euNetworks
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euNetworks Reports Second Quarter and First Half 2012 Results

Second Quarter 2012

- Total revenue of €23.2m, increasing 59% from 2Q 2011
- Gross profit of €15.6m, improving 45% from 2Q 2011
- Gross margin of 67.1%, declining from 73.3% in 2Q 2011
- Adjusted EBITDA of €2.5m, increasing from €1.1m in 2Q 2011
- Net loss of €(10.2)m, increasing from €(6.5)m in 2Q 2011
- 29 new customers gained in the quarter
- 89 new buildings on-net

First Half 2012

- Total revenue of €46.2m, improving 84% from 1H 2011
- Gross profit of €30.9m, increasing 67% from 1H 2011
- Gross Margin of 66.8%, declining from 73.7% in 1H 2011
- Adjusted EBITDA of €4.5m, improving from €1.5m in 1H 2011
- Net loss of €(18.5)m, increasing from €(10.1)m in 1H 2011
- 58 new customers gained in the half year, compared to 35 in 1H 2011
- 157 new buildings on-net, increasing from 124 new in 1H 2011

London, UNITED KINGDOM – 7 August 2012 – euNetworks Group Limited (SGX: H23.SI), announced results for the three months ended 30 June 2012 and the first half of 2012. The Group reported improving results overall, with continued year on year recurring revenue growth and strengthening Adjusted[1] EBITDA. Sequential revenue growth was impacted by churn in the quarter, but the Group continued to deliver a strong sales performance to drive recurring revenue growth in future quarters.

For the second quarter, recurring revenue was €23.2m, up from €14.6m in 2Q 2011 and €23.0m in 1Q 2012. All revenue was recurring in the quarter and the Group continued to benefit from the addition of revenue following 2011 acquisitions, albeit with lower gross margins. Following the Group’s strongest ever sales quarter in 1Q 2012, the value of total new sales order contracts declined slightly, from €23.2m to €21.1m for 2Q 2012. This was a significant increase year on year however, up 73% from 2Q 2011.

Gross profit in the quarter improved by 59%, from €10.7m in 2Q 2011 to €15.6m in 2Q 2012. Gross margin for the quarter was 67.1%, down from 73.3% in 2Q 2011, but improving from 66.5% in 1Q 2012. The decline in gross margin year on year largely reflected acquisitions completed in 2011. As previously stated, both acquired businesses were enterprise in nature, historically operating at lower gross margins. euNetworks expects gross margin to improve over time, with a strong focus on high margin new sales. In 2Q 2012 new sales had gross margins of 84%, up from ~80% in 4Q 2011 and ~83% in 1Q 2012.

Adjusted EBITDA was €2.5m in the quarter, up from €1.1m in 2Q 2011.

For the half year, total revenue grew by 84% from 1H 2011 to €46.2m. Gross profit for 1H 2012 increased by 67% to €30.9m and gross margin was slightly lower, at 66.8% for reasons detailed above. Adjusted EBITDA was €4.5m, improving from €1.5m in 1H 2011.

“Churn has been higher in 2012 than previously seen,” said Brady Rafuse, Chief Executive Officer of euNetworks. “This is in part due to some LambdaNet contracts reaching the end of their term, as we knew would be the case when we acquired the

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

business. This also reflects larger industry trends that are not limited to euNetworks – such as wholesale customers losing their end customers, and changing market strategies impacting for example, euTrade. We continue to believe that bandwidth demands are increasing and that high bandwidth services can provide a total cost benefit to many IT departments. The growth in distributed data such as cloud computing, and the mobility of data (with the ever-increasing 'always-on' connectivity trends we see today), are key drivers of bandwidth usage. Fibre based services such as those offered by euNetworks, are the best way to serve such bandwidth demand. Our view is that this increased demand will serve to offset our current churn performance."

"We remain focused on optimising our systems and processes, enabling a lean production system and delivering a high standard of service to our customers to meet their bandwidth requirements both today and into the future," said Rafuse. "There remains good momentum in our business as we head into 2H 2012 and our sales performance remains strong. We will be closely managing our key fundamentals and costs in the coming quarters, and remain focused on driving up long term recurring revenue."

Performance Highlights for 2Q 2012

- **Sales:** performance in 2Q 2012 continued to be strong, with good demand for Ethernet, Internet and Fibre services. 88% of new sales were for network services compared with 92% last quarter, with this shift following an increased effort on Colocation sales in 1H 2012.

  Ethernet sales were driven by strong growth for Ethernet E-LAN services in the quarter, with these services supporting corporate WAN connectivity. There was also a growing trend for customers to migrate from legacy technologies such as IP VPN and SDH to Ethernet, which is a positive development for euNetworks.

  Average contract term for new customer contracts was 45 months, down from 51 months in 2Q 2011 and 53 months in 1Q 2012. This was largely due to slightly lower fibre sales in the quarter than seen in previous quarters.

- **Finance, Wholesale and Media:** sectors continued to dominate euNetworks' recurring revenue, although there was also good growth from large Corporates, particularly in Germany. Enterprise demand increased across multiple sectors including media, logistics, and manufacturing, all enabled through pre-existing relationships from the 2011 acquired companies. Growth from the financial services sector in the quarter was driven from an increased demand for more WAN and IT connectivity solutions, thus reducing euNetworks' reliance on trading as the key application supporting growth targets.

- **Churn:** was 1.2% of monthly recurring revenue in 2Q 2012. As with 1Q 2012, this was higher than previously seen, but the impact on gross profit was again more limited as gross margin from lost revenue was on average 72%.

- **Network:** euNetworks connected 89 buildings to their metropolitan networks, exiting 2Q 2012 with 790 on-net buildings and a further 160 buildings in the process of being connected.

  The Company undertook long haul and metropolitan network developments which future proof their infrastructure and ensure the experience delivered to customers is seamless across the entire footprint. As announced in May, an upgrade has been made to the long haul transport platform, with the next generation of Dense Wave Division Multiplexing (DWDM) rolled out from Dublin through to London and across Europe. This enables euNetworks to offer customers an end-to-end connectivity solution, from 1G to 100G to over 100 key data centres in Western Europe.

- **Capital expenditure:** was €8.2m in the quarter, up from €6.3m in 2Q 2011 and similar to 1Q 2012. 64% of capital expenditure in the quarter was allocated to success based spend. On average, incremental committed sales utilised 5 month payback periods in 2Q 2012, a faster average payback than that in 1Q 2012.

  Investment projects in the quarter included FTTx, wavelength overbuilds (as mentioned above), and development of a metropolitan DWDM ring in Dublin to support growing demand for data centre connectivity. There was also continued focus on connecting further buildings to the networks in metropolitan markets.

- **Net losses:** increased from €(6.5)m in 2Q 2011 to €(10.2)m in 2Q 2012. Losses were primarily from non-cash charges including depreciation and amortisation (up from €4.2m in 2Q 2011 to €5.9m in 2Q 2012) and share options (up from €0.7m in 2Q 2011 to €1.4m). Also from unrealised foreign exchange movements on the net exposure to Singapore denominated assets and liabilities of €2.2m (2011:nil).

- **Exchange of the Convertible 2013 Bond:** launched on 29 June 2012 and closed on 30 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 the S$86,427,903 in principal amount of Convertible Bonds outstanding as at the date of 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 voluntary offer. The financial effect of the exchange of Convertible Bonds for new ordinary shares will be disclosed in 3Q 2012.

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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