

colt



## **The information delivery platform for European business**

2010 Interim Report and results  
for the six months ended 30 June 2010  
Colt Group S.A.

## Colt Group S.A. results, six months ended 30 June 2010

**22 July 2010: Colt Group S.A. (London Stock Exchange: COLT) issued today the results for the six months ended 30 June 2010.**

### Highlights of first half 2010

- Continued improvement in EBITDA margins
- Balancing continued infrastructure investment with a strong balance sheet
- Data centre acquisition of freehold forming basis for launch of data centre services business
- Caution for first half giving way to improved confidence for second half 2010

### Key information

	2010 Unaudited €m	Six months to 30 June 2009 Unaudited €m	Movement
Total revenue	794.2	817.4	(2.8%)
Data revenue	396.8	398.4	(0.4%)
Managed Services revenue	83.0	73.4	13.1%
Voice revenue	314.4	345.6	(9.0%)
EBITDA <sup>1</sup>	158.2	158.0	0.1%
Profit before tax and exceptional items <sup>2</sup>	34.4	45.9	(25.1%)
Earnings per share (€)	0.05	0.07	(28.6%)
Free cash flow <sup>3</sup>	7.8	32.4	(76.0%)
Capital expenditure	103.7	91.2	(13.7%)
Net funds <sup>4</sup>	265.6	243.1	9.3%

- <sup>1</sup> EBITDA reflects earnings before net finance costs, tax, depreciation, amortisation, foreign exchange and exceptional items
- <sup>2</sup> In 2010 there were no exceptional items. In 2009 the exceptional item was a €9.7 million credit as described in the financial review below. Profit before tax in 2009 was €55.6 million
- <sup>3</sup> Free cash flow is net cash generated from operating activities less net cash used to purchase non-current assets and net finance costs paid
- <sup>4</sup> Net funds reflects cash and cash equivalents plus deposits classified as current asset investments less debt

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Rakesh Bhasin, Chief Executive Officer, commented:  
“These results are in line with our expectations and our cautious approach adopted for the first half of 2010. Whilst Data and Managed Services did not create the growth to cover Voice decline at a revenue level we are seeing positive signs in the market which indicate an improvement in the second half and into 2011.”

## Business Review

### Major Enterprise Division

Our Major Enterprise Division saw Data revenue decrease by €7.8m (3.7%) to €200.9m (2009: €208.7m), primarily attributable to the economic slowdown, with a significant decline in sales of older bandwidth data products. Managed Services revenue grew by €6.9m (11.3%) to €68.1m (2009: €61.2m). This growth was driven by new longer term contracts with a number of large corporate customers to provide complex IT solutions with integrated network and computing services. Voice revenue declined by €10.7m (13.2%) to €70.2m (2009: €80.9m) due to the highly competitive market.

EBITDA for the Major Enterprise Division decreased by €7.9m (10.1%) to €70.2m (2009: €78.1m) due to lower Data and Voice revenue, and increased selling, general and administrative expenses mainly resulting from one-off costs.

### Midsized Business Division

Data revenue from Midsized Business Division customers increased by €1.9m (2.4%) to €81.5m (2009: €79.6m), primarily attributable to an increase in Ethernet product revenue with new and existing customers increasingly choosing Ethernet for their IT infrastructure. Managed Services revenue increased by €2.1m (22.8%) to €11.3m (2009: €9.2m) due to increased demand. Voice revenue declined by €9.0m (7.7%) to €107.4m (2009: €116.4m). The decrease was largely due to the ongoing decline in sales of our legacy Carrier Pre-Select product offerings, which are mainly sold in German markets.

The Midsized Business Division EBITDA increased by €6.2m (35.0%) to €23.9m (2009: €17.7m) primarily due to the improved mix of higher margin Data and Managed Services revenue and a reduction in selling, general and administrative expenses.

### Wholesale Division

In 2010 the Wholesale Division generated Data revenue growth of €4.3m (3.9%) to €114.4m (2009: €110.1m). This was driven by strong demand for our Ethernet products, partially offset by a decline in demand for older bandwidth products. Carrier Voice revenue declined by €8.6m (7.8%) to €101.1m (2009: €109.7m) from consolidation in our customer base, strategic reductions in low-margin accounts, and regulatory led price declines. This was partially offset by growth in traffic terminated outside our network. Corporate and Reseller Voice declined by €2.9m (7.5%) to €35.7m (2009: €38.6m), due to customer churn and regulatory led price declines, partially offset by growth in our white label Voice product offerings.

