euNetworks Reports Fourth Quarter and Full Year 2013 Results

For the year ended 31 December 2013:

- Total revenue of €97.4m, improving 3% from 2012
- Gross profit of €71.0m, increasing 10% from 2012
- Gross margin of 72.9%, increasing from 68.0% in 2012
- Adjusted EBITDA of €25.4m, improving from €12.9m in 2012
- Proxy Cash Flow of €(2.5)m, improving from €(14.9)m in 2012
- Net loss of €(6.3)m, improving from €(29.8)m in 2012
- 101 new customers, compared to 118 in 2012
- 134 new buildings on-net, declining from 279 in 2012

For the quarter ended 31 December 2013:

- Total revenue of €24.0m, declining 2% from 4Q 2012
- Gross profit of €17.7m, improving 2% from 4Q 2012
- Gross margin of 74.4%, improving from 71.2% in 4Q 2012
- Adjusted EBITDA of €7.4m, improving from €5.0m in 4Q 2012
- Proxy Cash Flow of €(3.3)m, compared to €(0.0)m in 4Q 2012
- 31 new customers added, compared to 33 in 4Q 2012
- 35 new buildings brought on-net, with 1,046 total buildings connected

London, UNITED KINGDOM – 24 February 2014 – euNetworks Group Limited (SGX: 5VT.SI), a unique Western European provider of bandwidth infrastructure services, announced results for the three months ended and full year ending 31 December 2013. The Group reported a strong financial performance for the year, doubling adjusted EBITDA[1] and significantly improving gross profit and proxy cash flow. For the 4Q 2013 compared to 4Q 2012, the Group delivered improved gross profit and adjusted EBITDA on continued flat revenue performance. As with 2Q 2013 and 3Q 2013, churn offset new sales.

Gross margin for the year was 72.9%, increasing from 68.0% in 2012 and improved from 71.2% in 4Q 2012 to 74.4% in 4Q 2013. Adjusted EBITDA for the full year was €25.4m, growing 97% from 2012. For 4Q 2013, adjusted EBITDA reached €7.4m, growing 48% from €5.0m in 4Q 2012 and 17% from 3Q 2013. For 4Q 2013, adjusted EBITDA included a one-off benefit of €0.9m from a reduction in provisions for the costs of returning properties to their original condition at the end of their lease terms. Excluding this one-off benefit, adjusted EBITDA was €24.5m for the full year and €6.4m in 4Q 2013. Continued focus on high gross margin sales and cost management will result in further performance improvement over time.

"These full year and fourth quarter results are indicative of the improving operating performance of the business and steady increase in demand for bandwidth services from our customers," said Brady Rafuse, Chief Executive Officer of euNetworks. "Churn impacted revenue performance through the year, but remained steady at 2.3% in 4Q 2013, similar to 3Q 2013 and improved from 2.8% in 2Q 2013. We implemented a targeted customer account strategy in 2H 2013 to work to lower churn and this remains a priority moving into 2014."

"While managing our key financial metrics, we also invested in network development in 2013 to compound our growth," said Rafuse. "Discretionary capital expenditure in 2013 was in line with our investment in 2012, but allocated more heavily in 3Q 2013 and 4Q 2013. This investment enabled additional connections to high bandwidth consuming data centres. In addition, a number of strategic network development projects were launched. These included the new fibre based London to Stockholm ultra low latency network route

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

for euTrade, the addition of a London to Moscow route, and the London metropolitan fibre expansion. These and other projects will deliver more bandwidth infrastructure services to grow in-place and new customers in the future."

"The capital spending increase in 3Q 2013 and 4Q 2013 was reflected in our proxy cash flow performance in 2H 2013, reducing proxy cash flow to €(2.4)m in 3Q 2013 and €(3.3)m in 4Q 2013. Overall our proxy cash flow position has significantly improved over the last year, reflecting the benefits of continued scaling and progress towards our goal of having a lean production system. Also, the drawdown of €15m for investment following securing debt funding in May."

On corporate matters, the Group undertook activity it deemed beneficial to the Group and shareholders in 2013. The 2013 Convertible bonds matured on 1 April 2013 and 98.4% of the Convertible bonds issued in 2010 were converted or tendered for shares. No convertible bonds remain outstanding at this time. A Share Consolidation was completed on 31 May 2013 and was the first step to be taken in simplifying the Company's capital structure. Debt funding commitment was secured and announced on 8 May 2013, with funds being used for organic growth and also available to support inorganic growth opportunities. Finally on 11 October 2013 the Group announced it had undertaken a share buyback. At the time the Company did not believe that euNetworks' market value was fully reflective of the intrinsic value of the business.

