



euNetworks

euNetworks Reports Fourth Quarter and Full Year 2011 Results

Fourth Quarter 2011

- Total revenues of €23.8m, up 74% from 4Q 2010
- Gross profit of €15.4m, up 60% from 4Q 2010
- Gross margin of 64.7%, down from 70.1% in 4Q 2010
- Adjusted EBITDA of €0.1m, down from €1.8m in 4Q 2010 due to integration costs
- Net loss of €(7.9)m, up from €(7.4)m in 4Q 2010
- 33 new customers gained in the quarter
- 103 new buildings on-net

Full Year 2011

- Total revenues of €72.1m, up 65% from 2010
- Gross profit of €49.7m, up 58% from 2010
- Gross margin of 69%, down from 72% in 2010
- Adjusted EBITDA of €5.9m, improving from €(0.9)m in 2010
- Net loss of €(20.1)m, improving from €(34.2)m in 2010
- 111 new customers gained in the year
- 633 buildings on-net, up 73% from 2010

London, UNITED KINGDOM – 28 February 2012 – euNetworks Group Limited (SGX: H23.SI), announced solid fourth quarter and full year results, with continued growth of the business. Following the successful completion of two acquisitions in Germany and a rights offering, euNetworks is well positioned to take advantage of further opportunities.

The fourth quarter was an important period for integration activities as well as network developments and building connections, supporting growth into 2012. Results announced today for the quarter ended 31 December 2011, include a full quarter of LambdaNet Communications Deutschland GmbH (“LambdaNet”) and TeraGate GmbH (“TeraGate”) financials. Going forward, all reporting will be consolidated to euNetworks.

For the fourth quarter, total revenues grew by 74% year on year, from €13.7m in 4Q 2010 to €23.8m in 4Q 2011. Recurring revenues were €22.3m, up 112% from 4Q 2010. The non-recurring revenues in the quarter reflected the sale of non-core network assets. Overall, network revenues continued to grow, increasing by 83% from 4Q 2010 to €19.0m. Recurring network revenues excluding LambdaNet and TeraGate were up 22% compared to 4Q 2010 and up 8% from 3Q 2011. Gross profit in the quarter increased by 60%, from €9.6m in 4Q 2010 to €15.4m in 4Q 2011. Gross margin declined to 64.7%, down from 70.1% in 4Q 2010, which largely reflected the addition of LambdaNet and TeraGate to the Group. euNetworks is working to improve gross margin through a combination of integration synergies and high margin new sales. On average, new sales across the combined businesses have gross margin of ~80%. Adjusted EBITDA¹ was €0.1m, down from €1.8m in 4Q 2010 following €2.6m of one-off restructuring and integration costs from acquisitions. Excluding these one-off items, underlying Adjusted EBITDA was €2.7m in the quarter.

For the full year, total revenues for the Group grew 65%, from €43.8m in 2010 to €72.1m in 2011. Recurring revenues for the year were €68.6m, up 75% from 2010. Network revenues grew by 80% to €54.6m, while recurring network revenues excluding LambdaNet and TeraGate grew 26% to €31.9m in 2011. Gross profit for the year increased by 58% to €49.7m. Gross margin was 69%, down from 72% in 2010. Adjusted EBITDA in 2011 was €5.9m, a significant improvement from €(0.9)m in 2010.

(1) Adjusted EBITDA means EBITDA before the deduction of share option expense and loss on disposal of plant and equipment. It is designed to reflect the Group's operating cash flow.



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“It has been a busy quarter and a strong year for the business,” said Brady Rafuse, Chief Executive Officer of euNetworks. “While we have accelerated our capability and market position in Germany through the successful acquisitions of LambdaNet and TeraGate, we have also delivered strong organic growth in our other markets. Overall, we have improved our key financial indicators through the year, with gross margin anticipated to increase in future quarters following integration synergies and a focus on high margin new sales.”

“Bandwidth demand in Europe continued to increase through 2011, a market trend we remain well positioned to leverage,” said Rafuse. “We continued to benefit from the unique assets at the core of our business and delivered our bandwidth services to important segments such as wholesale, mobile and financial services and also to new segments such as corporates. While demand remained strong, we developed our capability within our product portfolio, and hence scope for new sales. Additionally, network investment through the year supported strong sales and a healthy funnel of opportunity. I am delighted with our progress in 2011 and remain focused on continuing to deliver in 2012. We are deeply dedicated to serving our customers well and scaling the business in future quarters.”

2011 in Review

Through the year, euNetworks continued to grow its business, with significant growth in sales each quarter driving revenue growth. As well as growing success with a wider base of segments in 2011, euNetworks also introduced new product capabilities from the German acquisitions. euTrade and Fibre sales dominated 1H 2011, but by 3Q 2011, euNetworks had an increased Ethernet capability and much wider Colocation footprint. Strength selling euTrade, Fibre and Wavelengths services has now been combined with increasing success in Ethernet and Colocation.

