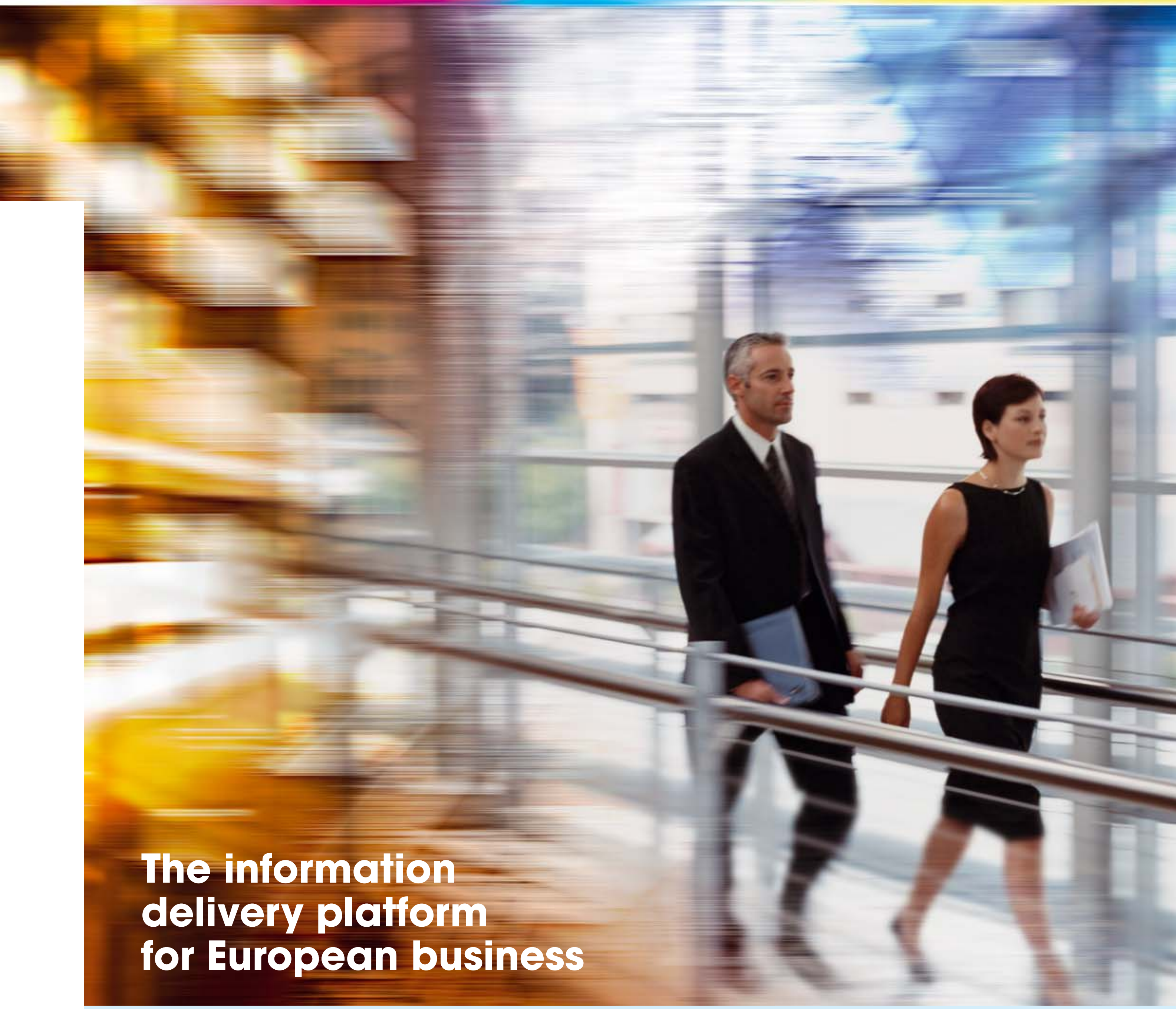
The information delivery
platform for European business

colt



The information delivery platform for European business

2011 Interim Report and results for the six months ended 30 June 2011

Colt Group S.A.

Colt Group S.A. results, six months ended 30 June 2011

21 July 2011: Colt Group S.A. (London Stock Exchange: COLT) issued today the results for the six months ended 30 June 2011.

