



euNetworks

## euNetworks Reports Second Quarter and First Half 2011 Results

### Second Quarter 2011

- Total revenue of €14.6m, up 43% from 2Q 2010
- Gross profit of €10.7m, up 43% from 2Q 2010
- Gross Margin of 73.3%, down from 73.5% in 2Q 2010
- Adjusted EBITDA of €1.1m, improving from €(0.3)m in 2Q 2010
- Net loss of €(6.5)m, improving from €(14.4)m in 2Q 2010
- 20 new customers gained in the quarter

### First Half 2011

- Total revenue of €25.1m, up 32% from 1H 2010
- Gross profit of €18.5m, up 33% from 1H 2010
- Gross Margin of 73.7%, up from 73.2% in 1H 2010
- Adjusted EBITDA of €1.5m, improving from €(3.5)m in 1H 2010
- Net loss of €(10.1)m, improving from €(22.8)m in 1H 2010
- 34 new customers gained in the half year

**London, UNITED KINGDOM – 3 August 2011** – euNetworks Group Limited (SGX: H23.SI), announced strong second quarter results, with significant sales and revenue growth. In addition, the Group completed the acquisition of LambdaNet Deutschland Communications AG (“LambdaNet”) on 31 May 2011. The results announced today include one month of LambdaNet financials.

Total revenues grew by 43% year on year, from €10.2m in 2Q 2010 to €14.6m in 2Q 2011 and were all recurring. Gross profit in the quarter increased by 43% to €10.7m, up from €7.5m in 2Q 2010. Gross margin declined slightly to 73.3%, largely as a result of LambdaNet, reflecting the enterprise nature of LambdaNet’s services and their lack of metropolitan assets. Over time euNetworks is optimistic on an improvement in gross margin as LambdaNet services are brought on-net, leveraging euNetworks’ network. Adjusted EBITDA<sup>(1)</sup> continued to improve and was €1.1m for the quarter. Excluding acquisition costs relating to LambdaNet, which were expensed in the period, underlying Adjusted EBITDA was €1.5m.

For the half year, total revenues grew by 32% from 1H 2010 to €25.1m. Gross profit for 1H 2011 increased by 33% to €18.5m and gross margin was slightly up, reaching 73.7%. Adjusted EBITDA was €1.5m in 1H 2011 compared to €(3.5)m in 1H 2010.

“It has been an exciting quarter for euNetworks,” said Brady Rafuse, Chief Executive Officer of euNetworks. “We continue to deliver strong growth in our core business, with foundational work undertaken in 2010 driving us forward in this first half of 2011. Our on-net buildings, a key indicator of our performance, have grown from 365 at the beginning of 2011, to 489 at exit and we have many more in progress. We have also introduced inorganic growth to the business with the acquisition of LambdaNet and most recently TeraGate AG Storage Optical Network (“TeraGate”). Our results this quarter were ahead of management expectations and we have a strong funnel of opportunity moving into the third quarter. While we maintain focus on growing our core business, the scale and synergies offered from integrating LambdaNet and TeraGate into the

(1) Adjusted EBITDA means EBITDA before the deduction of share option expense and loss on disposal of plant and equipment, and is designed to broadly reflect the Group’s operating cash flow.



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euNetworks operating model creates an exciting opportunity for us in the quarters ahead.”

### **Second Quarter 2011 in Review**

LambdaNet was purchased for cash consideration of €25.0m. Including assumed debt of €19.8m, this represents a multiple of 5.2x their proforma EBITDA for 2010. The acquisition of the LambdaNet business delivers scale and complements the core euNetworks business in multiple ways. LambdaNet has a fibre network in Germany, connecting 26 cities including all of euNetworks’ metropolitan markets. In 24 of these cities LambdaNet operates colocation facilities with available space for growth of existing and new customers. LambdaNet’s customer base is an attractive mix of wholesale carriers and enterprises, adding depth to relationships in Germany and across Europe. The ability to leverage the metropolitan networks of euNetworks to support LambdaNet’s Ethernet and Internet Protocol (IP) customers will drive the connection of a number of new on-net buildings, increasing the Group’s target market and realising synergies for the enlarged business.

TeraGate is a natural addition to euNetworks following the LambdaNet acquisition, with a high quality enterprise customer base predominantly in Germany, and more buildings that can be quickly integrated to leverage the euNetworks fibre footprint.

### **Sales Performance**

Total new sales order contract value was €12.2m in 2Q 2011, up from €5.7m in 2Q 2010. This continues the positive momentum reported in 1Q 2011. Over 98% of sales in the quarter were for network services, once again spread across euTrade, Fibre, Ethernet and Wavelengths.

2Q 2011 was another strong quarter for the euTrade service portfolio, with new sales driven by connectivity to Frankfurt, Stockholm and within London. Network development in the quarter was focused on optimising existing network paths between key exchanges, such as London to Frankfurt, improving latencies for customers and increasing market share. This segment remains actively competitive, but customers trust euNetworks to deliver lowest latencies between exchanges.

Demand for Fibre services in the quarter remained high, with an average contract term of 51 months for the Group, up from 22 months in 2Q 2010. The Group is driving recurring high margin revenues from its unique metropolitan assets.

A key strategic initiative for euNetworks over the past quarters has been to leverage its metro fibre assets to support the mobile operators’ roll out of the new mobile standard LTE, across Europe. Significant progress was made in the quarter, with euNetworks now serving multiple operators including Vodafone Germany. euNetworks is delivering fibre connectivity into their masts and towers in key cities. This fibre to the tower initiative (FTTx) is a key segment strategy development for the Group going forward.

Churn, excluding LambdaNet, remained flat in the quarter, at €61k of monthly recurring revenues. This remained in line with the Group’s target.



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### **Operational Performance**

There was great progress connecting more buildings to the network in the quarter. The number of on-net buildings increased from 394 at 1Q 2011 exit, to 489 at the end of 2Q 2011. This figure included 56 euNetworks additions and 39 following the acquisition of LambdaNet. There was a strong pipeline of buildings in progress, with 173 at the end of 2Q 2011 and more to follow as synergy opportunities are executed. The Group anticipates this rate of additions to continue.

### **2011 Business Outlook**

While macroeconomic conditions continue to challenge the European region, foundations put in place in 2010 by the Group are driving the euNetworks business forward. euNetworks is well positioned to take advantage of key telecommunications demand trends, while continuing to serve the wholesale carrier segment, financial services sector and more recently, delivering services to mobile operators in Europe. There is good opportunity for organic and inorganic growth ahead.

Connecting more 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 Group 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 covering 37 cities in 9 countries. The Company offers a portfolio of metro and longhaul Ethernet and Internet Protocol services including Dark Fibre, Dedicated Fibre, 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](http://www.eunetworks.com).

### **euNetworks Investor and Press Contact:**

#### **Hannah Fox**

Marketing Director, euNetworks

D: +44 207 952 1338

M: +44 7717 896 446

E: [hannah.fox@eunetworks.com](mailto:hannah.fox@eunetworks.com)

euNetworks  
15 Worship Street  
London, EC2A 2DT,  
United Kingdom