

2009 interim report and results for the quarter ended 30 June 2009 COLT Telecom Group S.A.



COLT Telecom Group S.A. announces results for the three and six months ended 30 June 2009.

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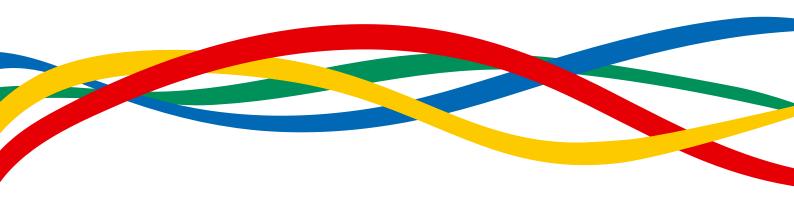
Q2 Financial results

Compared to Q2 2008

- Revenue decreased by 3.6% to €401.2m and decreased by 2.0% on a constant currency basis
- Data revenue grew by 1.0% to €198.7m and grew by 2.9% on a constant currency basis
- Managed Services revenue grew by 25.3% to €36.1m and grew by 28.5% on a constant currency basis
- Gross margin before depreciation increased by 1.5 percentage points to 40.7%
- EBITDA¹ increased by €2.6m or 3.4% to €79.1m
- Profit before tax and exceptional items increased by €12.3m to €28.8m
- Free cash flow² increased from €19.9m to €43.5m
- Capital expenditure decreased from €85.7m to €41.5m

The Group's financial position continues to be strong, with cash and cash equivalents of €243.1m at the end of the quarter. The Group repaid its remaining debt of €262.2m during the quarter.

- 1 EBITDA is 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 in investing activities and net finance costs paid.



Operating and Financial Review

Commenting on the results, Rakesh Bhasin, Chief Executive Officer, said:

"COLT has continued to move forward. Data revenue growth has continued to slow but we are seeing strong growth in Managed Services revenue. Notwithstanding the current economic environment, given the proven resilience and increasing strength of our business, I am confident that we will report another year of progress for 2009."

This interim report and accounts is also available via the COLT website at www.colt.net

Outlook

Despite the uncertain economic outlook, the company's expectation that it will report another year of progress for 2009 remains unchanged. However, it is now clear that capital expenditure for 2009 will be materially lower than in 2008 reflecting reduced expenditure on both major infrastructure and larger internal IT projects, lower customer installations and improved capital efficiency. Capital expenditure is now expected to be in the range of €200m to €250m for 2009.

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 2009 non-Euro currency measures at 2008 exchange rates. Constant currency revenue metrics are included in Appendix 1.

All comparatives are against the equivalent period of the prior year.

Repayment of debt

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

Total revenue

Revenue for the quarter decreased by €15.1m, or 3.6%, to €401.2m, and decreased by 2.0% on a constant currency basis. Revenue for the six months decreased by €9.8m, or 1.2%, to €817.4m, but increased by 1.2% on a constant currency basis.

Data revenue for the quarter grew by €1.9m or 1.0% to €198.7m, and increased by 2.9% on a constant currency basis. The easing in the Data revenue growth rate from previous quarters reflects a continued slowdown in orders as customers, particularly larger corporate customers in the Major Enterprise division, reviewed their planned expenditure in response to the current economic environment. The main growth in Data revenue continued to come from Ethernet products.

Data revenue for the six months grew by €9.0m or 2.3% to €398.4m, and increased by 5.2% on a constant currency basis for the reasons noted above.

Managed Services revenue for the quarter grew by €7.3m or 25.3% to €36.1m, and increased by 28.5% on a constant currency basis. For the six months Managed Services revenue grew by €16.5m or 29.0% to €73.4m, and increased by 33.6% on a constant currency basis. These increases were mainly due to new Data Centre contracts.

Corporate and Reseller Voice for the quarter reduced by €17.9m or 13.6% to €114.0m and for the six months reduced by €31.5m or 11.8% to €235.9m, principally due to declines in Germany, France, the UK and Italy.

Carrier Voice revenue for the quarter decreased by €6.4m or 10.9% to €52.4m. For the six months Carrier Voice revenue decreased €3.8m or 3.3% to €109.7m.

Total Voice revenue for the guarter declined by 12.7% and for the six months declined by 9.3%.

At 30 June 2009 deferred revenue (which mainly relates to Data revenue) was €197.8m (30 June 2008: €189.7m), a year on year increase of €8.1m. The increase during Q2 2009 was €10.0m (31 March 2009: €187.8m). An analysis of deferred revenue between Data and Managed Services is presented in Appendix 3.

Operating and Financial Review continued

Major Enterprise revenue

Total revenue for the Major Enterprise division for the quarter decreased by €3.2m to €165.6m (2008: €168.8m) but for the six months increased by €0.8m to €337.9m (2008: €337.1m).

Data revenue from Major Enterprise customers for the quarter decreased by 2.2% to €101.8m (2008: €104.1m) and for the six months decreased by 1.3% to €205.0m (2008: €207.8m). The decrease for the six months was due to the strengthening of the Euro against Sterling year on year, which more than offset increased trading driven by Ethernet products.

