



## euNetworks Reports Second Quarter and Half Year Results

### Second Quarter 2010

- Total revenue of €9.4 million
- Recurring Revenue of €8.8 million
- Gross profit of €7.5 million
- Adjusted EBITDA of €0
- 16 new customers gained in the quarter

### First Half 2010

- €17.4 million total revenue for 1H 2010, up 21% from 1H 2009
- Gross profit increased by 20% to €13.9 million for 1H 2010
- Adjusted EBITDA loss of €1.7 million
- 29 new customers

**London, UNITED KINGDOM – 13 August 2010** - euNetworks Group Limited (SGX: H23.SI), announced quarterly growth in total revenue of 29% against 2Q 2009, achieving €9.4 million revenue. The Group achieved €8.8 million in recurring revenue in 2Q 2010, with €0.6 million in one offs, and grew total revenue by 16% against 1Q 2010. Gross margin was 80% in the quarter, flat from 1Q 2010 and similar to 2009. Gross profit increased by 27% from 2Q 2009 to €7.5 million, and adjusted EBITDA broke even against a loss of €0.8 million. Net loss for the period was €14.4 million after an exceptional charge of €2.6 million related to the redemption of the balance of the 2012 bond.

For 1H 2010, total revenue was €17.4 million, growing 21% from 1H 2009. Gross profit increased by 20% to €13.9 million, with gross margin of 80%. Adjusted EBITDA loss increased to €1.7 million against €0.6 million. Net loss for the first half 2010 was €22.8 million after exceptional charges of €2.6 million related to the redemption of the balance of the 2012 bond in 2Q 2010.

“We started the second quarter with the successful completion of a Rights Issue, with the proceeds used to repay the convertible bonds due in 2012 and to fund capital expenditure and working capital,” said Brady Rafuse, Chief Executive Officer of euNetworks. “We have seen good revenue growth and success in sales, indicating that we are on a positive trajectory. Developments made in our product line, our network, systems and data in the business are all contributing to a steady improvement in our fundamentals. Today we support the bandwidth requirements of a growing number of large Multinational companies across our targeted segments. We have made good progress on key focus areas during the first half of the year. As we move through the



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remainder of 2010 our focus is to get more value out of the metro networks, and continue along the path we have set so far.”

As a company, we are at an early stage in delivering our business plan and in line with that, we monitor performance through key measures of revenue, gross margin, adjusted EBITDA, capital expenditure, and proxy cash flow, while rigorously measuring total cash flow. While the company fundamentals have improved, there are a number of items in the quarter which convert adjusted EBITDA of €0 into a net loss of €14.4 million. We use EBITDA adjusted for share option expense as a key performance measure. The exclusion of share option expense is to more accurately reflect the cash aspect of EBITDA and broadly reflects the company’s operating cash flow.

Adjusted EBITDA excludes the following items:

- Charges relating to the grant of share options;
- Charges related to the redemption of the balance of the 2012 bond;
- Charges associated with the 2013 bond which impact non-operating expenses including foreign exchange provisions and finance costs.

Some of these are one-off items while others will impact the figures for a period to come. They are in line with expectations and are explained further in the [2Q 2010 full announcement](#).

### **Significant Milestones in Second Quarter 2010**

Throughout the second quarter, the team continued to implement key programmes, achieve targets and measurably improve revenue growth from 2Q 2009 and 1Q 2010. Appointing John Franklin to the position of Chief Operating Officer in the quarter has filled a key position for the company.

The people, systems, products and strategy are in place and market demand for euNetworks solutions is improving.

### ***Continual Operational Improvement***

We want to have excellent operational data linked to processes to systems to platforms in a manner which is without friction. This enables our business to scale and our customers to receive a high quality of service. In the second quarter we launched a programme to standardise and develop our processes and systems in order to increase



quality, improve the customer experience, reduce the need for duplication of work, and reduce the level of effort required to process each order. As a programme of continual improvement, this will enable better visibility of orders in progress, increase throughput and allow scaling while shortening cycle times. This is an important project as we grow our business and will continue through 2010.

### ***Driving Value from our Metros***

Growing the number of bandwidth intensive buildings connected to the network is key to driving value from metro assets. Today we connect to a large number of data centres and multilateral trading facilities. Adding further data centres and large enterprise buildings in priority markets is underway, and at the end of 2Q 2010, we had grown our on-net buildings by 11% from 2009 exit. We are focused on driving up this growth rate, and with local sales teams now in place, we will start seeing further progress in quarters to come.

### ***Improving Demand and Increasing Sales Activity***

In the quarter we have seen a strengthening of Fibre, Wavelength and Ethernet sales across all markets and are starting to see more corporate WANs moving to high speed Wavelength and Ethernet solutions, with capacity requirements of 1G and 10G. Within the enterprise segment, corporates are consolidating data centres and increasing the use of high bandwidth applications in their business. Along with improving demand conditions, our sales force is ramping up their activity, selling more metro services following recruitment in the first quarter. During the quarter, 16 new customers were signed.

### ***Strong Ultra Low Latency Solution Development***

We have made important developments with our low latency solution, launching new euTrade focused routes into key data centres and exchanges in and around London, with an improving latency offering driving subsequent wins during the quarter. Our demonstrated skill in developing compelling solutions to the trading community means we are becoming more recognised in the market as a leading ultra low latency specialist.

### ***Growing Sales***

Securing long term recurring revenue contracts is key for our growth as a bandwidth infrastructure provider. Recurring revenue sales grew 19% from 1Q 2010. Average contract length declined slightly in the quarter to 22 months, with this drop attributed to

lower fibre sales compared to 1Q 2010. Fibre sales are traditionally longer term lease contracts.

### **2010 Business Outlook**

Last quarter we detailed the current demand dynamics in Europe and the trends we expect to see based on experience in the US market. While we are still not at the tipping point, where corporates are demanding Gigabit level connectivity as the norm, we have, over the quarter, seen strengthening sales across markets, and more corporates moving to high speed solutions. We are encouraged by these developments which point directly towards the demand trends we base our business plan on.

We continue to see strong demand from the financial services segment, particularly due to our ability to deliver a very competitive low latency solution to market. At the same time, we are seeing growing traction in other segments such as legal and media, indicating growing demand for high bandwidth fibre based services more broadly across the enterprise market and also our ability to serve them. Our sales teams in place in growth markets are positioned to drive value from this.

Macroeconomic conditions have changed very little in Europe over the last three months and we do not anticipate any change to this challenging environment for the next 12 months.

For the remainder of 2010 we will continue to push forward with key programmes that scale our business and add value to the network. Our localised sales force in place will continue to ramp in their activity and we are confident we will improve our company fundamentals and the customer experience we deliver.

### **About euNetworks**

euNetworks Group Limited (SGX: H23:SI) is a bandwidth infrastructure provider and owns 15 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.



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euNetworks Group Limited is headquartered in London and publicly listed on the Singapore Stock Exchange. For further information please visit [www.eunetworks.com](http://www.eunetworks.com).

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