Highlights of first half 2011:

- A reduction in mobile termination rates was the prime factor for overall revenue decline of 3.5%
- Data and Managed Services revenue marginally improved over the first six months of 2011 with expectations of incremental growth later in 2011
- Reorganisation essentially complete – restructuring programme on track to deliver targeted net cost savings
- Acquisition of MarketPrizm deepens finance sector focus
- Increased capital expenditure programme focused on product development, data centre expansion and IT infrastructure improvements to support integrated compute/network product suite

Key information:

	Six months to 30 June		
	2011 Unaudited €m	2010 Unaudited €m	Movement
Total revenue	**766.2**	794.2	(3.5%)
Data revenue	**400.6**	396.8	1.0%
Managed Services revenue	**86.6**	83.0	4.3%
Voice revenue	**279.0**	314.4	(11.3%)
EBITDA[1]	**157.2**	158.2	(0.6%)
Profit before tax	**21.8**	34.4	(36.6%)
Free cash flow[2]	**(68.8)**	7.8	nm
Capital expenditure	**152.6**	103.7	(47.2%)
Net funds[3]	**230.6**	265.6	(13.2%)

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
3 Net funds reflects cash and cash equivalents plus deposits classified as current asset investments

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Rakesh Bhasin, Chief Executive Officer, commented:
"While economic conditions remain challenging, we continue to see signs of improved pipeline. We expect incremental growth in the latter part of the year. We will continue to invest in product and infrastructure to support growth in our targeted product area of integrated compute/network services."

Business Review

Reorganisation of Customer Facing Business Units
With effect from 1 January 2011 the Colt Group organisation was simplified. The new organisation includes three customer facing divisions: Colt Enterprise Services, Colt Communication Services and Colt Data Centre Services.

Details of the full year comparatives for the new organisation are shown in Appendix 2 of this release.

Colt Enterprise Services (CES)
Colt Enterprise Services (CES) sells direct to enterprise customers with a particular focus on enterprises that have a relevant and material IT spend, whose needs are met through tailored and integrated bundles of Colt products and services. CES sales are reported as Voice (Corporate & Reseller), Data and Managed Services revenue.

CES revenue declined slightly by €2.5m (0.8%) to €302.0m as growth in Data and Managed Services revenue was more than offset by the decline in Voice revenue. Data revenue grew by €1.0m (0.5%) to €187.6m as demand for Ethernet services offset declines in legacy Data products. Managed Services revenue grew by €1.8m (3.3%) to €55.6m. Both Data and Managed Services revenue were affected by challenging market conditions as some customers continued to delay buying decisions particularly in the weaker economies of Southern Europe. In addition, the impact of the corporate reorganisation was most pronounced on the CES organisation which in turn affected bookings over the first six months of the year. Corporate & Reseller Voice revenue declined by €5.3m (8.3%) to €58.8m in line with the trend seen in recent years.

EBITDA for the CES Division increased by €1.7m (3.8%) to €45.9m primarily due to the improved mix of higher margin Data and Managed Services revenue.

On 10 May 2011 Colt completed the acquisition of a majority stake in MarketPrizm. Colt will fund the future operations of the company. MarketPrizm offers a market trading platform utilising ultra low latency technology which allows customers to access multiple financial exchanges in order to support execution of best price trades. The integration of market data with network, co-location and proximity hosting services builds on Colt's core strength in infrastructure services. The acquisition enables Colt to deepen its offering in its largest sector – financial services. MarketPrizm is included in the results of CES and had a negative net impact on EBITDA of €1.8m in the period.

Colt Communication Services (CCS)
Colt Communication Services (CCS) is responsible for Colt's indirect business addressing the needs of a variety of end customers through a network of wholesale operators and business partners. CCS sales are reported as Voice (Carrier and Corporate & Reseller), Data and Managed Services revenue.

CCS revenue declined €26.4m (5.5%) to €450.8m due entirely to the decline in Voice revenue. Data and Managed Services revenue both increased compared to 2010. Data revenue grew by €2.8m (1.3%) to €213.0m as demand for Ethernet services offset declines in legacy Data products. Managed Services revenue grew by 5.4% (€0.9m) to €17.6m. Voice revenue declined by €30.1m (12.0%) to €220.2m. Carrier Voice revenue declined by €12.8m (12.6%) to €88.3m due to market and regulatory price declines, particularly in Germany which was impacted by a significant decline in mobile termination rates. Corporate & Reseller Voice declined by €17.3m (11.6%) to €131.9m due to customer churn and regulatory led price declines. Whilst Carrier Voice revenue has been negatively impacted by the decline from mobile termination rates this has been partially offset by improved trading volumes which will continue to benefit Carrier Voice over the second half of 2011.