Managed Services revenue from Major Enterprise customers for the quarter increased by 25.0% to €28.5m (2008: €22.8m) and for the six months increased by 32.0% to €58.6m (2008: €44.4m). These increases largely reflect new long term Data Centre contracts with global financial services customers.

Voice revenue from Major Enterprise customers for the guarter decreased by 15.8% to €35.3m (2008: €41.9m) and for the six months decreased by 12.5% to €74.3m (2008: €84.9m). For each period the decline was mainly due to continuing competitive pressures across COLT's territories with the results for the UK particularly impacted due to the strengthening of the Euro against Sterling year on year.

SME revenue

Total revenue for the SME division for the quarter decreased by €8.7m to €111.7m (2008: €120.4m) and for the six months decreased by €14.0m to €226.8m (2008: €240.8m).

Data revenue from SME customers for the quarter increased by 3.2% to €45.6m (2008: €44.2m) and for the six months grew by 4.4% to €90.6m (2008: €86.8m), mainly driven by Ethernet products.

Managed Services revenue from SME customers for the quarter increased by 34.7% to €6.6m (2008: €4.9m) and for the six months increased by 22.3% to €12.6m (2008: €10.3m), driven by growth in Facilities Management services.

Voice revenue from SME customers for the guarter decreased by 16.5% to €59.5m (2008: €71.3m) and for the six months decreased by 14.0% to €123.6m (2008: €143.7m). For each period the majority of the decline was attributable to two countries, Germany (8.6pp and 8.3pp respectively) and the UK (2.7pp and 2.3pp respectively). The decreases in both territories were driven by the continued decline in our legacy Carrier Pre-Select (CPS) product and the UK also suffered from the strengthening of the Euro against Sterling year on year.

Wholesale revenue

Total revenue for the Wholesale division for the quarter decreased by €3.2m to €123.9m (2008: €127.1m) but for the six months increased by €3.4m to €252.7m (2008: €249.3m).

Data revenue from Wholesale customers for the quarter increased by 5.8% to €51.3m (2008: €48.5m) and for the six months increased by 8.4% to €102.8m (2008: €94.8m), driven by continued demand from our larger customers for Ethernet products.

Managed Services revenue from Wholesale customers for the quarter decreased by 9.1% to €1.0m (2008: €1.1m) but remained constant at €2.2m for the six months (2008: €2.2m).

Carrier Voice revenue from Wholesale customers for the quarter decreased by 10.9% to €52.4m (2008: €58.8m) and for the six months decreased by 3.3% to €109.7m (2008: €113.5m). The decline in the quarter was due to reduced trading with higher risk customers. This was offset to some extent for the six months by revenue from new UK interconnects and traders.

Corporate and Reseller Voice revenue from Wholesale customers for the guarter increased by 2.7% to €19.2m (2008: €18.7m) but for the six months decreased by 2.1% to €38.0m (2008: €38.8m). The increase in the quarter was due to the successful launch of Wholesale's White Label Corporate Voice offering which more than offset continued price declines over the six months.

Cost of sales and gross profit before exceptional items

Cost of sales for the guarter decreased by 4.5% to €288.6m (2008: €302.3m). Within cost of sales, interconnect and network costs decreased by 5.9% to €238.0m (2008: €253.0m) driven by the decrease in Voice revenue. Network depreciation for the quarter increased by 2.6% to €50.6m (2008: €49.3m).

Cost of sales for the six months decreased by 2.0% to €591.5m (2008: €603.6m). Within cost of sales, interconnect and network costs decreased by 2.4% to €492.2m (2008: €504.1m), again mainly due to the decrease in Voice revenue. Network depreciation for the six months decreased by 0.2% to €99.3m (2008: €99.5m).

Gross profit percentage before depreciation and exceptional items for the quarter increased to 40.7% (2008: 39.2%) and for the six months increased to 39.8% (2008: 39.1%). The benefits from the improved mix of higher margin Data and Managed Services revenue against lower margin Voice revenue were the drivers of the increase.

Operating and Financial Review continued

Operating expenses

Operating expenses for the quarter decreased by €1.3m to €92.4m (2008: €93.7m) and for the six months decreased by €5.4m to €183.8m (2008: €189.2m).

Selling, general and administrative (SG&A) expenses for the quarter decreased by 3.1% to €84.1m (2008: €86.8m). However on a constant currency basis expenses for the quarter increased by 1.0% to €87.7m mainly as a result of investment in the sales organisation and the new Managed Services team.

SG&A expenses for the six months decreased by 4.2% to €167.2m (2008: €174.5m). However on a constant currency basis expenses for the six months increased by 1.6% to €177.3m for the reason noted above.

Other depreciation for the quarter increased by €1.4m to €8.3m (2008: €6.9m) and for the six months increased €1.9m to €16.6m (2008: €14.7m) reflecting recent investment in new IT systems.

