



euNetworks

euNetworks Reports Third Quarter Results

Third Quarter 2010

- Total revenue of €10.3 million, up 40% from 3Q 2009
- Recurring Revenue of €9.1 million
- Gross profit of €8.0 million
- Adjusted EBITDA of €0.8 million
- 25 new customers gained in the quarter

London, UNITED KINGDOM – 11 November 2010 - euNetworks Group Limited (SGX: H23.SI), announced total revenues for the third quarter of €10.3 million, up 40% from 3Q 2009 and 11% on 2Q 2010. The Group achieved €9.1 million in recurring revenues in the quarter, up 24% from 3Q 2009, with €1.2 million of one offs. Gross profit for the quarter increased by 38% year on year to €8.0 million, and by 7% on the preceding quarter. Gross margin dropped slightly to 77% in the quarter from 80% in 2Q 2010. This was largely due to the timing of costs associated with the setting up of new euTrade routes in advance of taking on revenue and also certain one-off costs relating to Internet Protocol (IP) Transit. The Company continued to carefully manage costs while growing revenues, achieving positive Adjusted EBITDA¹ of €0.8 million for the quarter.

“We continued to make good progress through the third quarter, generally improving our fundamental indicators, managing costs and focusing on controlled growth of revenues,” said Brady Rafuse, Chief Executive Officer of euNetworks. “We strengthened relationships in the financial services sector in the quarter following the roll out of dedicated ultra low latency routes. We have also seen growth opportunities from our wholesale carrier segment and our indirect channels, namely system integrators, partners and resellers. Along with the growing market opportunity, our sales productivity has increased. Our customer experience has improved in terms of solution design, cycle time and delivery dates. Our efforts this year are delivering results. We remain focused on driving value from our metro networks and will continue to make sure our business can scale. Our achievements this quarter are a further step forward and we will continue along this path in quarters to come.”

Significant Milestones in the Third Quarter 2010

During the quarter James Thomas joined euNetworks as Chief Financial Officer and was appointed to the position of Executive Director on the Board. This appointment completed the leadership team and is valuable and important to euNetworks’ continued growth.

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

Sales Performance

The Company's recurring revenue model relies on the sales funnel converting to sales, installed services and revenue. Revenue growth continues to be driven by sales of fibre, euTrade, wavelength and Ethernet, with the sales funnel reflecting a similar profile. euTrade is euNetworks' suite of ultra low latency products aimed at the financial services sector. In the quarter, new dedicated ultra low latency routes connecting key data centres in London to those in Slough and Frankfurt were launched. These new network solutions were well received by the market, with 22 new contracts signed.

In addition to success in this sector, the Company's indirect channels are providing growth opportunities. The combination of euNetworks' metro footprint and their own services enables partners to provide end customers with an attractive joint proposition. The Company is ensuring that product development allows them to take advantage of these opportunities.

Recurring sales order value grew 36% in the quarter from 2Q 2010. Average contract length increased to 30 months from 22, with this increase attributed to a higher mix of fibre sales in 3Q 2010. In line with these results, the sales team's productivity was up by 27%, with sales improving across markets following implementation of a localised sales approach earlier this year. Overall the company has seen good momentum.

Operational Performance

euNetworks continued to build out the fibre network in London, increasing the addressable market in the city. Across the European metro footprint, the number of new buildings connected is growing quarter on quarter, and the Company remains focused on this key growth driver. The number of on-net buildings increased by 21% from the end of 2009 and by 8% from the end of 2Q 2010.

The Company continues to strive to provide a world class customer experience, meeting customers' requirements in solution design, cycle times and delivery dates by investment in processes, systems and data. Good progress was made in the quarter following the 2Q 2010 launch of a programme of investment in these areas. Further improvement will be delivered in quarters to come.

2010 Business Outlook

The Group is confident that the current path of development will enable the business to scale for the future. Demand for fibre, wavelength and Ethernet services across key markets continues, as does strong growth for the ultra low latency euTrade suite of products. These trends towards high bandwidth products are consistent with euNetworks' view of market trends across multiple sectors including financial services, corporates, media and wholesale carriers.

Network developments in the quarter and delivery of new ultra low latency routes yielded strong demand from the financial services sector. Industry leading latencies for direct exchange-to-exchange connectivity strengthened euNetworks' competitive positioning in the European market and grew the customer base. With strengthened relationships in this sector and further route development underway, the Company anticipates further success with this important community. The opportunity seen from developing indirect channels further has led to implementation of a channel sales approach going forward. This approach will enable more focused effort on indirect partners while at the same time continuing the momentum euNetworks sees in the finance and wholesale carrier sectors.

While macroeconomic conditions remain challenging in the European region, there is further opportunity to increase sales productivity and drive value from the metro networks. Key programmes currently underway will continue, such as growing the number of data centres, multilateral trading facilities and large enterprise buildings directly connected to the metro networks. euNetworks remains focused on strengthening relationships with key customers and growing brand awareness and service reputation in growth sectors as they align their offering with their customers' needs.

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.

euNetworks Investor and Press Contact:

Hannah Fox

Marketing Director, euNetworks

P: +44 203 178 4394

M: +44 7717 896 446

E: hannah.fox@eunetworks.com

euNetworks
15 Old Bailey
London, EC4M 7EF
United Kingdom