euNetworks Reports Third Quarter 2013 Results

For the quarter ended 30 September 2013:

- Recurring revenue of €24.1m, in line with 3Q 2012
- Gross profit of €17.6m, improving 9% from 3Q 2012
- Gross margin of 72.9%, improving from 67.1% in 3Q 2012
- Adjusted EBITDA of €6.3m, improving from €3.3m in 3Q 2012
- Proxy Cash Flow of €(2.4)m, improving from €(3.2)m in 3Q 2012
- 25 new customers added, compared to 27 in 3Q 2012
- 26 new buildings brought on-net, with 1,011 total buildings connected

For the nine months ended 30 September 2013:

- Total revenue of €73.4m, improving 4% from 2012
- Gross profit of €53.3m, increasing 13% from 2012
- Gross margin of 72.5%, increasing from 67.1% in 2012
- Adjusted EBITDA of €18.0m, improving from €7.9m in 2012
- Proxy Cash Flow of €0.8m, improving from €(14.9)m in 2012
- Net loss of €(5.4)m, improving from €(27.1)m in 2012
- 70 new customers, compared to 85 in 2012
- 99 new buildings on-net, declining from 220 in 2012

London, UNITED KINGDOM – 7 November 2013 – euNetworks Group Limited (SGX: 5VT.SI), a unique Western European provider of bandwidth infrastructure services, announced results for the three months ended 30 September 2013 and for the nine months of 2013. For 3Q 2013 compared to 3Q 2012, the Group delivered materially improved gross profit and adjusted EBITDA[1] on flat revenue performance, with churn offsetting new sales. Proxy cash flow also reflected improvement, with capital spending increasing, but at a lower rate than the improving operating performance. Year to date the Group reported similarly better results, with significantly more efficient operating performance and capital spending.

Gross margin for the quarter was 72.9%, increasing from 67.1% in 3Q 2012. Adjusted EBITDA was €6.3m in the quarter, improving 91% from 3Q 2012 and 5% from 2Q 2013. The Group's continued focus on high gross margin sales and cost management will result in further performance improvement.

"Following higher churn in 2Q 2013 of 2.8%, as we anticipated, churn declined but still remained high in 3Q 2013, reaching 2.2%, " said Brady Rafuse, Chief Executive Officer of euNetworks. "We are focused on improving churn, with a targeted customer account strategy in place to do so."

"Discretionary capital expenditure increased to €8.7m in the quarter, up from €6.5m in 3Q 2012 and €4.9m in 2Q 2013," said Rafuse. "This investment enables additional connections to high bandwidth consuming data centres and a number of strategic network development projects have been launched. These include the new fibre based London to Stockholm ultra low latency route for euTrade, the addition of a London to Moscow route, and the London metropolitan network fibre expansion. These and other projects will deliver more bandwidth infrastructure services to grow in-place and new customers in the future."

"Overall our proxy cash flow position has significantly improved over the last year, reflecting the benefits of continued scaling. The increase in capital expenditure in the quarter did however reduce proxy cash flow to €(2.4)m from €1.1m in 2Q 2013 and we

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

anticipate network investment projects to continue through to 1Q 2014. This investment will deliver incremental organic growth for the business," said Brady Rafuse.

Performance Highlights for the Third Quarter 2013

- **Sales** performance remained in line overall with 2Q 2013, with an increase in the number of new customer contracts secured. The total value of those newly secured contracts was 20% higher than 3Q 2012, and 5% lower than in 2Q 2013. Average contract term for new customer contracts was 31 months, down from 52 months in 2Q 2013 and 36 months in 3Q 2012.

  As with all prior quarters and in line with euNetworks' account development strategy, new sales were gained from its existing customer base, with these accounting for 94% of signed orders, up from 91% in 2Q 2013. 93% of sales were within the Company's core product portfolio of Fibre, Wavelengths, Ethernet, Colocation and Internet, with sales of non-core products at 7%.