EBITDA

EBITDA for the quarter increased by €2.6m or 3.4% to €79.1m, (2008: €76.5m). On a constant currency basis EBITDA increased by €1.3m or 1.7%, with the improvement in gross profit more than offsetting the increase in SG&A expenses.

EBITDA for the six months increased by €9.4m or 6.3% to €158.0m, (2008: €148.6m). On a constant currency basis EBITDA increased by €5.7m or 3.8% for the reasons noted above.

Operating profit before exceptional items

The operating profit before exceptional items for the quarter decreased by €0.1m to €20.2m (2008: €20.3m) and for the six months increased by €7.7m to €42.1m. On a constant currency basis operating profit before exceptional items for the quarter decreased by €3.0m or 14.8% and for the six months decreased €0.8m or 2.3% reflecting the increased depreciation during the quarter.

Operating profit for the Major Enterprise division for the quarter decreased by €3.3m to €4.6m (2008: €7.9m) due to reduced revenue from our larger customers and increased costs. Operating profit for the six months increased by €3.7m to €16.5m (2008: €12.8m) mainly as a result of an improved mix of higher margin Managed Services revenue, partly offset by higher fixed costs.

Operating result for the SME division for the guarter decreased by €0.7m to a loss of €0.7m (2008: €0.0m) as the decrease in overall SME revenue more than offset gains from the improved mix of higher margin Data and Managed Services revenue. The Operating loss for the six months increased by €1.5m to €3.7m (2008: €2.2m) for the same reasons.

Operating profit for the Wholesale division for the quarter increased by €3.9m to €16.3m (2008 €12.4m) due to the increase in higher margin Data revenue. Operating profit for the six months increased by €5.5m to €29.3m (2008: €23.8m) for the same reason.

Finance income and finance costs and similar charges

Finance income for the quarter decreased by €1.4m to €1.0m (2008: €2.4m) and for the six months decreased €0.4m to €3.0m (2008: €3.4m) mainly reflecting substantially lower interest rates compared to the prior year.

Finance costs and similar charges for the quarter decreased €4.1m to €1.6m (2008: €5.7m) and for the six months decreased €4.1m to €7.3m (2008: €11.4m) as a result of the debt repayment in April.

Exceptional items

COLT realised an exceptional foreign exchange gain of €9.7m on forward contracts relating to the Open Offer proceeds during March. In the prior year, the exceptional credit of €17.0m within cost of sales related to the resolution of a complex billing issue arising during the period 2004-2007.

Taxation

COLT had no profits on which tax was payable during the quarter (2008: €nil).

Profit after taxation and before exceptional items

Profit after taxation and before exceptional items for the quarter increased €12.3m to €28.8m (2008: €16.5m) and for the six months increased €20.8m to €45.9m (2008: €25.1m).

Cash flow and net debt

Free cash flow for the quarter improved by €23.6m to €43.5m (2008: €19.9m) and for the six months increased by €29.0m to €32.4m both principally due to lower capital expenditure. Capital expenditure for the quarter decreased by €44.2m to €41.5m and for the six months decreased by €62.3m to €91.1m.

Reduced expenditure on both major infrastructure and larger internal IT projects, lower customer installations and improved capital efficiency all contributed to the decrease. Additional information on capital expenditure is provided in Appendix 2. Additionally, the six months were impacted in Q1 by annual bonus payments and annual payments in advance to suppliers. The latter, along with some reversal in Q2 of the strong collections seen in recent quarters, resulted in an outflow from receivables for the six months.

The net movement in cash and cash equivalents for the quarter was an outflow of €218.7m (2008: inflow of €20.1m) due primarily to the debt repayment in April of €262.2m. For the six months the movement was an outflow of €33.5m due to the debt repayment in April being partially offset by the proceeds of €199.1m from the Q1 Open Offer. At 30 June 2009 cash and cash equivalents increased to €243.1m (2008: €233.2m). Net funds at 30 June 2009 were €243.1m (2008: net debt of €29.0m).

Operating and Financial Review continued

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: the wider economic downturn; competition; regulation and changes in technology within the telecommunications industry; COLT's ability to recruit skilled personnel, provide a high level of customer service, maintain and develop internal IT systems and other infrastructure.

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 2008 Annual Report, available from the COLT website (www.colt.net).

Future Q1 and Q3 reporting

COLT no longer has a bondholder requirement to prepare full quarterly results reporting in Q1 and Q3. Therefore COLT, in accordance with the Transparency Directive, will move to more limited Interim Management Statement (IMS) reporting from Q3 2009. Reporting of half and full year results will remain unchanged.

Changes to the Board

Sergio Giacoletto joins the Board as an independent non-executive Director. Dr Robert Hawley, who has been an independent nonexecutive Director since 1998 has retired. Both changes are with effect from 22 July 2009. Other changes to Board committees are detailed in an announcement made separately today.

As announced during the quarter, Stuart Jackson has been appointed as Chief Financial Officer. He will join the company on 2 September 2009.

