euNetworks Reports Fourth Quarter and Full Year 2010 Results

Fourth Quarter 2010

- Total revenue of €13.7m, up 49% from 4Q 2009
- Recurring revenue of €10.9m
- Gross profit of €9.6m, up 39% from 4Q 2009
- Adjusted EBITDA of €1.8m
- 28 new customers gained in the quarter

Full Year 2010

- Total Revenue of €43.8m, up 32% from €33.1m in 2009
- Recurring revenue of €39.2m, up 21% from €32.3m in 2009
- Gross profit of €31.5m, up 30% from 24.2m in 2009
- Gross margin of 72%, down from 73% in 2009
- Adjusted EBITDA of €(0.9)m, improving from €(1.2)m in 2009
- 82 new customers gained in the year

London, UNITED KINGDOM – 1 March 2011 - euNetworks Group Limited (SGX: H23.SI), announced strong quarterly and full year results, with further improvement in key fundamentals. Total revenues grew quarter over quarter by 23%, from €11.1m in 3Q 2010 to €13.7m in 4Q 2010, and by 49% from 4Q 2009. The Group achieved €10.9m in recurring revenues in the quarter, up 10% from 3Q 2010, with non recurring infrastructure sales of €2.8m (€1.2m in 3Q 2010). Gross profit for the quarter increased by 39% year on year to €9.6m, and by 20% from the preceding quarter. Gross margin for the quarter was 70%. Underlying gross margin, excluding non recurring infrastructure sales, was 72%, up from 71% in 3Q 2010. The Group delivered positive adjusted EBITDA(1) in the quarter of €1.8m, up from €0.8m in 3Q 2010.

For the full year, the Group grew total revenues by 32% to €43.8m, with recurring revenues of €39.2m, up 21% from 2009. Network revenues increased significantly from 2009, growing by 55% to €30.4m, with recurring network revenues growing by 37% to €25.8m. Non recurring infrastructure sales in the year were €4.6m. Gross profit for the year increased by 30% to €31.5m. Gross margin was 72%, slightly lower than 73% in 2009, driven by non cash costs associated with non recurring infrastructure sales and lower margins from Internet Protocol (IP) revenues. Underlying gross margin, excluding non recurring infrastructure sales, was 72.7%. Adjusted EBITDA(1) in 2010 was €(0.9)m following two consecutive quarters of positive quarterly adjusted EBITDA. The Group remains focused on this trend in quarters to come, whilst continuing to invest to drive top line revenue growth.

Prior year adjustments were made to the reported results, with 2009 and 2010 figures reported today in line with these. A separate announcement explains these in detail. The adjustments were of a non cash nature, and hence have not affected the cash position of the Group, or its operating ability. One notable adjustment has been to report the recharges of power within the data centre business as an element of revenue, with the associated cost of supply within direct network expenses. For the full year 2010, this added €3.2m to total revenue and to costs (€3.0m in 2009). This has not impacted the

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

overall level of reported profitability for euNetworks, but it has diluted the overall reported gross margin for the business.

"We have improved our key financial metrics through the year with strong recurring revenue growth and importantly, a significant uplift in network revenues," said Brady Rafuse, Chief Executive Officer of euNetworks. "Gross margin is a key driver of value for our business and with continued focus on sales of on-net fibre and bandwidth services, I believe we will trend towards 80% gross margins as the business reaches scale. In 2010 we focused on building the foundations for growth to enable us to drive value from our metropolitan networks. We implemented a new operating structure and processes. We positioned our product to meet the need for high bandwidth services in Europe, and developed our sales teams, both locally and by segment, to better align our offering with customer needs. Our market opportunity has grown and our position strengthened. We will continue to focus on leveraging our network assets, deploying capital to connect more buildings, expanding our addressable market and growing recurring revenues across our footprint."