EBITDA for the CCS Division decreased by €5.4m (5.6%) to €90.2m due to the reduction in overall contribution from Voice revenue.

Colt Data Centre Services (CDCS)
Colt Data Centre Services (CDCS) is responsible for the operational management of all of Colt's 19 data centres. CDCS sells direct to external customers who need large-scale, high quality, powered and cooled data centre infrastructure. These customers' needs are met through the Colt Modular Data Centre offering. CDCS also provides

internal co-location services to CES and CCS who ultimately contract with external customers. CDCS sales are reported as Managed Services revenue, external and internal.

Data centre revenue from external customers grew by €0.9m (7.2%) to €13.4m as two new modular data centre contracts came online in our UK data centres towards the end of the half year. Interest in this award-winning modular build product has been high and the division recently signed its first contract to supply a purpose-built facility to a customer site. CDCS internal sales increased by €3.0m (5.6%) to €56.9m.

Overall EBITDA for the CDCS Division increased by €2.7m (14.7%) to €21.1m due to an increase in revenue which more than offset the increase in selling, general and administrative expenses.

Financial Review

Income Statement

Revenue decreased by €28.0m (3.5%) to €766.2m primarily due to an 11.3% reduction in Voice revenue from market and regulatory impacts.

Data revenue increased by €3.8m (1.0%) to €400.6m, driven by an increase in Ethernet revenue which was offset by declining revenue from our older bandwidth Data products.

Managed Services revenue increased by €3.6m (4.3%) to €86.6m, mainly due to new contracts, including modular builds at the London data centre acquired in 2010 and in France.

Total Voice revenue declined by €35.4m (11.3%) to €279.0m. Corporate & Reseller Voice reduced by €22.6m (10.6%) to €190.7m, principally due to continuing declines in Germany, France, Spain and Italy driven by reductions in mobile termination rates and the competitive nature of the markets. Carrier Voice revenue decreased by €12.8m (12.7%) to €88.3m due to the regulatory and market led price declines, particularly in Germany, which was impacted by significant declines in mobile termination rates.

Gross margin (excluding depreciation) as a percentage of revenues increased by 1.0 percentage point to 42.0% as a result of the improved revenue mix from higher margin Data and Managed Services offerings. Gross profit decreased by €8.2m (3.7%) to €214.1m, mainly due to the reduction in revenue with reductions in interconnect and network costs offset by increased depreciation from network capital expenditures.

Costs remain under tight control with selling, general and administrative (SG&A) expenses reducing €2.9m year on year from €167.5m to €164.6m reflecting the benefits of the restructuring programme.

Group EBITDA of €157.2m reduced by €1.0m (0.6%) from 2010 with the reduction in revenue primarily offset by the reduction in Interconnect and network as well as SG&A expenses. EBITDA margin increased by 0.6 percentage points to 20.5% driven by the improved revenue mix.

Operating profit decreased by €8.4m (24.6%) to €25.7m due to increased depreciation from both network and IT investments. Foreign exchange losses caused by movements in Sterling against the Euro combined with the reduction in operating profit drove profit before tax lower by €12.6m (36.6%) to €21.8m. A tax provision of €5.1m for the first six months of 2011 compared with a tax credit of €11.2m in the first half of 2010 contributed to lower profit after tax for the current 6 month period. The net tax credit recognised in 2010 related to recognition of deferred tax assets from available loss carryforwards. The tax expense in 2011 relates to the recognition of tax liabilities in a number of jurisdictions (€3.4m) and a reduction in our deferred tax asset (€1.7m).

Cash flow

The free cash outflow of €68.8m represented a €76.6m movement compared with 2010 (€7.8m inflow).

The net change in cash flow was driven by three significant factors: increased capital expenditure of €48.9m, an increase in the net movement of working capital related to receivables of €19.0m and payments made in relation to the restructuring programme of €13.3m. The majority of the increase in capital expenditures compared to 2010 is driven by continued expansion of data centre capacity and footprint; significant investment in the Company's IT infrastructure to drive cost efficiency and, more importantly, provide a platform for selling integrated compute/network solutions; ongoing product development including the development of our cloud computing platform as well as upgrades to our IP and IN voice platforms. The increase in receivables of €19.0m primarily resulted from the transition of our country-based credit collection operations to our Barcelona service centre shortly before period end. Customer collections are expected to improve in the second half of 2011 as the collections work is fully transitioned and embedded in Barcelona.