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 23 July 2009

Tony Bates Chief Operating Officer and Acting Chief Financial Officer 23 July 2009

Consolidated income statement

	2009	Three months 2008 Before exceptional items	ended 30 June 2008 Exceptional items	2008 After exceptional items
	€m	€m	€m	€m
Revenue	401.2	416.3	-	416.3
Cost of sales				
Interconnect and network	(238.0)	(253.0)	17.0	(236.0)
Network depreciation and amortisation	(50.6)	(49.3)	_	(49.3)
	(288.6)	(302.3)	17.0	(285.3)
Gross profit	112.6	114.0	17.0	131.0
Operating expenses				
Selling, general and administrative	(84.1)	(86.8)	_	(86.8)
Other depreciation and amortisation	(8.3)	(6.9)	_	(6.9)
	(92.4)	(93.7)	_	(93.7)
Operating profit	20.2	20.3	17.0	37.3
Other income (expense)				
Finance income	1.0	2.4	_	2.4
Finance costs and similar charges	(1.6)	(5.7)	_	(5.7)
Exchange gain (loss)	9.2	(0.5)		(0.5)
	8.6	(3.8)	_	(3.8)
Profit on ordinary activities before taxation	28.8	16.5	17.0	33.5
Taxation	-	_	_	_
Profit for the period	28.8	16.5	17.0	33.5
Basic earnings per share	€0.03	€0.02		€0.05
Diluted earnings per share	€0.03	€0.02		€0.05

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

Consolidated income statement continued

		Six months	ended 30 June	3		
2009	2009	2009	2008	2008	2008	
Before		After	Before		After	
					exceptional	
					items €m	
EIII	€III	- tiii	£III	£III	- till	
817.4	-	817.4	827.2	_	827.2	
(492.2)	_	(492.2)	(504.1)	17.0	(487.1)	
(99.3)	_	(99.3)	(99.5)	_	(99.5)	
(591.5)	-	(591.5)	(603.6)	17.0	(586.6)	
225.9	_	225.9	223.6	17.0	240.6	
(167.2)	_	(167.2)	(174.5)	_	(174.5)	
(16.6)	_	(16.6)	(14.7)	_	(14.7)	
(183.8)	-	(183.8)	(189.2)	_	(189.2)	
42.1	_	42.1	34.4	17.0	51.4	
3.0	_	3.0	3.4	_	3.4	
(7.3)	_	(7.3)	(11.4)	_	(11.4)	
`8.1 [´]	9.7	17.8	(1.3)	_	(1.3)	
3.8	9.7	13.5	(9.3)	_	(9.3)	
45.9	9.7	55.6	25.1	17.0	42.1	
45.9	9.7	55.6	25.1	17.0	42.1	
€0.07		€0.07	€0.04		€0.06	
€0.07		€0.07	€0.04		€0.06	
	Before exceptional items €m 817.4 (492.2) (99.3) (591.5) 225.9 (167.2) (16.6) (183.8) 42.1 3.0 (7.3) 8.1 3.8 45.9	Before exceptional items €m 817.4	2009 Before exceptional items €m Exceptional items €m 2009 After exceptional items €m 817.4 - 817.4 (492.2) - (492.2) (99.3) - (99.3) - (99.3) (591.5) - (591.5) - (167.2) (16.6) - (16.6) (183.8) - (183.8) - (183.8) - (17.3) (7.3	Before exceptional items ∈m Exceptional items ∈m After exceptional items ∈m Before exceptional items ∈m 817.4 - 817.4 827.2 (492.2) - (492.2) (504.1) (99.3) - (99.3) (99.5) (591.5) - (591.5) (603.6) 225.9 - 225.9 223.6 (167.2) - (16.6) (14.7) (183.8) - (183.8) (189.2) 42.1 - 42.1 34.4 3.0 - 3.0 3.4 (7.3) - (7.3) (11.4) 8.1 9.7 17.8 (1.3) 3.8 9.7 13.5 (9.3) 45.9 9.7 55.6 25.1 - - - - 45.9 9.7 55.6 25.1 €0.07 €0.07 €0.04	2009 Before exceptional items €m 2009 After exceptional items €m 2008 Before exceptional items §m 2008 Before exceptional items §m 2008 Before exceptional	