EBITDA for the Wholesale division increased by €1.9m (3.1%) to €64.1m (2009: €62.2m) due to the improved mix of higher margin Data revenue, partially offset by increased selling, general and administrative expenses.

### Asset Development

On 6 May 2010 Colt acquired the freehold of its existing 33 MVA partially developed data centre just outside London, for a cash consideration of €57.1m plus transaction costs. This investment increases Colt's capacity at the site from 4,500 square metres to in excess of 10,500 square metres. The facility has been operating successfully for over two years, providing Colt customers with top quality data centre space, excellent resilience and high levels of security.

## Financial Review

Unless indicated otherwise, all commentary below on the Group's results and cash flows is based on nominal variances including exchange rate movements. Certain key financial metrics are also provided at constant currency, converting 2010 non-Euro currency measures at 2009 exchange rates, see below and in Appendix 1.

### Income Statement

Revenue decreased by €23.2m (2.8%) to €794.2m (2009: €817.4m), or by €30.4m (3.7%) on a constant currency basis as increased Managed Services revenue was more than offset by decreased Voice revenue and a small decrease in Data revenue.

Data revenue decreased by €1.6m (0.4%) to €396.8m (2009: €398.4m), or by €5.8m (1.5%) on a constant currency basis, driven by declining revenue from our older bandwidth Data products, largely offset by an increase in Ethernet revenue.

Managed Services revenue grew by €9.6m (13.1%) to €83.0m (2009: €73.4m), or by €8.8m (12.0%) on a constant currency basis, due to new longer term contracts with a number of large corporate customers to provide complex IT solutions with integrated network and computing services.

Total Voice revenue declined by €31.2m (9.0%) to €314.4m (2009: €345.6m) or by €33.4m (9.7%) on a constant currency basis. Corporate and Reseller Voice reduced by €22.6m (9.6%) to €213.3m (2009: €235.9m), principally due to declines in Germany, France, Spain and Italy driven by the competitive nature of the markets. Carrier Voice revenue decreased by €8.6m (7.8%) to €101.1m (2009: €109.7m) due to strategic reductions in low margin accounts and regulatory and market led price declines.

Gross margin before depreciation and exceptional items increased by 1.2 percentage points to 41.0% (2009: 39.8%) driven by an improved revenue mix. Gross profit decreased by €3.6m (1.6%) to €222.3m (2009: €225.9m), mainly due to increased depreciation.

Group EBITDA increased by €0.2m (0.1%) to €158.2m (2009: €158.0m) with the reduction in revenue offset by the improved revenue mix. Costs remain under tight control with selling, general and administrative expenses flat year on year. On a constant currency basis EBITDA increased by €0.1m (0.1%). EBITDA margin increased by 0.6 percentage points to 19.9% (2009: 19.3%) driven by the improved revenue mix.

Profit before tax and exceptional items decreased by €11.5m (25.1%) to €34.4m (2009: €45.9m). This was due to increased depreciation resulting from investment in our network and internal IT systems during 2009, and lower foreign exchange gains.

Profit after tax and before exceptional items decreased by €0.3m (0.7%) to €45.6m (2009: €45.9m). This was driven by the decrease in profit before tax and exceptional items, offset by the recognition of a taxation credit for the six months of €11.2m (2009: €nil), composed of a deferred taxation credit of €12.1m (2009: €nil) and a current taxation charge of €0.9m (2009: €nil).

There were no exceptional items during the first half of 2010; during the first half 2009 Colt realised an exceptional foreign exchange gain of €9.7m on forward contracts relating to the Open Offer proceeds. Profit after tax, including these exceptional items, decreased by €10.0m (18.0%) to €45.6m (2009: €55.6m).

As a result of the reduction in exceptional items basic earnings per share for the first half 2010 was €0.05 pence per share based on 891.6m weighted average shares in issue during the period (2009: €0.07 pence per share based upon 797.1m weighted average shares in issue).