The above cash flows were reflected in a €10.0m reduction in cash and cash equivalents and a €65.0m reduction in current asset investments. At 30 June 2011 net funds amounted to €230.6m (31 December 2010: €300.4m) comprising €145.6m in cash and cash equivalents and €85.0m in current asset investments with a maturity of 3 to 12 months.

Balance Sheet

Non-current assets decreased by €30.0m from 31 December 2010 to €1,409.1m as a result of exchange translation impacts on non-current asset values held in countries outside of the Eurozone.

Within working capital, trade and other receivables increased by €34.4m from 31 December 2010 to €300.6m, mainly due to the impact of centralisation of the Group's credit collection operation to Barcelona on June cash collection activity as discussed above. The balance also increased due to annual prepayments paid at the start of the year. Trade and other payables decreased by €53.6m from 31 December 2010 to €513.6m, largely due to the payment of staff annual bonuses and the timing of supplier payments. The bonus payments reflect typical cyclical outflows within the Company's annual movements in working capital.

Trading outlook

While we expect the macroeconomic environment in which we operate to remain challenging for the remainder of 2011, we continue to expect incremental revenue growth over the latter part of the year. We expect operational capital expenditure to slow in the second half though we will continue to invest in our growth platforms. We will also continue to seek to acquire property to support the expansion of our data centre business; although the timing clearly depends on the availability of suitable sites. Taking all this into account we expect capital expenditure to be higher in 2011 than in 2010 (2010: €231.8m). Our outlook for the second half of 2011 assumes no material deterioration in the European economy. Due to increased capital spending and the impact of the acquisition of MarketPrizm on EBITDA, we expect cash flow to be lower in 2011 as compared to 2010.

Going concern

As stated in note 1 to the condensed financial statements, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

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, delivery of product growth; changes in technology within the industry; Colt's ability to provide a high level of customer service, maintain and develop internal IT systems and other infrastructure; maintain business critical processes in shared service centres; 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. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2010. Further details of these key risks and uncertainties can be found in the 2010 Annual Report on pages 29 to 30 which is available from the Colt website (www.colt.net).

Responsibility statement

The Directors confirm that to the best of our knowledge:

a. this condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;

b. the interim management report herein includes a fair review of the information required by DTR 4.2.7R (indication of important events during the six months and description of principal risks and uncertainties for the remaining six months of the year); and

c. the interim management report includes a fair review of DTR 4.2.8R (disclosure related to parties' transactions and changes therein).

By order of the Board

Rakesh Bhasin / Chief Executive Officer
21 July 2011

Mark Ferrari / Chief Financial Officer
21 July 2011

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., 'the Group', 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 IT services and communications industries, (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.

This Press Release is also available via the Colt website at www.colt.net.

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Condensed consolidated income statement (Unaudited)

▶ Print this section

	Six months ended 30 June 2011 €m	2010 €m
Revenue	**766.2**	794.2
Cost of sales		
Interconnect and network	**(444.4)**	(468.5)
Network depreciation	**(107.7)**	(103.4)
	(552.1)	(571.9)
Gross profit	**214.1**	222.3
Operating expenses		
Selling, general and administrative	**(164.6)**	(167.5)
Other depreciation and amortisation	**(23.8)**	(20.7)
	(188.4)	(188.2)
Operating profit	**25.7**	34.1
Other income (expense)		
Finance income	**1.2**	1.1
Finance costs and similar charges	**(0.6)**	(2.3)
Exchange (loss) gain	**(4.5)**	1.5
	(3.9)	0.3
Profit before taxation	**21.8**	34.4
Taxation (charge) credit	**(5.1)**	11.2
Profit for the period	**16.7**	45.6
Attributable to:		
Owners of the Company	**17.2**	45.6
Non-controlling interest	**(0.5)**	–
	16.7	45.6
Basic and diluted earnings per share	**€0.02**	€0.05

Condensed consolidated statement of comprehensive income (Unaudited)