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

Consolidated balance sheet

	At 30 June 2009 €m	At 31 December 2008 €m	At 30 June 2008 €m
ASSETS			
Non-current assets Intangible assets	82.9	66.2	74.1
	1,200.7	1,194.4	1,217.2
Property, plant and equipment Total non-current assets	1,283.6	1,194.4	1,291.3
Total non our on accept	1,2000	.,_00.0	.,_0
Current assets			
Trade receivables	227.5	220.2	247.6
Prepaid expenses and other debtors	60.5	47.8	78.3
Cash and cash equivalents	243.1	273.6	233.2
Total current assets	531.1	541.6	559.1
Total assets	1,814.7	1,802.2	1,850.4
EQUITY			
Capital and reserves	1,402.9	1,723.9	1,723.9
Share capital and share premium Other reserves	(227.8)	(762.5)	(718.9)
	36.5	(19.1)	(42.4)
Retained profit (losses) Total equity	1,211.6	942.3	962.6
	-,		
LIABILITIES			
Non-current liabilities			
Non-convertible long term debt	-	_	262.2
Provisions for liabilities and charges	39.8	40.5	42.2
Retirement benefit obligations	6.1	6.2	
Total non-current liabilities	45.9	46.7	304.4
Current liabilities			
Trade and other payables	557.2	551.0	583.4
Non-convertible debt	_	262.2	_
Total current liabilities	557.2	813.2	583.4
Total liabilities	603.1	859.9	887.8
Total equity and liabilities	1,814.7	1,802.2	1,850.4

Consolidated statement of recognised income and expense

		Three months ended 30 June		Six months ended 30 June	
	2009 €m	2008 €m	2009 €m	2008 €m	
Profit for the period	28.8	33.5	55.6	42.1	
Net exchange adjustments offset in reserves	17.4	(0.5)	27.2	(16.9)	
Total recognised gain for the period	46.2	33.0	82.8	25.2	

Consolidated reconciliation of changes in equity

	Three	Three months ended 30 June		Six months ended 30 June	
	2009	2008	2009	2008	
	€m	€m	€m	€m	
Profit for the period	28.8	33.5	55.6	42.1	
Issue of ordinary shares	_	0.2	_	0.6	
Shares to be issued under share option plans	0.1	0.1	(0.1)	0.1	
Open Offer shares issued	_	-	186.6	_	
Net exchange adjustments offset in reserves	17.4	(0.5)	27.2	(16.9)	
Net change in equity	46.3	33.3	269.3	25.9	
Opening equity	1,165.3	929.3	942.3	936.7	
Closing equity	1,211.6	962.6	1,211.6	962.6	

Consolidated cash flow statement

	Three months ended 30 June		Six months ended 30 June	
	2009 €m	2008 €m	2009 €m	2008 €m
Net cash generated from operating activities	91.0	113.7	127.5	164.0
Cash flows from investing activities:				
Purchase of non-current assets	(41.5)	(85.8)	(91.2)	(153.5)
Disposal of non-current assets	-	0.1	0.1	0.1
Net cash used in investing activities	(41.5)	(85.7)	(91.1)	(153.4)
Cash flows from financing activities:				
Finance costs and similar charges paid	(7.4)	(10.3)	(7.7)	(10.4)
Finance income received	1.4	2.2	3.7	3.2
Repayment of debt	(262.2)	_	(262.2)	_
Issue of ordinary shares	-	0.2	_	0.6
Open Offer proceeds net of costs recognised directly in equity	_	_	186.6	_
Exceptional foreign exchange gain on Open Offer proceeds	_	_	9.7	_
Net cash used in financing activities	(268.2)	(7.9)	(69.9)	(6.6)
Net movement in cash and cash equivalents	(218.7)	20.1	(33.5)	4.0
Cash and cash equivalents at beginning of period	458.1	213.0	273.6	231.1
Effect of exchange rate changes on cash and cash equivalents	3.7	0.1	3.0	(1.9)
Cash and cash equivalents at end of period	243.1	233.2	243.1	233.2

Free cash flow reconciliation

	Three months ended 30 June		Six months ended 30 June	
	2009	2008 2009		2008
	€m	€m	€m	€m
EBITDA ¹	79.1	76.5	158.0	148.6
Exceptional items	-	17.0	_	17.0
Movement in receivables	1.3	(4.2)	(13.6)	(8.7)
Movement in payables (excluding deferred revenue)	8.6	21.4	(15.8)	6.3
Movement in deferred revenue	2.8	4.3	2.0	4.3
Movement in provisions	(0.9)	(1.0)	(2.2)	(2.4)
Other non-cash items	0.1	(0.3)	(0.9)	(1.1)
Finance costs paid	(7.4)	(10.3)	(7.7)	(10.4)
Finance income received	1.4	2.2	3.7	3.2
Net cash used in investing activities (capital expenditure)	(41.5)	(85.7)	(91.1)	(153.4)
Free cash flow ²	43.5	19.9	32.4	3.4

 ¹ EBITDA is 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 in investing activities and net finance costs paid.

Notes to the financial information

1 Basis of preparation and principal accounting policies

COLT Telecom Group S.A., together with its subsidiaries, is referred to as "the Group". Consolidated financial information has been presented for the Group for the three and six months ended 30 June 2009 and 30 June 2008.

The financial information for the three and six months ended 30 June 2009 and 30 June 2008 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 2008. The accounting policies applied and the presentation of the financial information are consistent with the Group's 2008 annual consolidated financial statements.

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

IAS 23 'Borrowing Costs' was amended, effective from 1 January 2009, removing the option previously applied by COLT to expense interest costs that relate to borrowings which finance expenditure on non-current assets. Instead, applicable borrowing costs are now required to be capitalised. COLT has elected to continue with its previous treatment of expensing such costs on the basis that the amounts that would be capitalised under the amended standard are immaterial, as the Group's external borrowings were repaid on 17 April 2009.