### Cashflow

In the first half of 2010 the net movement in cash and cash equivalents decreased by €15.7m (46.9%) to an outflow of €49.2m (2009: outflow of €33.5m).

Net cash generated from operating activities decreased by €15.7m (12.3%) to €111.8m (2009: €127.5m), as a result of an increase in working capital largely related to the timing of the receipt of upfront installation charges on larger data centre contracts which benefited working capital in 2009.

Cash used in investments increased by €69.3m (76.1%) to €160.4m (2009: €91.1m) following the €57.1m acquisition of the freehold on a UK data centre, and an increase in capital expenditure of €12.5m (13.7%) to €103.7m (2009: €91.2m). The increase in capital expenditure mainly related to customer contracts, including a UK data centre modular build project, partially offset by a decrease in expenditure on internal IT projects.

Net cash used in financing activities decreased by €69.3m (99.1%) to €0.6m (2009: €69.9m) due to repayment of debt partially offset by the Open Offer proceeds in the first half of 2009.

At 30 June 2010 net funds amounted to €265.6m (31 December 2009: €309.9m) comprising €155.6m in cash and cash equivalents and €110.0m in current asset investments with a maturity of 3 to 12 months.

### Balance Sheet

Non-current assets increased by €77.2m to €1,383.3m (31 December 2009: €1,306.1m) largely as a result of the data centre acquisition.

Within working capital, trade and other receivables increased by €24.7m to €283.1m (31 December 2009: €258.4m) due to increased net trade receivables resulting from strong collections at the end of 2009, and an increase in prepayments made during the first half of the year. Trade and other payables decreased by €19.3m to €545.5m (31 December 2009: €564.8m).

Shareholders funds increased by €85.0m to €1,358.2m (31 December 2009: €1,273.2m) largely as a result of the reported profit and foreign exchange revaluations recognised in reserves for the first half of 2010.

## Trading outlook

Against an uncertain macro economic background we have seen positive signs that confidence is returning to some customers who had delayed or reduced their IT expenditure plans. Consequently we expect to make some progress in the second half of the year as customer decision making accelerates and the impact of contracts signed in the first six months of this year starts to flow through to revenues.

## Principal risks and uncertainties

Colt has processes for identifying, evaluating and managing the principal risks and uncertainties faced by the Group. The risk assessment process is updated at least annually and the Group has a detailed risk management process which identifies the key risks and uncertainties it faces. These risks and uncertainties continue to be: wider economic conditions; competition; regulation and changes in technology within the industry; and Colt's ability to recruit skilled personnel, provide a high level of customer service, maintain and develop internal IT systems and other infrastructure; managing customer churn; maintaining business critical processes in limited locations; and reliance on certain suppliers.

Some or all of the above risks have the potential to impact our results or financial position during the remaining six months of the financial year. Further details of these key risks and uncertainties can be found in the 2009 Annual Report, available from the Colt website ([www.colt.net](http://www.colt.net)).

## Responsibility statement

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

By order of the Board



**Rakesh Bhasin** / Chief Executive Officer  
22 July 2010



**Stuart Jackson** / Chief Financial Officer  
22 July 2010

## Forward looking statements

This report contains “forward looking statements” including statements concerning plans, future events or performance and underlying assumptions and other statements which are other than statements of historical fact. Colt Group S.A. wishes to caution readers that any such forward looking statements are not guarantees of future performance and certain important factors could in the future affect the Group’s actual results and could cause the Group’s actual results for future periods to differ materially from those expressed in any forward looking statement made by or on behalf of the Group. These include, among others, the following: (i) any adverse change in regulations and technology within the telecommunications industry, (ii) the Group’s ability to manage its growth, (iii) the nature of the competition that the Group will encounter and wider economic conditions including economic downturns, (iv) unforeseen operational or technical problems and (v) the Group’s ability to raise capital. The Group undertakes no obligation to release publicly the results of any revision to these forward looking statements that may be made to reflect errors or circumstances that occur after the date hereof.

## Investor conference call details

Date: Thursday 22 July 2010 – 09.00 (BST)  
Tel: +44 (0) 20 7162 0025

The conference call will be recorded and a replay service will be available until midnight on 29 July 2010 on +44 (0) 20 7031 4065, access code 869941.