Through 2H 2011, the team focused on driving integration synergies, with further regional, product and segment trends highlighted in the following section.

The successful completion of the rights issue in 3Q 2011 strengthened the Group’s balance sheet and provides further opportunity for growth moving into 2012. euNetworks raised more than €72m, with the proceeds used to repay shareholder loans and the accumulated interest associated with funding the two acquisitions. The balance supports customer oriented capital expenditures, working capital and to fund further opportunities.

Sales Performance

The value of new sales order contracts continued to grow in 4Q 2011, reaching €15.0m, up from €8.0m in 4Q 2010 and €14.4m in 3Q 2011. For the full year, total new sales order contracts reached €54.4m, increasing 96% from 2010. Over 87% of sales in the quarter were for network services, proportionally down from previous quarters due to the increased Colocation capability in the euNetworks portfolio. Historically euNetworks Colocation sales were flat, with data centres operating at near full capacity. The additional capability from the LambdaNet facilities has shifted this sales mix in the quarter. For the full year, 94% of sales were for network services.



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Average contract term for new customer contracts for the quarter was 46 months, increasing from 28 months in 3Q 2011. Average contract term for new customer contracts for the year increased to 39 months from 27 months in 2010. euNetworks' strategy of driving long term and high margin recurring revenues from its unique metropolitan assets remains a key focus for the Group.

In 2Q 2011, the Group announced its FTTx initiative - providing fibre connectivity into mobile operators' masts and towers. At that time, significant progress had been made and multiple operators were under contract. FTTx sales increased again from 3Q 2011 to 4Q 2011, closing a successful year serving Europe's mobile operators. euNetworks sold services to mobile operators across six of the seven key metropolitan markets in Germany in the year, demonstrating the true depth and breadth of the Group's metropolitan footprint.

Despite some signs of price compression in low latency services identified in 3Q 2011, euNetworks delivered its second best quarter of new euTrade sales for the year in 4Q 2011. Today euNetworks provides its euTrade service portfolio within London and to Frankfurt, Stockholm, Milan, Zurich, Madrid and the United States. Customers continue to value the ability to turn-up capacity quickly and the Group's commitment to on-going network improvements for market leading latencies.

From a segment perspective, euNetworks now serves a broad range of enterprise, wholesale and indirect channel customers in Germany, delivering 52% of the Group's recurring revenues in 4Q 2011 and 44% for the year. Traditionally, the Group's other regions have been more focused on Finance and Carrier demand. In 4Q 2011 however, the Group saw the benefits of expanding the targets of the United Kingdom, Ireland and Netherlands sales teams, with an increasing number of new customers in other segments.

With a larger revenue base from 3Q 2011, the Group began measuring churn as a percentage of monthly recurring revenues. In 1Q 2011, churn was 0.7% of monthly recurring revenues, and 0.8% in 2Q 2011. Churn for the Group was higher in 3Q 2011 at 1.5%, driven by termination of a large contract. In 4Q 2011, churn decreased to 0.9% of monthly recurring revenues. This level of churn is consistent with the Group's expectations of the combined businesses. For the full year churn was 1.2% of monthly recurring revenues.

Operational Performance

Having key buildings on-net drives value onto the Group's network and positions the business well to serve bandwidth demand. Great progress was made in the year connecting buildings, with 73% growth in building count. The number of buildings on-net increased from 365 at 2010 exit, to 633 at the end of 2011. During the fourth quarter euNetworks connected 103 buildings, with a further 172 in the process of being connected moving into 2012.

Integration of LambdaNet and TeraGate was a key focus in 3Q 2011 and 4Q 2011. Integration projects realised savings in line with the Group's acquisition plans and network rationalisation has been progressing well. At the same time, maintaining a high



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level of customer service has been a key focus for the business. Integration of the product portfolio is now complete, with this being actively marketed and sold across all markets with good success.

2012 Business Outlook

The economic environment remains challenging across Europe, but bandwidth demand continues to increase. This trend coupled with the foundations put in place in 2010 by the Group, and the growth, development and successful corporate activity undertaken by the Group in 2011, continue to drive the euNetworks business forward. As a facilities based bandwidth infrastructure provider, euNetworks is strongly positioned to enable businesses with scalable bandwidth services.

The sales funnel remains strong as the depth and scale of the euNetworks business develops. The Group's segment and investment strategy continues to deliver results. Connecting more bandwidth intensive buildings to the network, driving up sales with further product and market developments and a relentless focus on good data to deliver a great experience to customers and value to shareholders and stakeholders remain key to euNetworks in quarters ahead.

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 37 cities in 9 countries. The Company offers a portfolio of metro and longhaul Ethernet and Internet Protocol services including Dark Fibre, Dedicated Fibre, 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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