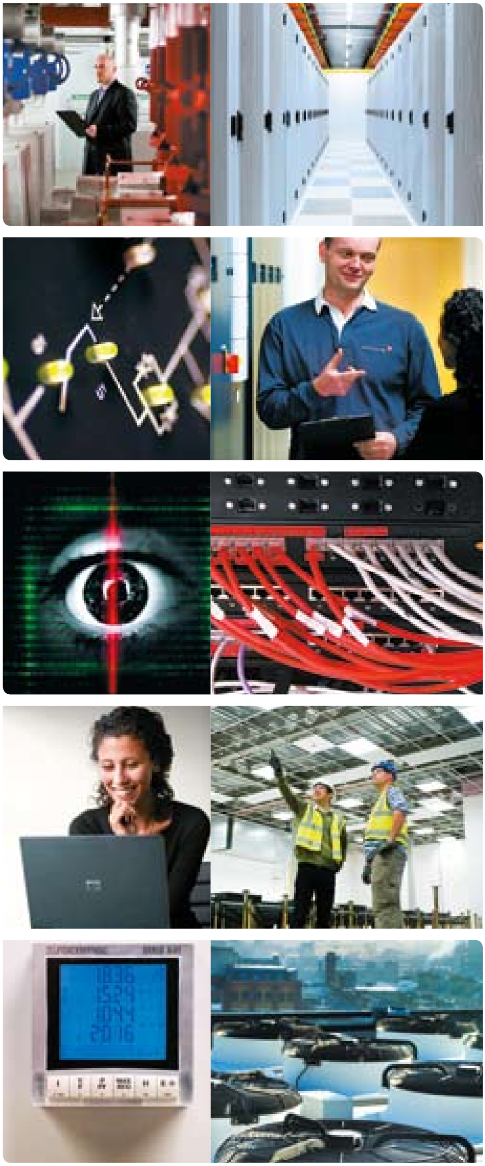

Delivering Growth

Telecity Group plc

Half year report 2009

TelecityGroup
where content meets connectivity

OUR BUSINESS: PREMIUM, HIGHLY CONNECTED DATA CENTRES

TelecityGroup is the leading provider of premium network independent data centres in Europe, offering a range of flexible, scalable and highly connected data centre and related value added services.

HIGHLIGHTS

- Revenue up 33.0% to £82.2m (H1 2008: £61.9m)
- EBITDA[1] up 75.2% to £29.4m (H1 2008: £16.8m)
- EBITDA margin up to 35.7% (H1 2008: 27.1%)
- Adjusted[2] profit after tax £13.5m (H1 2008: £6.7m)
- Adjusted[2] earnings per share up 100.2% to 6.9p (H1 2008: 3.4p)
- Strong working capital performance leading to cash flow from operating activities of £32.8m (H1 2008: £21.6m)

Statutory equivalents

The above highlights are before foreign exchange gains on financing items and a net deferred tax credit, which are not considered to be part of the underlying business of the Group. If these items are included, the following statutory equivalents to adjusted profit after tax and adjusted earnings per share result:

- Profit after tax up to £13.7m (H1 2008: £10.6m)
- Basic earnings per share of 7.0p (H1 2008: 5.4p)

(1) EBITDA is defined as earnings before interest, taxation, depreciation and amortisation.
(2) Adjusted for foreign exchange gains on financing items and movements in deferred tax.

OPERATIONAL REVIEW

MICHAEL TOBIN CHIEF EXECUTIVE OFFICER

Summary of Operational Review

- TelecityGroup's position as Europe's leading premium network independent data centre operator was strengthened
- New capacity delivered in London, Amsterdam, Stockholm and Milan
- Progress shown in the first half of 2009 expected to continue throughout the year

During the first half of 2009 TelecityGroup's position as Europe's leading premium network independent data centre operator was strengthened. The Group achieved strong growth in revenue, operating profit and earnings per share.

Demand for premium data centre capacity remained solid across TelecityGroup's European markets and continued to be driven by individuals and organisations making ever greater use of the internet for entertainment, information, social interaction, business transactions and efficiency savings.

The Group continued to increase its ability to meet this demand by delivering new capacity in London, Amsterdam, Stockholm and Milan. Good progress was also made with the ongoing construction of a new data centre in Paris and an upgrade to one of the Group's Frankfurt data centres.

