre connections across dedicated fibre links with dedicated electronics. In addition, euNetworks has seen a growing number of data centres outside of central business areas looking to work with carriers to improve connectivity back into city centres. euNetworks is well positioned to deliver scalable connectivity solutions to these data centres with its network assets, and anticipates growth from this in future quarters.

Following investment in its transport platform in 2012, euNetworks also saw uplift in demand for high volume Long Haul Wavelengths in the quarter. The Metro Wavelengths product also performed well and the Company anticipates demand for transport services to continue through 2013. euNetworks' new transport platform, combined with its 100G capability and data centre connectivity provides a sought after proposition to the market.

euNetworks' low latency euTrade service portfolio continued to deliver strong sales in 1Q 2013 despite technical pressures from microwave technologies. Performance from this service exceeded expectations, with demand for the Company's fibre based solution remaining. The Company will continue to monitor this market and will invest in line with customer demand.

Moving through 2013, the ability to deliver services directly to enterprise customers or bundled together with partners' and wholesale providers' offerings, remains euNetworks' core sales methodology. As additional buildings are connected to the network, customers enjoy the benefits of having access to essentially unlimited bandwidth capacity via euNetworks' infrastructure and the Company enjoys the scaling benefits of high gross margins delivered over an easy to maintain product set.

- **Churn** was 1.2% in 1Q 2013 versus 1.7% in 4Q 2012 and 1.3% in 1Q 2012. While encouraged by this improvement, the Company expects an increase in churn in 2Q 2013 due to a known Colocation disconnection. The primary sources of churn for euNetworks continue to be end of term customer contracts for non-core SDH and IP VPN services in Germany as well as expired euTrade customer contracts which generally related to strategy changes by some Financial Services customers. euNetworks continues to actively manage churn, with sales teams aligned to this appropriately.
- **Network** investment included the addition of 33 new buildings to the Company's networks in 1Q 2013, exiting the quarter with 945 on-net buildings and an additional 49 buildings in the process of being connected.

Data centre connectivity is a key focus for the business in 2013. Today euNetworks directly connects over 200 data centres across Europe. Their customers require scalable connectivity between their offices to data centres, between data centres and to other sites. With so much of customer's data stored within data centres, direct

connection to these locations in a city is increasingly fundamental to their efficiency. euNetworks is focused on supporting this demand.

- **Capital expenditure** was €3.6m in the quarter, down from €8.1m in 1Q 2012, and down from €5.0m in 4Q 2012. 72% of capital expenditure in 1Q 2013 was allocated to success based (customer sales) investment, compared to 57% in 4Q 2012. On average, incremental committed sales enjoyed 6 month payback periods in 1Q 2013.
- **Proxy cash flow** reflected the benefits of the continued scaling of the business, improving to €2.1m in 1Q 2013 from €(6.0)m in 1Q 2012 and from €(0)m in 4Q 2012.
- **A Consolidation of 50 existing shares into one ordinary share** was proposed by the Company on 2 April 2013 and approved by shareholders at an Extraordinary General Meeting held on 24 April 2013. The share consolidation is the first step to be taken in simplifying the Company's capital structure, and will reduce the number of shares in issue from 22,568,636,177 to 451,372,723. On 9 May 2013, the Company announced a Books Closure Date for the share consolidation of 30 May 2013.
- **Debt Funding Commitment** was secured and announced by the Company on 8 May 2013. Under the secured six-year term loan facilities, Barclays Private Credit Partners Fund L.P. has committed funding of €30m which may be expanded to €45m. These funds will be used primarily for incremental organic and inorganic growth. euNetworks expect to utilise this funding to deliver more bandwidth infrastructure services to their growing in-place customers and new customers.

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 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 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.

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