  Revenue growth in the quarter was driven by Fibre and Wavelength products. Demand for high volume Long Haul Wavelengths, in particular from online content providers and Internet Service Providers (ISPs), remained strong, with the first customer for Terabit level capacity installed in the quarter. euNetworks' Metro Wavelengths product also continued to perform well.

  euNetworks' euTrade service portfolio has delivered strong growth through 2013, as customers follow trading strategies whereby fibre and wireless solutions are co-mingled. Performance was flat in 3Q 2013 however, although this was anticipated ahead of the launch of new routes to Stockholm and Moscow on 30 October 2013. euNetworks anticipates strong growth for euTrade in 4Q 2013 and 1Q 2014, with market leading latencies once more on offer, and are actively marketing and selling these routes.

  Growth in Ethernet and Internet products declined slightly in 3Q 2013, largely due to some pricing pressure in local markets and some legacy services with off-net tails where the Company is looking to maintain gross profit targets. Localised Ethernet pricing pressure stemmed from resellers flooding some markets with lower quality Ethernet point-to-point topologies, offering limited features at very low prices. euNetworks is now actively selling a de-featured Ethernet offering to some segments in response, and will be extending this across its data centre to data centre footprint as an alternative to their managed Ethernet service.

- **Churn** was 2.2% in 3Q 2013, improving from 2Q 2013. The Company anticipates similar churn in 4Q 2013 and remains focused on sequential reduction in the coming quarters, with commercial strategies in place to support this. The primary sources of churn for euNetworks remain unchanged – the end of term customer contracts for non-core SDH and IP VPN services in Germany, as well as expired euTrade customer contracts coupled with competition from microwave and the consolidation of several smaller exchanges. News sales gross margins for the Company continued to be high, reaching 87% in 3Q 2013, meaning replacement revenue is continuing to deliver an improved gross margin profile for the business.

- **Network investment** included the addition of 26 new buildings to the Company's network in 3Q 2013, exiting the quarter with 1,011 on-net buildings and an additional 51 buildings in the process of being connected. Growth in new on-net building connections has been slower in 2013, compared to 2012 for euNetworks. This is largely due to sales focus on growing revenue from existing customer accounts and subsequently focusing on connecting the data centres where many of the Company's customers need to be located. These are valuable sites to euNetworks, with high bandwidth demands. Enterprise buildings will also continue to be connected, where the payback is appropriate.

  As articulated last quarter, following securing debt funding, euNetworks' priority is to drive incremental organic growth. The most notable projects for this to date are the Company's developments in its ultra low latency dedicated network and significant expansion of its London duct and fibre infrastructure, connecting a further 25 data centres at the same time. Further projects will be announced in the coming months.

- **Capital expenditure** was €8.7m in the quarter, up from €6.5m in 3Q 2012, and up from €4.9m in 2Q 2103. With this increase driven by investment in the network, the allocation of capital expenditure to success based investment declined to 30% in 3Q 2013, down from 72% in 2Q 2013 and 66% in 3Q 2012. On average, incremental committed sales enjoyed 4.6 month payback periods in 3Q 2013. 53% of capital expenditure was allocated to network development in the quarter, with similar allocations anticipated in 4Q 2013.

- **Proxy cash flow** for the quarter reflected the increased investment in the network assets, at €(2.4)m in 3Q 2013, down from €1.1m in 2Q 2013 and improving from €(3.2)m in 3Q 2012. For the nine months to September 2013, proxy cash flow was €0.8m, improving from €(14.9)m in 2012.

- **Share buyback:** On 11 October 2013, the Company announced it had undertaken a share buyback. euNetworks repurchased 12,932,000 shares at a price of S$0.60 per share for a total of approximately €4.6m. The Board for euNetworks proceeded opportunistically as they did not believe that euNetworks' market value was fully reflective of the intrinsic value of the business. With these shares available, the Board deemed the repurchase appropriate and beneficial to the Group and shareholders. This transaction was outside of the 3Q 2013 reporting period, so not reflected in the figures reported today.

About euNetworks

euNetworks Group Limited (SGX: 5VT: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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