Performance Highlights for 2013

- **Sales** performance in 2013 increased slightly, with 4% growth in the total value of new contracts secured in 2013 compared to 2012. Through 2013, the majority of new sales came from the Company's existing customer base in line with its commercial focus, with 94% of these new sales for the core product portfolio of Fibre, Wavelengths, Ethernet, Colocation and Internet.

  4Q 2013 sales were strong, with a 58% increase in the value of new contracts secured compared to 4Q 2012 and up 12% from 3Q 2013. Average contract term for new customer contracts was 29 months in 4Q 2013, down from 31 months in 3Q 2013 and in line with the 4Q 2102 average.

  Revenue in the year was driven by steady demand for Fibre and Wavelengths products. Metro Wavelengths continued to perform well, and the Company anticipates demand for transport services to continue through 2014. euTrade and Ethernet also steadily contributed to growth, while there was continued decline from non-core SDH and VPN businesses, now a much smaller percentage of euNetworks' base.

  Through the year the Company saw steady competition in its markets for fibre and high bandwidth services, but with a focus on connecting more data centres, demand for euNetworks Fibre remained strong. Additionally, data centre operators have been increasingly looking for enhanced network capabilities, either director or indirectly, to provide a full service solution for their target customers. euNetworks is actively working with data centre operators on both fibre and transport based bandwidth solutions, connecting multiples sites in cities for them.

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 3Q 2013. euNetworks' market share continues to grow. The Metro Wavelengths product line was strengthened in 2013 with the London metro expansion announced in November, and with Frankfurt metro wavelengths deployment commencing in 4Q 2013. These developments provide further opportunity for sales growth in 2014.

euNetworks' euTrade service portfolio delivered strong growth through 2013, with fibre and wireless solutions co-mingled as part of customers' trading strategies. euTrade performance picked up in 4Q 2013 following the launch of new routes to Stockholm and Moscow on 30 October 2013. With market leading latencies on offer, euNetworks anticipates strong growth for euTrade to continue through 1Q 2014 and will continue to monitor this market, investing to meet customer demand.

Following a slight decline in Ethernet and Internet performance in 3Q 2013, largely due to pricing pressures in local markets and also related to legacy services with off-net tails where the Company was looking to maintain gross profit targets, Ethernet and Internet performance was strong in 4Q 2013. This followed response to these pressures, with euNetworks delivering more tailored solutions and commercials to target customers.

euNetworks continues to monitor and adjust its commercial and product approach across its portfolio in line with market pressures and customer demand. Its ability to deliver services directly to enterprise customers or bundled together with partners' and wholesale providers' offerings has remained euNetworks' core sales methodology through the year and will continue in 2014.

- **Churn:** The primary sources of churn for euNetworks have been 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. Colocation churn increased in 2Q 2013 and 4Q 2013 due to known disconnections as some customers move to self-built facilities; a trend that tier 1 data centre operators are also experiencing. Churn in core Fibre and Wavelengths businesses however remained low and new sales gross margins were consistently high through 2013, meaning replacement revenue continued to deliver an improved gross margin profile for the Company.

- **Network investment** included the addition of 134 new buildings to the Company's network in 2013, exiting the year with 1,046 on-net buildings and an additional 58 buildings in the process of being connected. Through the year growth in new on-net buildings slowed compared to 2012. This was 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 well as connecting more data centres, there were a number of strategic network development projects undertaken in the year which will drive growth into 2014. Most notable was the developments in the Company's ultra low latency dedicated network and significant expansion of its London duct and fibre infrastructure. euNetworks is also developing its metro network in Frankfurt, rolling out a dense wave division multiplexing (DWDM) transport platform running between key data centres. This positions euNetworks as the key data centre to data centre (Dc) connectivity provider in Frankfurt and also delivers increased support for encryption to address growing security concerns by businesses today.

- **Capital expenditure** was €10.7m in 4Q 2013, up from €5.0m in 4Q 2012, and up from €8.7m in 3Q 2103. Capital expenditure was €27.9m in 2013, compared to €27.8m in 2012. With strategic network development projects driving capital expenditure in 3Q and 4Q 2013, the allocation of capital to success based investment was 48% for 2013, down from 66% in 2012. Correspondingly, 34% of capital was allocated to network development in the year, up from 7% in 2012. On average, incremental committed sales enjoyed payback periods ranging between 4.6 and 6 months in the year, demonstrating the continued efficient use of capital by the Company.

- **Proxy cash flow** for the quarter reflected the increased investment in the network assets, at €(3.3)m in 4Q 2013, down from €(2.4)m in 3Q 2013 and from €0.0m in 4Q 2012. As previously mentioned, proxy cash flow for the year improved significantly.

- **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 and with these shares available, considered the repurchase appropriate and beneficial to the Group and shareholders. This transaction was 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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