	Six months ended 30 June 2011 €m	2010 €m
Profit for the period	**16.7**	45.6
Net exchange (losses) recognised in reserves	**(13.7)**	38.5
Total recognised gain for the period	**3.0**	84.1
Attributable to:		
Owners of the Company	**3.5**	84.1
Non-controlling interest	**(0.5)**	–
	3.0	84.1

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

	At 30 June 2011 €m	At 31 December 2010 €m	At 30 June 2010* €m
ASSETS			
Non-current assets			
Intangible assets	**123.4**	124.6	97.7
Property, plant and equipment	**1,230.3**	1,256.5	1,257.6
Deferred tax asset	**55.4**	58.0	42.0
Total non-current assets	**1,409.1**	1,439.1	1,397.3
Current assets			
Trade and other receivables	**300.6**	266.2	283.1
Current asset investments	**85.0**	150.0	110.0
Cash and cash equivalents	**145.6**	150.4	155.6
Total current assets	**531.2**	566.6	548.7
Total assets	**1,940.3**	2,005.7	1,946.0
EQUITY			
Capital and reserves			
Share capital and share premium	**1,403.0**	1,402.9	1,402.9
Other reserves	**(219.6)**	(205.5)	(194.5)
Retained profit	**191.0**	173.8	149.7
Equity attributable to the owners of the Company	**1,374.4**	1,371.2	1,358.1
Non-controlling interest	**(0.2)**	–	–
Total equity	**1,374.2**	1,371.2	1,358.1
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	**0.9**	1.1	–
Provisions for liabilities and charges	**16.5**	16.0	22.0
Retirement benefit obligations	**7.5**	7.0	6.2
Total non-current liabilities	**24.9**	24.1	28.2
Current liabilities			
Trade and other payables	**513.6**	567.2	545.6
Current tax liabilities	**3.7**	1.3	0.1
Provisions for liabilities and charges	**23.9**	41.9	14.0
Total current liabilities	**541.2**	610.4	559.7
Total liabilities	**566.1**	634.5	587.9
Total equity and liabilities	**1,940.3**	2,005.7	1,946.0

*The 2010 statement of financial position was restated to classify the full deferred tax balance within non-current assets.

	Share capital and share premium €m	Other reserves €m	Non-controlling interest €m	Retained profit €m	equity €m
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	–	–	–	–	–
Share option charge	–	0.8	–	–	0.8
Net exchange gains recognised in reserves	–	38.5	–	–	38.5
At 30 June 2010	1,402.9	(194.5)	–	149.7	1,358.1
At 31 December 2010	1,402.9	(205.5)	–	173.8	1,371.2
Profit for the period	–	–	(0.5)	17.2	16.7
Non-controlling interest arising on acquisition	–	–	0.3	–	0.3
Shares issued in the period	0.1	–	–	–	0.1
Share option credit	–	(0.4)	–	–	(0.4)
Net exchange losses recognised in reserves	–	(13.7)	–	–	(13.7)
At 30 June 2011	**1,403.0**	**(219.6)**	**(0.2)**	**191.0**	**1,374.2**

Condensed consolidated cash flow statement (Unaudited)

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	Six months ended 30 June 2011 €m	2010 €m
Net cash generated from operating activities	**82.6**	111.8
Cash flows from investing activities:		
Purchase of intangible assets and property, plant and equipment	**(152.6)**	(103.7)
Proceeds from the disposal of intangible assets and property, plant and equipment	**–**	0.4
Redemption of current asset investments	**65.0**	–
Acquisition of subsidiaries	**–**	(57.1)
Net cash used in investing activities	**(87.6)**	(160.4)
Cash flows from financing activities:		
Finance costs and similar charges paid	**–**	(1.8)
Finance income received	**1.2**	1.1
Issue of ordinary shares	**–**	0.1
Net cash used in financing activities	**1.2**	(0.6)
Net movement in cash and cash equivalents	**(3.8)**	(49.2)
Cash and cash equivalents at beginning of period	**150.4**	199.9
Effect of exchange rate changes on cash and cash equivalents	**(1.0)**	4.9
Cash and cash equivalents at end of period	**145.6**	155.6

1 Basis of preparation and principal accounting policies

Colt Group S.A., together with its subsidiaries, is referred to as "the Group". Condensed consolidated financial statements have been presented for the Group for the six months ended 30 June 2011.

The financial information for the six months ended 30 June 2011 is unaudited and does not constitute consolidated financial statements within the meaning of Luxembourg company law of 19 December 2002.