Notes to the financial information continued

2 Segmental information

The Group is managed around its three customer facing Business Divisions: Major Enterprise, Small and Medium Enterprises (SME) 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 Executive Board.

Divisional revenue has been classified as Voice, Data and Managed Services to provide an analysis of products and services that they provide. 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 VolP, and Corporate and Reseller Voice revenue is all other Voice revenue. 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.

The divisional operating results include all costs directly attributable to the divisions and the recharge of all shared network and other Service Division operating costs, including depreciation. The bases used to recharge these costs may be further refined in the future.

The Divisions use a shared network which is not divisible and is therefore classified as an unallocated corporate asset. Other unallocated corporate assets include cash and debt.

Due to the reclassification of certain customers between divisions in 2009 as a result of changes to divisional customer revenue thresholds, prior year segmental comparatives have been restated. Restated comparative information including separate Managed Services revenue disclosure covering all quarters of 2008 is available via the COLT website at www.colt.net.

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 three months ended 30 June 2009 and 30 June 2008 revenue and result by reportable segment were as follows:

	Three	Three months ended 30 June 2009		
	Major Enterprise	SME	Wholesale	Total
	€m	€m	€m	€m
Carrier Voice	_	_	52.4	52.4
Corporate and Reseller Voice	35.3	59.5	19.2	114.0
Total Voice revenue	35.3	59.5	71.6	166.4
Data revenue	101.8	45.6	51.3	198.7
Managed Services revenue	28.5	6.6	1.0	36.1
Total revenue	165.6	111.7	123.9	401.2
Operating result by segment	4.6	(0.7)	16.3	20.2

Three months ended 30 June 2008 (restated)			
Major Enterprise	SME	Wholesale	Total
€m	€m	€m	€m
_	_	58.8	58.8
41.9	71.3	18.7	131.9
41.9	71.3	77.5	190.7
104.1	44.2	48.5	196.8
22.8	4.9	1.1	28.8
168.8	120.4	127.1	416.3
7.9	_	12.4	20.3
			17.0
			37.3
	Major Enterprise	Major Enterprise €m SME €m - - 41.9 71.3 41.9 71.3 104.1 44.2 22.8 4.9 168.8 120.4	Major Enterprise €m SME €m Wholesale €m - - 58.8 41.9 71.3 18.7 41.9 71.3 77.5 104.1 44.2 48.5 22.8 4.9 1.1 168.8 120.4 127.1

The exceptional item was not allocated to segments because it related to pre-2008 trading.

Notes to the financial information continued

For the six months ended 30 June 2009 and 30 June 2008, revenue and result by reportable segment were as follows:

	Six months ended 30 June 2009			
	Major Enterprise	SME	Wholesale	Total
	€m	€m	€m	€m
Carrier Voice	_	_	109.7	109.7
Corporate and Reseller Voice	74.3	123.6	38.0	235.9
Total Voice revenue	74.3	123.6	147.7	345.6
Data revenue	205.0	90.6	102.8	398.4
Managed Services revenue	58.6	12.6	2.2	73.4
Total revenue	337.9	226.8	252.7	817.4
Operating result by segment	16.5	(3.7)	29.3	42.1

	Six months ended 30 June 2008 (restated)			
	Major Enterprise	SME	Wholesale	Total
	€m	€m	€m	€m
Carrier Voice	_	_	113.5	113.5
Corporate and Reseller Voice	84.9	143.7	38.8	267.4
Total Voice revenue	84.9	143.7	152.3	380.9
Data revenue	207.8	86.8	94.8	389.4
Managed Services revenue	44.4	10.3	2.2	56.9
Total revenue	337.1	240.8	249.3	827.2
Operating result by segment before exceptional items	12.8	(2.2)	23.8	34.4
Exceptional items				17.0
Operating result by segment after exceptional items				51.4

Total assets by reportable segment were as follows:

Segment assets

		Corporate and				
	Major Enterprise	SME	Wholesale	eliminations	Total	
	€m	€m	€m	€m	€m	
30 June 2009	110.7	57.4	103.9	1,542.7	1,814.7	
31 December 2008	83.2	52.8	115.8	1,550.4	1,802.2	
30 June 2008	128.7	62.1	115.8	1,543.8	1,850.4	

Notes to the financial information continued

3 Earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2009	2008	2009	2008
Basic weighted average number of ordinary shares (m)	891.5	680.5	797.1	680.4
Dilutive ordinary shares from share options (m)	0.7	0.3	0.6	0.3
Diluted weighted average number of ordinary shares (m)	892.2	680.8	797.7	680.7
Profit for the period (€m)	28.8	33.5	55.6	42.1
Basic earnings per share	€0.03	€0.05	€0.07	€0.06
Diluted earnings per share	€0.03	€0.05	€0.07	€0.06

4 Exceptional items

COLT realised an exceptional foreign exchange gain of €9.7m on forward contracts relating to the Open Offer proceeds during Q1. In the prior year, the exceptional credit of €17.0m within cost of sales related to the resolution of a complex billing issue during the period 2004-2007.