This Press Release is also available via the Colt website at [www.colt.net](http://www.colt.net).

## Enquiries

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## Consolidated income statement (unaudited)

	2010	Six months ended 30 June		2009 After exceptional items €m
		2009 Before exceptional items €m	2009 Exceptional items €m	
	€m	€m	€m	€m
<b>Revenue</b>	<b>794.2</b>	817.4	-	817.4
<b>Cost of sales</b>				
Interconnect and network	(468.5)	(492.2)	-	(492.2)
Network depreciation	(103.4)	(99.3)	-	(99.3)
	<b>(571.9)</b>	(591.5)	-	(591.5)
<b>Gross profit</b>	<b>222.3</b>	225.9	-	225.9
<b>Operating expenses</b>				
Selling, general and administrative	(167.5)	(167.2)	-	(167.2)
Other depreciation and amortisation	(20.7)	(16.6)	-	(16.6)
	<b>(188.2)</b>	(183.8)	-	(183.8)
<b>Operating profit</b>	<b>34.1</b>	42.1	-	42.1
<b>Other income (expense)</b>				
Finance income	1.1	3.0	-	3.0
Finance costs and similar charges	(2.3)	(7.3)	-	(7.3)
Exchange gain	1.5	8.1	9.7	17.8
	<b>0.3</b>	3.8	9.7	13.5
<b>Profit before taxation</b>	<b>34.4</b>	45.9	9.7	55.6
Taxation credit	11.2	-	-	-
<b>Profit for the period</b>	<b>45.6</b>	45.9	9.7	55.6
<b>Basic and diluted earnings per share</b>	<b>€0.05</b>			€0.07

## Consolidated statement of comprehensive income (unaudited)

	Six months ended 30 June	
	2010 €m	2009 €m
Profit for the period	45.6	55.6
Net exchange gains recognised in reserves	38.5	27.2
<b>Total recognised gain for the period</b>	<b>84.1</b>	82.8

The basis on which this information has been prepared is described in Note 1 to this financial information.

## Consolidated statement of financial position (unaudited)

	At 30 June 2010 €m	At 31 December 2009 €m	At 30 June 2009* €m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	97.7	91.6	82.9
Property, plant and equipment	1,257.6	1,195.4	1,200.7
Deferred tax asset	28.0	19.1	-
<b>Total non-current assets</b>	<b>1,383.3</b>	<b>1,306.1</b>	<b>1,283.6</b>
<b>Current assets</b>			
Deferred tax asset	14.0	9.5	-
Trade and other receivables	283.1	258.4	288.0
Current asset investments	110.0	110.0	-
Cash and cash equivalents	155.6	199.9	243.1
<b>Total current assets</b>	<b>562.7</b>	<b>577.8</b>	<b>531.1</b>
<b>Total assets</b>	<b>1,946.0</b>	<b>1,883.9</b>	<b>1,814.7</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital and share premium	1,403.0	1,402.9	1,402.9
Other reserves	(194.5)	(233.8)	(227.8)
Retained profit	149.7	104.1	36.5
<b>Total equity</b>	<b>1,358.2</b>	<b>1,273.2</b>	<b>1,211.6</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	22.0	20.8	28.5
Retirement benefit obligations	6.2	5.7	6.1
<b>Total non-current liabilities</b>	<b>28.2</b>	<b>26.5</b>	<b>34.6</b>
<b>Current liabilities</b>			
Trade and other payables	545.5	564.8	557.2
Current tax liabilities	0.1	0.4	-
Provisions for liabilities and charges	14.0	19.0	11.3
<b>Total current liabilities</b>	<b>559.6</b>	<b>584.2</b>	<b>568.5</b>
<b>Total liabilities</b>	<b>587.8</b>	<b>610.7</b>	<b>603.1</b>
<b>Total equity and liabilities</b>	<b>1,946.0</b>	<b>1,883.9</b>	<b>1,814.7</b>

\*The current liabilities element of provisions became material by year end 2009 therefore the 30 June 2009 balance sheet classification has been restated to aid comparability.