The condensed set of financial statements for the Group has been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting", as adopted by the European Union. The financial information should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period no less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

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

2 Segmental information

The Group is managed around its three new customer facing divisions: Colt Enterprise Services, Colt Communication Services and Colt Data Centre Services, supported by two internal functional units. 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. These divisions replaced the Major Enterprise, SME and Wholesale Business divisions, the Group's previous reportable segments, from January 2011. Comparative financial information has been restated.

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

Internal Managed Services Revenue represents the divisional recharge by Colt Data Centre Services to the other two customer facing divisions for the provision of data centre space and services. The third party revenue in relation to these services is billed by the Enterprise Services and Communication Services divisions resulting in the related profits being spread across all three divisions. Internal Managed Services Revenue is eliminated on consolidation.

The Business Services Unit and Infrastructure Services Unit are internal functional units which support the three customer-facing lines of business. The Infrastructure Services Unit integrates the activities of Colt's network, managed services operations and technology operation. The Business Services Unit integrates the India and Barcelona Shared Service Centres and country support teams, ensuring the effective delivery of pan-European business support.

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

Divisional EBITDA includes all costs directly attributable to the Business Divisions and the recharge of shared network and other support unit operating costs. The bases used to recharge these costs may be further refined in the future.

2 Segmental information (continued)

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 by IFRS 8.

The accounting policies adopted by each segment are described in note 1.

For the six months ended 30 June 2011 and 30 June 2010, revenue and EBITDA by reportable segment were as follows:

	Six months ended 30 June 2011				
	Enterprise Services €m	**Communication Services €m**	**Data Centre Services €m**	**Eliminations €m**	**Consolidated €m**
Revenue					
Carrier Voice	**–**	**88.3**	**–**	**–**	**88.3**
Corporate & Reseller Voice	**58.8**	**131.9**	**–**	**–**	**190.7**
Data revenue	**187.6**	**213.0**	**–**	**–**	**400.6**
Managed Service Revenue – third party	**55.6**	**17.6**	**13.4**	**–**	**86.6**
Managed Services Revenue – internal	**–**	**–**	**56.9**	**(56.9)**	**–**
Total segment revenue	**302.0**	**450.8**	**70.3**	**(56.9)**	**766.2**
Result					
EBITDA	**45.9**	**90.2**	**21.1**	**–**	**157.2**

	Six months ended 30 June 2010				
	Enterprise Services €m	Communication Services €m	Data Centre Services €m	Eliminations €m	Consolidated €m
Revenue					
Carrier Voice	–	101.1	–	–	101.1
Corporate & Reseller Voice	64.1	149.2	–	–	213.3
Data revenue	186.6	210.2	–	–	396.8
Managed Services Revenue – third party	53.8	16.7	12.5	–	83.0
Managed Services Revenue – internal	–	–	53.9	(53.9)	–
Total segment revenue	304.5	477.2	66.4	(53.9)	794.2
Result					
EBITDA	44.2	95.6	18.4	–	158.2

Total assets by reportable segment were as follows:

	Enterprise Services €m	Communication Services €m	Data Centre Services €m	Unallocated €m	Consolidated €m
30 June 2011	**127.6**	**150.1**	**4.9**	**1,657.7**	**1,940.3**
31 December 2010	95.4	147.1	6.4	1,756.8	2,005.7
30 June 2010	106.7	154.7	4.7	1,679.9	1,946.0

Only those assets reported to the chief operating decision maker are reported by segment, including certain receivables balances. All other assets, including non-current assets, current asset investments and cash, are not reported by segment to the chief operating decision maker and are therefore disclosed as unallocated Corporate balances.

3 Earnings per share

	Six months ended 30 June 2011 €m	2010 €m
Basic weighted average number of ordinary shares (m)	**891.6**	891.6
Dilutive ordinary shares from share options (m)	**1.3**	0.9
Diluted weighted average number of ordinary shares (m)	**892.9**	892.5
Profit for the period (€m)	**16.7**	45.6
Basic earnings per share	**€0.02**	€0.05
Diluted earnings per share	**€0.02**	€0.05

4 Analysis of net funds

	Six months ended 30 June 2011 €m	2010 €m
Net movement in cash and cash equivalents	**(3.8)**	(49.2)
Redemption of current asset investments	**(65.0)**	–
Other non-cash movements	**(1.0)**	4.9
Net movement in net funds	**(69.8)**	(44.3)
Opening net funds	**300.4**	309.9
Closing net funds	**230.6**	265.6
Analysed in the statement of financial position:		
Current asset investments	**85.0**	110.0
Cash and cash equivalents	**145.6**	155.6
Closing net funds	**230.6**	265.6

