euNetworks
bandwidth. from the ground up.

euNetworks Reports Third Quarter 2012 Results

For the quarter ended 30 September 2012:

- Recurring revenue of €24.1m, improving 4% from 2Q 2012 and 14% from 3Q 2011
- Gross profit of €16.2m, improving 3.8% from 2Q 2012 and 2.5% from 3Q 2011
- Gross margin of 67.1%, no change from 2Q 2012 and decreasing from 68.1% in 3Q 2011
- Adjusted EBITDA of €3.3m, improving 32% from 2Q 2012 and reducing 6%[1] (excluding one-time revenue contribution) from 3Q 2011
- Proxy Cash Flow of €(3.1)m, improving 46% from 2Q 2012 and 33% from 3Q 2011
- 27 new customers gained in the quarter
- 63 new buildings brought on-net

For the nine month period ended 30 September 2012:

- Total revenue of €70.3m, improving 46% from 2011
- Gross profit of €47.1m, improving 37% from 2011
- Gross Margin of 67.0%, declining from 71.0% in 2011
- Adjusted EBITDA of €7.9m, improving from €5.8m in 2011
- Proxy Cash Flow of €(14.8)m, down from €(12.2)m in 2011
- 85 new customers gained in the first nine months, compared to 78 gained in the first nine months of 2011
- 220 new buildings brought on-net, compared to 165 new in first nine months of 2011

London, UNITED KINGDOM – 7 November 2012 – euNetworks Group Limited (SGX: H23.SI), announced results for the three months ended 30 September 2012. The Group reported a steady third quarter, with continued improvement in recurring revenue and Adjusted[2] EBITDA.

For the third quarter, recurring revenue was €24.1m, up from €21.2m in 3Q 2011 and €23.2m in 2Q 2012. All revenue was recurring in the quarter. Total new sales order customer contract value was €16.8m for 3Q 2012, increasing 17% year on year.

Gross margin for the quarter was 67.1%, down from 68.1% in 3Q 2011 but in line with gross margin reported in 2Q 2012. The year on year gross margin decline reflected the impact of acquisitions completed in 2011, as previously reported. euNetworks expects gross margin to improve over time, with a strong focus on high margin new sales. In 3Q 2012 new sales had gross margins of ~87%, up from ~83% in 1Q 2012 and ~84% in 2Q 2012.

Churn for the business was higher for the year to date in 2012 than previously seen. This was in part due to some LambdaNet contracts reaching the end of their term, as euNetworks knew would be the case when the acquisition was closed. Additionally there was some churn related to contracts for SDH and IP VPN services, which are not a core focus for euNetworks going forward.

"While churn will always be a part of our business, overall we continued to see good momentum in our performance through the quarter," said Brady Rafuse, Chief Executive Officer of euNetworks. "Our growth in Adjusted EBITDA was very encouraging, with a sequential increase of 32% reflecting continued improvement as the costs of integration and rationalisation have wound down and the resulting business is operating more efficiently."

"Optimising our systems and processes to enable a lean production system remained a priority in the quarter and will be in the quarters to come," said Rafuse. "We also made

(1) Normalisation due to acquisition cost not factored.
(2) Adjusted EBITDA means EBITDA before the deduction of share option expense.

some great developments in our network infrastructure for the benefit of our existing customers, and to increase our opportunity with new customers and segments as has been outlined further in our announcement today. I am encouraged with our progress and as ever, remain committed to driving further long term recurring growth in our business."

Performance Highlights for 3Q 2012

- **Sales** performance in 3Q 2012 was slightly lower than previous quarters, although growing year on year. Overall, demand for Ethernet, Internet and Fibres services continued to dominate sales. 95% of new sales were for network services compared with 88% last quarter.

  Ethernet sales were driven by continued demand for increasing bandwidth, with good traction in the German market. euNetworks has been working with customers who have traditionally relied upon low bandwidth off-net connectivity and/or legacy IP VPN and SDH technology, migrating them to Ethernet services. Part of this effort has driven further on-net fibre into key data centre locations while enabling Ethernet to enterprise office locations.

  Average contract term for new customer contracts was 37 months, down from 45 months in 2Q 2012 but increasing from 28 months in 3Q 2011. The sequential decline was largely due to lower longer term fibre sales in the quarter.

- **Finance, Wholesale and Media** sectors dominated euNetworks' recurring revenue. Growth from the financial services sector in the quarter was driven from an increased demand for more WAN and IT connectivity solutions as well as to support trading applications.

  Following effort to pursue growth from emerging and new segments in 2012, euNetworks benefitted from an increase in demand for bandwidth services across its core footprint from the media sector.

  In addition to growing market share from new segments, the wholesale sector continued to be an important part of the Group's performance. While serving the existing wholesale customer base, euNetworks has been looking at ways to expand their opportunity, such as working with value add partners. This enables euNetworks' bandwidth services to be bundled with partners' offerings such as storage, SaaS and desktop applications. In turn this allows the Group to serve smaller enterprises, connect further buildings to the network and ultimately, build a funnel for bandwidth services via partners as these enterprises grow.

- **Churn** was 1.7% of monthly recurring revenue in 3Q 2012, increasing from 1.2% in 2Q 2012. As with the prior two quarters, this was higher than previously seen driven by termination and replacement of legacy services primarily in Germany. Gross margin for churn consistently averaged 72% for 2012 year to date. This trend combined with the Group's new sales gross margin trend outlined above, is why gross margins are anticipated to improve for the customer base overall. euNetworks continues to closely monitor churn, anticipating improvement relative to 3Q 2012 over time, whilst expecting continued volatility in the short term.

- **Network:** euNetworks connected 63 new buildings to their metropolitan networks, exiting 3Q 2012 with 853 on-net buildings and a further 118 buildings in the process of being connected. In the first nine months of 2012, euNetworks connected 220 new buildings, up from 165 in the same period in 2011.

  The Company also continued to expand its infrastructure through the quarter, ensuring the delivery of a seamless experience to customers across the entire footprint. As announced in July, euNetworks deployed an 8.8Tbps network from London to Dublin, adding Manchester to the connected city count in the process. Following this investment, they now offer Wavelengths and high bandwidth Ethernet services between Dublin and Western Europe, supporting content, wholesale, ISP and enterprise customers. This investment also enabled euNetworks' first national UK services, expanding their capability outside of London to capture growing demand in Manchester, including from the media and wholesale sectors. This was an important step in the continued development of the Group's business.

  Also in the UK, but centred around a cluster of high tech businesses in 'Tech City', East London, euNetworks has further enabled its existing fibre based network which runs through the streets of Shoreditch. Today the Company provide high speed broadband services to start ups and established high tech companies and have partnered with managed service providers to enable enterprise IT applications as part of the solution – the Shoreditch Network. Having the proper infrastructure in place is essential for any company working in the tech and digital space.

- **Capital expenditure:** was €6.4m in the quarter, down from €8.9m in 3Q 2011 and €8.2m in 2Q 2012. 66% of capital expenditure in the quarter was allocated to success based spend, higher than the 47% in 3Q 2011 and 64% in 2Q 2012. On average, incremental committed sales utilised 4 month payback periods in 3Q 2012, a faster average payback than that in prior quarters.

  Investment projects in the quarter included FTTx, Wavelength overbuilds (as mentioned above), the Shoreditch Network, and euTrade network developments. As with previous quarters, there remained a continued focus on connecting further buildings to the networks in metropolitan markets.

- **Proxy cash flow** improved from €(4.6)m in 3Q 2011 to €(3.1)m in 3Q 2012, with higher revenue and lower capital expenditure driving this.

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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