## Consolidated statement of changes in shareholder's equity (unaudited)

	Share capital and share premium €m	Other reserves €m	Retained (losses) profit €m	Total equity €m
At 31 December 2008	1,723.9	(762.5)	(19.1)	942.3
Profit for the period	-	-	55.6	55.6
Reduction in nominal share capital	(510.4)	510.4	-	-
Open Offer shares issued	189.4	-	-	189.4
Open Offer costs recognised directly in equity	-	(2.8)	-	(2.8)
Share option charge	-	(0.1)	-	(0.1)
Net exchange gains recognised in reserves	-	27.2	-	27.2
At 30 June 2009	1,402.9	(227.8)	36.5	1,211.6
At 31 December 2009	1,402.9	(233.8)	104.1	1,273.2
Profit for the period	-	-	45.6	45.6
Shares issued in the period	0.1	-	-	0.1
Share option credit	-	0.8	-	0.8
Net exchange gains recognised in reserves	-	38.5	-	38.5
<b>At 30 June 2010</b>	<b>1,403.0</b>	<b>(194.5)</b>	<b>149.7</b>	<b>1,358.2</b>

## Consolidated statement of cashflows (unaudited)

	Six months ended 30 June	
	2010	2009
	€m	€m
<b>Net cash generated from operating activities</b>	<b>111.8</b>	<b>127.5</b>
<b>Cash flows from investing activities:</b>		
Purchase of intangible assets and property, plant and equipment	(103.7)	(91.2)
Proceeds from the disposal of intangible assets and property, plant and equipment	0.4	0.1
Acquisition of subsidiaries	(57.1)	-
<b>Net cash used in investing activities</b>	<b>(160.4)</b>	<b>(91.1)</b>
<b>Cash flows from financing activities:</b>		
Finance costs and similar charges paid	(1.8)	(7.7)
Finance income received	1.1	3.7
Issue of ordinary shares	0.1	-
Open Offer gross proceeds	-	189.4
Open Offer costs recognised directly in equity	-	(2.8)
Exceptional foreign exchange gain on Open Offer proceeds	-	9.7
Repayment of debt	-	(262.2)
<b>Net cash used in financing activities</b>	<b>(0.6)</b>	<b>(69.9)</b>
<b>Net movement in cash and cash equivalents</b>	<b>(49.2)</b>	<b>(33.5)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>199.9</b>	<b>273.6</b>
Effect of exchange rate changes on cash and cash equivalents	4.9	3.0
<b>Cash and cash equivalents at end of period</b>	<b>155.6</b>	<b>243.1</b>

### 1 Basis of preparation and principal accounting policies

Colt Group S.A., together with its subsidiaries, is referred to as “the Group”. Consolidated financial statements have been presented for the Group for the six months ended 30 June 2010.

The financial information for the six months ended 30 June 2010 is unaudited and does not constitute consolidated financial statements within the meaning of Luxembourg company law of 19 December 2002.

The financial information has been prepared in accordance with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting”. The financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2009. The accounting policies applied and the presentation of the financial information are consistent with the Group’s 2009 annual consolidated financial statements, except as noted below regarding acquisitions performed during 2010.

The purchase method of accounting is used for the acquisition of subsidiaries, in accordance with IFRS 3, ‘Business Combinations’. On acquisition of a subsidiary, fair values are attributed to the identifiable net assets acquired. The excess of the consideration transferred over the fair value of the group’s share of the identifiable net assets acquired is recorded as goodwill.

The Group’s operations are not generally subject to significant seasonal or cyclical variations.

## 2 Segmental information

The Group is managed around its three customer facing Business Divisions: Major Enterprise, Midsize Business and Wholesale (including Carrier Voice operations), supported by six Service Divisions. Colt's three Business Divisions correspond to its reportable segments in line with the information reported to its chief operating decision maker, the Board of Directors.

Divisional revenue includes Data, Voice and Managed Services revenue. Data revenue includes non-managed network services, bandwidth services and Voice traffic which is delivered in a digital form (IP Voice). Voice revenue comprises services including the transmission of Voice, Data or video through a switching centre. Voice revenue has been further split between Carrier Voice and Corporate and Reseller Voice. Carrier Voice revenue includes Voice services provided wholesale to other licensed operators, including Carrier VoIP, and Corporate and Reseller Voice revenue is all other Voice revenue. Managed Services revenue comprises managed network services.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as EBITDA in our management reporting system. EBITDA is earnings before net finance costs, tax, depreciation, amortisation, foreign exchange and exceptional items.