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

	Six months ended 30 June 2011 €m	2010 €m
Profit for the period	**16.7**	45.6
Taxation	**5.1**	(11.2)
Exchange differences	**4.5**	(1.5)
Finance costs and similar charges	**0.6**	2.3
Finance income	**(1.2)**	(1.1)
Depreciation and amortisation	**131.5**	124.1
EBITDA[1]	**157.2**	158.2
Other non-cash items	**0.4**	0.2
Income taxes paid	**(1.2)**	(1.2)
Movement in receivables	**(34.8)**	(15.8)
Movement in payables	**(21.8)**	(24.5)
Movement in provisions (including restructuring of €13.3m)	**(17.2)**	(5.1)
Net cash generated from operations	**82.6**	111.8
Finance costs paid	**(0.0)**	(1.8)
Finance income received	**1.2**	1.1
Net capital expenditure	**(152.6)**	(103.3)
Free cash inflow[2]	**(68.8)**	7.8

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

6 Acquisitions

On 10 May 2011, the Group acquired 80.1% of the voting rights of the unlisted company MarketPrizm Group S.a.R.L. for €nil consideration. The acquisition represents a strategic investment in a business that provides high performance market data feed handling technology. The acquisition has been accounted for using the acquisition method.

The fair value of the net assets acquired was €1.7m, comprised of cash (€0.9m); trade and other receivables (€2.3m); property, plant and equipment (€0.3m) and trade and other payables (€1.8m). After deducting the non-controlling interest acquired (€0.3m), the excess of net assets acquired compared to the nil consideration paid resulted in a gain of €1.4m recognised in the income statement against selling, general and administrative expenses. Colt was not required to pay for these working capital balances because it will be responsible for the future funding of the MarketPrizm sub-group.

The fair values of the assets and liabilities acquired exceeded the €nil cash consideration therefore no goodwill was separately identified. €nil deferred consideration arises from the transaction.

MarketPrizm Group S.a.R.L. and its subsidiaries contributed €0.4m of revenue and €1.8m of net losses (including the €1.4m fair value gain noted above and after acquisition costs of €0.6m) to the Group's profit for the period between acquisition and the balance sheet date.

If the acquisition of MarketPrizm Group S.a.R.L. had been completed on 1 January 2011, Group revenues would have been approximately €0.9m higher and Group profit would have been €7.4m lower.

7 Transactions with related parties

During the six months ended 30 June 2011, an amount of €2.8m was billed to FIL Limited for voice, data and managed services (2010: €3.3m).

APPENDIX 1 – Analysis of cash used in investing activities (capital expenditure) (unaudited)

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An analysis of cash capital expenditure* within the Group's consolidated cash flow statement for the six months ended 30 June 2011, compared to the six months ended 30 June 2010, is shown below:

	Six months ended 30 June		
	2011 **€m**	2010 €m	Movement €m
Customer Order	**59.5**	53.0	6.5
Data Centre Services	**22.8**	12.8	10.0
Internal IT	**27.8**	8.9	18.9
Product and Services Development	**20.8**	11.9	8.9
Network	**16.3**	9.2	7.1
Other	**5.4**	7.9	(2.5)
Total	**152.6**	103.7	48.9

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

APPENDIX 2 – Comparative restated financial information presented by business division

The restated segmental financial results and segmental assets for the full year ended 31 December 2010 are presented below.

	Year ended 31 December 2010 (unaudited)				
	Enterprise Services €m	Communication Services €m	Data Centre Services €m	Unallocated and eliminations €m	Consolidated €m
Revenue					
Carrier Voice	–	194.2	–	–	194.2
Corporate & Reseller Voice	126.5	289.2	–	–	415.7
Data revenue	376.4	424.7	–	–	801.1
Managed Service Revenue – third party	113.1	34.1	25.4	–	172.6
Managed Services Revenue – internal	–	–	107.7	(107.7)	–
Total segment revenue	616.0	942.2	133.1	(107.7)	1,583.6
Result					
EBITDA	104.2	189.2	36.8	–	330.2
Segment assets	95.4	147.1	6.4	1,756.8	2,005.7

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