2010 in Review

In April the Group completed a renounceable partially underwritten issue for a convertible bond (2013 bond). The gross proceeds raised were S$83.9m, with an equivalent euro value of €44.8m at the time. The net proceeds of this were used to purchase the balance of the convertible bonds due in 2012 and to fund capital expenditure and working capital. The redemption of the balance of the 2012 bond in 2Q 2010 means euNetworks' only debt relates to the 2013 bond. This is a convertible instrument held mainly by the Group's substantial shareholders.

Sales Performance

At the core of the Company's business are the 13 operational metropolitan networks spanning 5 countries in Europe. In 2010 euNetworks developed the sales team, and implemented projects to begin to drive more value from the 4 main markets of London, Frankfurt, Amsterdam and Dublin. The Company also started to develop the sales organisation to address the other 9 markets, where little or no business was previously done.

In 1Q 2010, 10 new sales people were recruited in Germany, the United Kingdom and the Netherlands, developing a local focus in growth markets. For the first time the Company had sales people in Hamburg and Munich and exited the quarter with sales presence in 7 of the 13 operational markets. Following this investment, a strong uplift in sales productivity was seen in 3Q 2010, with this level of productivity maintained in 4Q 2010. The sales funnel has strengthened, indicating an encouraging pipeline for sales in the future.

Low latency connectivity was a key growth offering in Europe in 2010, particularly targeted at the financial services sector. Developments in euNetworks' euTrade portfolio of ultra low latency services improved the Company's service reputation and competitive position, strengthened the sales funnel and supported revenue growth. By year end, 36 new euTrade contracts were signed associated to developments made in 3Q 2010 and 4Q 2010.

Average contract term for the year declined to 27 months in 2010, from 33 in 2009. This decline was largely due to the volume of low latency contracts signed in the year. Typically such contracts run for a 12 month term, but are for a premium service.

Operational Performance

Having key buildings on-net drives value onto the Company's network and positions the business well to serve bandwidth demand. The number of on-net buildings increased by 34% from 2009 exit. Additionally there was a strong pipeline of buildings in progress at the end of 2010.

Network optimisation and development was an area of focus in 2010, with this largely driven by sales opportunity, and so underpinned by strong returns on invested capital. The London metropolitan network was optimised in 1Q 2010, with deployment of low latency equipment and activation of new lower latency routes into key financial exchanges in London. In 3Q 2010 euNetworks rolled out dedicated ultra low latency routes connecting key data centres in London to those in Slough and Frankfurt. In December the London to Stockholm route went live.

Good progress was made in the programme to be 'friction free' for customers. The Company focused on standardising and developing internal processes and systems. Since programme launch in 2Q 2010, sales and customer service delivery processes and applications have improved. Product configuration and network inventory management will be the next areas of focus as the Salesforce.com platform continues to develop.

2011 Business Outlook

2010 was a good year for euNetworks. The Company improved the underlying business, delivering strong financial results and developing the foundations to enable scale. The level of revenue growth achieved and the sales funnel at the end of 2010 indicate strong and growing demand for the euNetworks' portfolio. The Company has increased its market opportunity and position through steps taken in the year, increasing penetration in key segments, expanding into new segments and expanding the metro networks. euNetworks' view of market trends towards high bandwidth products across multiple sectors remains. euNetworks services come into their own at the Gigabit level. Enterprise customers have embraced this in 2010, particularly in specific sectors. There are still however many enterprises in the European market who see the transition from 100Mb services to Gigabit as too much. Bandwidth infrastructure providers in the United States have seen this transition in the market. With the European telecoms market lagging the US market by 18 or so months, the bandwidth transition is expected to drive up demand for euNetworks services.

Macroeconomic conditions remain challenging in the European region, but there is good opportunity for growth for euNetworks in the year ahead. Connecting further bandwidth intensive buildings to the network, developing productive local sales teams, investing in a product portfolio aligned to customer needs, and systems and processes to improve the customer experience will continue to drive the business forward. The Company 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. 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.

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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