5 Analysis of net funds/(debt)

	Three months ended 30 June		Six months ended 30 June	
	2009	2008	2009	2008
Net movement in cash and cash equivalents	(218.7)	20.1	(33.5)	4.0
Cash flow from repayment of debt	262.2	-	262.2	_
Other non-cash movements	3.7	0.1	3.0	(1.9)
Net movement in net funds (debt)	47.2	20.2	231.7	2.1
Opening net funds (debt)	195.9	(49.2)	11.4	(31.1)
Closing net funds (debt)	243.1	(29.0)	243.1	(29.0)
Represented on the balance sheet by:				
Cash and cash equivalents	243.1	233.2	243.1	233.2
Non-current financial liabilities	_	(262.2)	_	(262.2)
Closing net funds (debt)	243.1	(29.0)	243.1	(29.0)

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

		Three months ended 30 June		nths ended June
	2009	2008	2009	2008
Profit for the period	28.8	33.5	55.6	42.1
Finance costs and similar charges	1.6	5.7	7.3	11.4
Finance income	(1.0)	(2.4)	(3.0)	(3.4)
Exchange (gain)/loss	(9.2)	0.5	(17.8)	1.3
Depreciation	58.9	56.2	115.9	114.2
Other non-cash items	0.1	(0.3)	(0.9)	(1.1)
Movement in receivables	1.3	(4.2)	(13.6)	(8.7)
Movement in payables	11.4	25.7	(13.8)	10.6
Movement in provisions	(0.9)	(1.0)	(2.2)	(2.4)
Net cash generated from operations	91.0	113.7	127.5	164.0

Notes to the financial information continued

7 EBITDA reconciliation

	Three months ended 30 June		Six months ended 30 June	
	2009	2008	2009	2008
Net cash generated from operations	91.0	113.7	127.5	164.0
Exceptional items	_	(17.0)	_	(17.0)
Movement in receivables	(1.3)	4.2	13.6	8.7
Movement in payables	(11.4)	(25.7)	13.8	(10.6)
Movement in provisions	0.9	1.0	2.2	2.4
Other non-cash items	(0.1)	0.3	0.9	1.1
EBITDA	79.1	76.5	158.0	148.6

8 Reconciliation of movement in shareholders' equity

	Share capital €m	Other reserves €m	Retained (losses) profit €m	Total equity €m
At 31 December 2008	1,723.9	(762.5)	(19.1)	942.3
Reduction in nominal share capital	(510.4)	510.4	(13.1)	J-72.0
Issue of shares by Open Offer	189.4	-	_	189.4
Open Offer costs recognised directly in equity	-	(2.8)	_	(2.8)
Exchange movements offset in reserves	_	9.8	_	9.8
Share scheme charge	_	(0.2)	_	(0.2)
Profit for the quarter	_		26.8	26.8
At 31 March 2009	1,402.9	(245.3)	7.7	1,165.3
Exchange movements offset in reserves	_	17.4	_	17.4
Share scheme charge	_	0.1	_	0.1
Profit for the quarter	_	_	28.8	28.8
At 30 June 2009	1,402.9	(227.8)	36.5	1,211.6

9 Transactions with related parties

An amount of €3.5m was billed during the six months ended 30 June 2009 to FIL Limited for voice, data and managed services (2008: €5.8m).

During the six months ended 30 June 2009, 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 €100.4m relating to the Open Offer (2008: €16.4m).

APPENDIX 1 -Constant currency analysis

An analysis of turnover for the three and six months ended 30 June 2009, compared to the three and six months ended 30 June 2008 after excluding the impact of foreign exchange, is shown below:

			ee months ended :		
	2009	2008	% Movement		Fausian
					Foreign exchange
	€m	€m	Actual	Business	impact
REVENUE					
Major Enterprise					
Corporate and Reseller Voice	35.3	41.9	(15.8%)	(13.8%)	(2.0%)
Data revenue	101.8	104.1	(2.2%)	(0.1%)	(2.1%)
Managed Services revenue	28.5	22.8	25.0%	28.1%	(3.1%)
Total revenue	165.6	168.8	(1.9%)	0.3%	(2.2%)
SME					
Corporate and Reseller Voice	59.5	71.3	(16.5%)	(16.0%)	(0.5%)
Data revenue	45.6	44.2	3.2%	4.1%	(0.9%)
Managed Services revenue	6.6	4.9	34.7%	38.8%	(4.1%)
Total revenue	111.7	120.4	(7.2%)	(6.4%)	(0.8%)
Wholesale					
Carrier Voice	52.4	58.8	(10.9%)	(9.4%)	(1.5%)
Corporate and Reseller Voice	19.2	18.7	2.7%	2.7%	_
Total Voice revenue	71.6	77.5	(7.6%)	(6.5%)	(1.1%)
Data revenue	51.3	48.5	5.8%	8.5%	(2.7%)
Managed Services revenue	1.0	1.1	(9.1%)	(9.1%)	
Total revenue	123.9	127.1	(2.5%)	(0.8%)	(1.7%)
Total					
Carrier Voice	52.4	58.8	(10.9%)	(9.4%)	(1.5%)
Corporate and Reseller Voice	114.0	131.9	(13.6%)	(12.7%)	(0.9%)
Total Voice revenue	166.4	190.7	(12.7%)	(11.6%)	(1.1%)
Data revenue	198.7	196.8	` 1.0% [´]	2.9%	(1.9%)
Managed Services revenue	36.1	28.8	25.3%	28.5%	(3.2%)
Total revenue	401.2	416.3	(3.6%)	(2.0%)	(1.6%)