The total fitted-out space operated by TelecityGroup increased 13.1% to 54,757 sq.m (H1 2008: 48,406 sq.m) and total available customer power increased from 38MW at the beginning of 2009 to 41MW in June. Total Group capacity is planned to reach 51MW by the end of 2009, increasing to at least 60MW in 2011.

Demand across the Group's markets from the organic growth of its existing customers and from new contract wins led to period end occupied space increasing 14.9% to 44,780 sq.m (H1 2008: 38,972 sq.m). The largest part of this demand came from companies operating in the areas of internet content provision, telecommunications and internet content distribution. TelecityGroup also won significant new business from systems integrators, business process outsourcers, companies involved in trading and financial services and premium web hosters.

“DURING THE FIRST HALF OF 2009 TELECITYGROUP ACHIEVED STRONG GROWTH IN REVENUE, OPERATING PROFIT AND EARNINGS PER SHARE.”

The Group is winning contracts with key European companies as well as US and global organisations that are seeking to extend their presence in Europe. The contracts TelecityGroup signed during the period include NCsoft, Spotify, China Telecom (Europe), Internap and Proofpoint.

Revenue per occupied sq.m[(1)] increased 15.8% to £1,837 (H1 2008: £1,587). On a currency-neutral basis, revenue per occupied sq.m grew 10.3%. This reflects a combination of benefits including new contracts signed at higher levels of pricing per kW than the Group average and price increases across the existing order book.

Certain new wins which commenced during the first half are structured so that revenue increases as customers draw additional amounts of power through a set amount of space. While these contracts have been signed at rates that enhance Group average pricing on a kW basis, they do not enhance pricing per occupied sq.m at start-up.

UK and Ireland

TelecityGroup’s UK operations continued to make good progress during the first half of 2009 and the Group strengthened its position as the leading provider of premium data centre services in the London market.

TelecityGroup opened and sold additional space at its London 8 (Powergate) data centre and sold the remaining capacity that was added in 2008 to its Sovereign House data centre in the London Docklands. In total, fitted out space increased 9.1% to 25,772 sq.m (H1 2008: 23,623 sq.m) and occupied space increased 8.4% to 22,881 sq.m (H1 2008: 21,117 sq.m).

TelecityGroup is benefiting from both the organic growth of its existing customer base in the UK and also from new contract wins from both UK-based and international companies. As expected, sales of Colocation Services grew at a stronger rate than those of Value Added Services.

Revenue per occupied sq.m increased 6.3% to £1,849 (H1 2008: £1,740). This increase was driven by new business wins at higher levels of pricing per kW than Group average pricing and price increases across the existing order book. In addition to the factors discussed above that impacted at the Group level, revenue per occupied sq.m was reduced by a change in a large customer contract in Ireland, which resulted in power costs being billed directly to the customer from the power company as opposed to being billed by TelecityGroup. This change had no impact on profit.

Rest of Europe (‘RoE’)

TelecityGroup enjoyed a successful first half in its RoE division. The Group increased its capacity at its Amsterdam 4 data centre and opened new data centres in Stockholm and Milan to meet growing customer demand. Total fitted out space in RoE increased 17.0% to 28,985 sq.m (H1 2008: 24,783 sq.m).

(1) Calculated as the revenue for the period divided by the period end occupied space.

OPERATIONAL REVIEW
CONTINUED

Key performance indicators

	Six months ended 30 June 2009	Six months ended 30 June 2008	Change
Revenue (£'000)	**82,245**	61,861	33.0%
EBITDA (£'000)	**29,357**	16,752	75.2%
Adjusted EPS (pence)	**6.9**	3.4	100.2%
Total fitted-out space (sq.m)	**54,757**	48,406	13.1%
Occupancy (sq.m)	**44,780**	38,972	14.9%
Revenue per sq.m(1) (£/sq.m)	**1,837**	1,587	15.8%

(1) Calculated as the revenue for the period divided by the period end occupied space.

In addition to the good progress made in these markets, the Group had an excellent first half in Germany. TelecityGroup's Frankfurt data centres are delivering very strong growth due in particular to demand from international companies seeking to establish or grow their European operations. The Group also achieved good growth in Paris and it will have more capacity to sell in this market when the new Paris 3 facility opens towards the end of 2009. Across the RoE division occupied space increased 22.6% to 21,899 sq.m (H1 2008: 17,855 sq.m). As expected, sales of Colocation grew at a stronger rate than those of Value Added Services.