Due to the reclassification of certain customers between divisions in 2010 as a result of changes to divisional customer revenue thresholds, prior year segmental comparatives have been restated.

The Group has a large customer base and no undue reliance on any one major customer therefore no such related revenue is required to be disclosed.

For the six months ended 30 June 2010 and 30 June 2009, revenue and EBITDA by reportable segment were as follows:

	Six months ended 30 June 2010			Total €m
	Major Enterprise €m	Midsize €m	Wholesale €m	
Total revenue	339.2	200.2	254.8	794.2
EBITDA	70.2	23.9	64.1	158.2

	Six months ended 30 June 2009 (restated)			Total €m
	Major Enterprise €m	Midsize €m	Wholesale €m	
Total revenue	350.8	205.2	261.4	817.4
EBITDA	78.1	17.7	62.2	158.0

Total assets by reportable segment were as follows:

### Segment assets

	Major Enterprise €m	Midsize €m	Wholesale €m	Corporate and eliminations €m	Total €m
30 June 2010	108.8	64.9	92.5	1,679.8	1,946.0
31 December 2009 (restated)	93.5	48.2	99.7	1,642.5	1,883.9
30 June 2009 (restated)	115.2	50.1	106.7	1,542.7	1,814.7

### 3 Exceptional items

During 2009 Colt realised an exceptional foreign exchange gain of €9.7m on forward contracts relating to the Open Offer proceeds.

There were no exceptional items in 2010.

### 4 Earnings per share

	Six months ended 30 June	
	2010	2009
	€m	€m
Basic weighted average number of ordinary shares (m)	891.6	797.1
Dilutive ordinary shares from share options (m)	0.9	0.6
Diluted weighted average number of ordinary shares (m)	892.5	797.7
Profit for the period (€m)	45.6	55.6
Basic earnings per share	€0.05	€0.07
Diluted earnings per share	€0.05	€0.07

### 5 Analysis of net funds

	Six months ended 30 June	
	2010	2009
	€m	€m
Net movement in cash and cash equivalents	(49.2)	(33.5)
Cash flow from repayment of debt	-	262.2
Other non-cash movements	4.9	3.0
Net movement in net funds (debt)	(44.3)	231.7
Opening net funds	309.9	11.4
Closing net funds	265.6	243.1
Analysed in the statement of financial position:		
Current asset investments	110.0	-
Cash and cash equivalents	155.6	243.1
Closing net funds	265.6	243.1

Colt repaid the existing €262.2m non-convertible debt on 17 April 2009 together with €6.8m of accrued interest.

## 6 Reconciliation of profit for the period to cash generated from operations and free cash inflow

	Six months ended 30 June	
	2010	2009
	€m	€m
Profit for the period	45.6	55.6
Taxation	(11.2)	-
Exchange differences	(1.5)	(17.8)
Finance costs and similar charges	2.3	7.3
Finance income	(1.1)	(3.0)
Depreciation and amortisation	124.1	115.9
<b>EBITDA</b>	<b>158.2</b>	<b>158.0</b>
Other non-cash items	0.2	(0.9)
Income taxes paid	(1.2)	-
Movement in receivables	(15.8)	(13.6)
Movement in payables	(24.5)	(13.8)
Movement in provisions	(5.1)	(2.2)
<b>Net cash generated from operations</b>	<b>111.8</b>	<b>127.5</b>
Finance costs paid	(1.8)	(7.7)
Finance income received	1.1	3.7
<b>Net capital expenditure</b>	<b>(103.3)</b>	<b>(91.1)</b>
<b>Free cash inflow</b>	<b>7.8</b>	<b>32.4</b>

1 EBITDA reflects earnings before net finance costs, tax, depreciation, amortisation, foreign exchange and exceptional items

2 Free cash flow is net cash generated from operating activities less net cash used to purchase non-current assets and net finance costs paid

## 7 Acquisitions

On 6 May 2010, Colt completed the acquisition of 100% of the issued share capital of Spire Black Fan Limited and Tranz Limited, both Jersey registered companies, and their subsidiary for consideration of €57.1m. The principal asset of the acquired group is the freehold to a 10,500 square metre data centre just outside of London, of which 4,500 square metres was already leased by Colt. The remaining space is ready to be built out for new data centre capacity.