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 11% strengthening of the Euro against Sterling.

APPENDIX 1 -Constant currency analysis continued

	2009 €m	Si: 2008	x months ended 30) June % Movement	
		€m	Actual	Business	Foreign exchange impact
REVENUE					
Major Enterprise					
Corporate and Reseller Voice	74.3	84.9	(12.5%)	(9.7%)	(2.8%)
Data revenue	205.0	207.8	(1.3%)	1.6%	(2.9%)
Managed Services revenue	58.6	44.4	32.0%	36.9%	(4.9%)
Total revenue	337.9	337.1	0.2%	3.4%	(3.2%)
SME					
Corporate and Reseller Voice	123.6	143.7	(14.0%)	(13.0%)	(1.0%)
Data revenue	90.6	86.8	4.4%	6.1%	(1.7%)
Managed Services revenue	12.6	10.3	22.3%	26.4%	(4.1%)
Total revenue	226.8	240.8	(5.8%)	(4.5%)	(1.3%)
Wholesale					
Carrier Voice	109.7	113.5	(3.3%)	(1.1%)	(2.2%)
Corporate and Reseller Voice	38.0	38.8	(2.1%)	(2.1%)	_
Total Voice revenue	147.7	152.3	(3.0%)	(1.3%)	(1.7%)
Data revenue	102.8	94.8	8.4%	12.1%	(3.7%)
Managed Services revenue	2.2	2.2	_	0.1%	(0.1%)
Total revenue	252.7	249.3	1.4%	3.8%	(2.4%)
Total					
Carrier Voice	109.7	113.5	(3.3%)	(1.1%)	(2.2%)
Corporate and Reseller Voice	235.9	267.4	(11.8%)	(10.4%)	(1.4%)
Total Voice revenue	345.6	380.9	(9.3%)	(7.6%)	(1.7%)
Data revenue	398.4	389.4	2.3%	5.2%	(2.9%)
Managed Services revenue	73.4	56.9	29.0%	33.6%	(4.6%)
Total revenue	817.4	827.2	(1.2%)	1.2%	(2.4%)

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 15% strengthening of the Euro against Sterling.

APPENDIX 2 – Analysis of cash used in investing activities (capital expenditure)

An analysis of cash capital expenditure* within the Group's consolidated cash flow statement for the three and six months ended 30 June 2009, compared to the three and six months ended 30 June 2008, is shown below:

		Three months ended 30 June		ths ended June
	2009 €m	2008 €m	2009 €m	2008 €m
Success driven capital expenditure primarily related to:				
Data revenues	29.4	50.4	65.4	95.6
Managed Services revenues	4.7	21.1	9.7	27.9
Other	7.4	14.2	16.0	29.9
Total capital expenditure	41.5	85.7	91.1	153.4

^{*} This analysis is estimated based on the proportion of fixed asset additions.

Data revenue related capital expenditure primarily relates to new equipment both on customer premises and elsewhere in the network to support the acquisition of new Data revenue customer contracts.

Managed Services related capital expenditure primarily relates to the build out of Data Centres and customer specific capital expenditure within Data Centres.

Other capital expenditure represents non-customer specific core network and office infrastructure, internal IT projects and network inventory.

APPENDIX 3 -Deferred Revenue analysis

An analysis of Deferred Revenue as at 30 June 2009, compared to the position as at 30 June 2008 after excluding the impact of foreign exchange, is shown below:

				ne	
	2009	2009 2008 % Mo	% Movement	6 Movement	
				Б	Foreign exchange
	€m	€m	Actual	Business	impact*
DEFERRED REVENUE					
Data**	132.6	137.3	(3.5)	(1.2)	(2.3)
Managed Services**	65.2	52.4	24.5	30.9	(6.4)
Total Deferred Revenue	197.8	189.7	4.3	7.7	(3.4)

^{*} The foreign exchange impact has been calculated by retranslating non Euro Deferred Revenue as at 30 June 2009 at the prior period end exchange rate. The most significant exchange impact on the reported balances comes from the 11% strengthening of the Euro against Sterling compared to Q2 2008.

**The allocation of certain older deferred revenue balances between Data and Managed services was based upon management estimates.

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 Telecom 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.

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