Revenue per occupied sq.m increased 29.6% to £1,823 (H1 2008: £1,407). On a currency-neutral basis, revenue per sq.m increased 18.3%.

Operations

TelecityGroup is making excellent progress with its demand driven capacity expansion programme, which will see total available customer power increase to at least 60MW in 2011. During the period, new data centres were opened in Stockholm and Milan on time and in accordance with budgeted cost expectations. Work is ongoing to increase the capacity of these sites and is proceeding to plan. New capacity was also opened during the period in London and Amsterdam. The Group expects to finish the fit out of its Amsterdam 4 data centre in the third quarter of 2009. An additional area of TelecityGroup's Powergate data centre in London has been opened since the period end and further planned capacity will come on line in 2010.

A 1.5MW capacity expansion programme is currently underway in Frankfurt and completion of this project is expected in the third quarter of 2009. The Group's new Paris 3 data centre is on track for an opening towards the end of 2009.

TelecityGroup is leading the European data centre industry in its approach to energy management. The Group has implemented a range of projects to reduce the impact of its business on the environment and enhance its energy efficiency.

The Group was the first data centre provider to commit publicly to implementing the EU Code of Conduct for data centres in all of its sites. It is aiming to complete this roll-out by the end of 2009.

TelecityGroup also made substantial investments in its IT systems during the first half of 2009 in order to ensure that these systems are scalable to support the Group's ongoing growth.

Current trading and outlook

TelecityGroup has a high proportion of recurring revenue and the Group order book is currently in line with management's expectations. The Group expects that the progress the business has shown in the first half of 2009 will continue throughout the year.

The Group continues to re-invest its cash flows in new data centre capacity in its European markets, where it has strong local knowledge on an operational level and is best positioned to capture the growth of its customer base.

FINANCIAL REVIEW

BRIAN McARTHUR-MUSCROFT GROUP FINANCE DIRECTOR

Summary of Financial Review

- Total revenue for H1 2009 increased 33.0% to £82.2m
- EBITDA[(1)] up 75.2% to £29.4m (H1 2008: £16.8m)
- Cash flows from operating activities increased £11.2m to £32.8m (H1 2008: £21.6m)

Total revenue for the half year period increased 33.0% to £82.2m (H1 2008: £61.9m), £3.9m of the increase was due to the strengthening of the Euro against Sterling.

UK and Ireland ('UK&I') revenue grew 15.1% to £42.3m (H1 2008: £36.7m) and Rest of Europe ('RoE') revenue increased 59.0% to £39.9m (H1 2008: £25.1m). In RoE, £3.5m of the increase was due to exchange rate movements.

Revenue from Colocation and Value Added Services ('VAS') have increased by 40.7% and 9.6% respectively. Sales of VAS were £17.0m (H1 2008: £15.5m).

Due to a significant element of the Group's cost base being fixed, along with tight control of the variable element of the cost base, 61.8% of the incremental revenue flowed through to the EBITDA level. EBITDA increased 75.2% to £29.4m (H1 2008: £16.8m).

Operating costs, including depreciation and amortisation, increased 18.3% to £65.7m (H1 2008: £55.5m), with £4.0m of the increase due to the strengthening of the Euro against Sterling.

An analysis of operating costs is as follows:

- property costs of £12.6m (H1 2008: £11.3m) represented 15.3% of revenue (H1 2008: 18.3%). The increase of £1.3m included £0.4m due to exchange rate movements. The underlying (i.e. before the effect of foreign exchange) difference of £0.9m was mainly due to additional rent and rates from the new data centres;
- electricity costs of £13.3m (H1 2008: £10.1m) represented 16.2% of revenue (H1 2008: 16.4%). The increase of £3.2m included £0.8m due to exchange rate movements. The underlying variance of £2.4m was due to increased occupancy and therefore power usage. The electricity costs for Ireland have decreased £0.5m since H1 2008 largely due to a change in contract terms through which electricity is now billed directly in respect of the largest customer;

(1) EBITDA is defined as earnings before interest, taxation, depreciation and amortisation.