This transaction has been accounted for by the purchase method of accounting. The provisional fair values of the identifiable assets and liabilities acquired at the acquisition date were as follows:

	€m
Freehold land and buildings	54.6
Other receivables	3.2
Other payables	(0.7)
<b>Total cash consideration</b>	<b>57.1</b>

The fair values of the assets and liabilities acquired equalled the cash consideration therefore no goodwill was separately identified.

Other receivables acquired mainly represent rentals receivable but not billed. Other payables acquired represent deferred income and VAT payable.

The income statement balances of this sub group and their impact on Colt's consolidated financial statements both from 1 January and 6 May 2010 to 30 June 2010 were not material. All post-acquisition trading was eliminated on consolidation. Acquisition and other related costs were not material.

## 8 Transactions with related parties

During the six months ended 30 June 2010, an amount of €3.3m was billed to FIL Limited for voice, data and managed services (2009: €3.5m).

During the six months ended 30 June 2010, the Group entered into a number of currency transactions with FMR LLC in response to currency needs which arose in the normal course of business. The total amount of currency purchased in this way was €7.6m (2009: €100.4m, related to the Open Offer).

As part of the data centre acquisition FMR LLC was reimbursed €0.3m for certain third party services incurred by them in connection with our data centres.

In 2009, the Open Offer was fully underwritten by FMR and FIL. On completion of the Open Offer, FMR and FIL subscribed for shares in Colt Group S.A., at market value, for €94.3m and €72.0m respectively.

## Appendix 1 – Constant currency analysis (unaudited)

An analysis of turnover for the six months ended 30 June 2010, compared to the six months ended 30 June 2009 after excluding the impact of foreign exchange, is shown below:

	2010	Six months ended 30 June		Foreign exchange Impact	
		2009	% Movement		
	€m	€m	Actual	Business	
<b>REVENUE</b>					
Data revenue	<b>396.8</b>	398.4	(0.4%)	(1.5%)	1.1%
Total Voice revenue	<b>314.4</b>	345.6	(9.0%)	(9.7%)	0.7%
Managed Services revenue	<b>83.0</b>	73.4	13.1%	12.0%	1.1%
Total revenue	<b>794.2</b>	817.4	(2.8%)	(3.7%)	0.9%

The foreign exchange impact has been calculated by retranslating non Euro revenue in the current period at the prior period average exchange rate. The most significant exchange impact on the reported results comes from the 2.7% weakening of the Euro against Sterling.

## Appendix 2 – Analysis of cash used in investing activities (capital expenditure) (unaudited)

An analysis of cash capital expenditure\* within the Group's consolidated cash flow statement for the six months ended 30 June 2010, compared to the six months ended 30 June 2009, is shown below:

	Six months ended 30 June	
	2010	2009
	€m	€m
Capital expenditure primarily related to :		
Order	<b>53.1</b>	47.0
Growth	<b>12.8</b>	7.4
Strategic development	<b>14.9</b>	17.6
Other	<b>22.9</b>	19.2
Total capital expenditure	<b>103.7</b>	91.2

\*This analysis is estimated based on the proportion of fixed asset additions. The categories shown above and their definitions below may be further refined in the future.

Capital expenditure related to orders represents expenditure which is directly incurred for a customer order. This has increased due to increased Data bookings in the first half of 2010.

Capital expenditure related to growth underpins revenue growth within the next twelve months, including additional capacity to generate increased revenue from existing customers. The increase in the first half of 2010 is largely due to a UK data centre modular build project.

Capital expenditure related to strategic development is expenditure which will deliver on Colt's strategic priorities, and therefore has medium to long-term financial benefits. Strategic development expenditure has decreased as we completed expenditure on our Next Generation Billing system during 2009, although this was partially offset by expenditure on other strategic projects in 2010.

Other capital expenditure represents non-customer specific core network expenditure supporting existing activities, and expenditure on office infrastructure and network inventory.

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