FINANCIAL REVIEW
CONTINUED

- the depreciation and amortisation charge has increased by £2.4m to £12.8m (H1 2008: £10.4m), with £0.7m due to exchange rate movements. The underlying increase was due to additional depreciation from the new data centres. Such depreciation commences when a data centre, or a part thereof, is brought into use;
- staff costs of £14.1m (H1 2008: £12.2m) represented 17.2% of revenue (H1 2008: 19.7%). The increase of £1.9m included £0.7m due to exchange rate movements. The underlying movement of £1.2m was due to an increase in headcount across the business in line with growth, annual salary increases and an increase to the share-based payment charge, partly as a result of the recent strong share price performance; and
- other costs of £12.9m (H1 2008: £11.5m) represented 15.7% of revenue (H1 2008: 18.6%). The increase of £1.4m related primarily to exchange rate movements.

Financing

The Group has a sound financial platform, including borrowing facilities which, together with expected operating cash flows, are sufficient to fund all currently announced capital expenditure.

Net finance costs for the period were £2.0m before a £0.2m foreign exchange gain on financing items (H1 2008: income £1.8m). The prior period figures include a non-cash fair value gain on an interest rate swap of £1.9m and a net foreign exchange gain in respect of financing items of £1.4m. After adjusting for these two amounts, the underlying net finance costs during H1 2008 were £1.5m.

Net finance costs for the current period comprise interest on bank loans of £1.6m, amortisation of debt arrangement fees of £0.2m and other financing costs of £0.2m.

The Group has an interest rate swap, which was put in place during 2007, that converts the interest rate on £53.0m of its borrowings from a floating LIBOR rate to a fixed interest rate of 5.205%.

Excluding non-monetary items, for example deferred income and prepayments, the Group had net current assets of £7.7m.

Taxation

The rapid growth in recent years of the Group's profitability has increased the rate at which its tax losses are being utilised. In addition, recent changes in the UK tax regime have reduced the rate at which the Group can obtain a tax deduction from its capital expenditure. As a result the Group is expecting to incur a tax charge in the current financial year at an effective rate of 6.9%. In accordance with IAS 34, this tax rate has been applied to the profit before tax for the first six months resulting in a half year tax charge of £1.0m.

> "CASH FLOWS FROM OPERATING ACTIVITIES INCREASED £11.2M TO £32.8M (H1 2008: £21.6M). THE STRONG CASH PERFORMANCE IS PRIMARILY A RESULT OF THE INCREASED EBITDA OF £29.4M (H1 2008: £16.8M) AND FURTHER WORKING CAPITAL IMPROVEMENTS."

At 31 December 2008, the Group recognised a deferred tax asset in respect of trading losses and capital allowances totalling £5.4m (H1 2008: £2.4m). During the period, the Group has offset current tax charges through the use of these assets. Further deferred tax assets were recorded during the period resulting in a period end deferred tax asset of £5.4m. As the deferred tax asset at the end of the period is consistent with the balance recognised at 31 December 2008, there is no net charge for deferred tax in the period (H1 2008: credit £2.4m).

Cash flow

Cash flows from operating activities increased £11.2m to £32.8m (H1 2008: £21.6m). The strong cash performance is primarily a result of the increased EBITDA of £29.4m (H1 2008: £16.8m) and further working capital improvements.

Payments made during the period relating to net financing costs and taxation were £2.2m (H1 2008: £1.3m). The Group has invested £52.3m (H1 2008: £41.3m) in capital expenditure, £46.9m (H1 2008: £38.9m) of which relates to new builds and other fit-outs to existing buildings and £5.4m (H1 2008: £2.4m) to other capital expenditure including maintenance and sales capital expenditure.

During the period £3.0m has been repaid in respect of the term loan that forms part of the overall banking facilities. Under the terms of the banking agreement £3.0m is due for repayment each six months. Off-setting this are additional draw downs from the facility of £9.2m to finance capital expenditure.

At the end of the period the Group had net debt (including finance leases) of £47.2m (H1 2008: £15.6m).

Balance sheet

The Group's intangible assets, which have a book value of £46.0m (H1 2008: £47.0m), comprise acquired customer contracts and goodwill that arose during the acquisition of TeleCity, Globix and Redbus. The decrease in value of the assets is due to amortisation of £0.6m during the period and changes in foreign exchange rates.

Additions to property, plant and equipment of £56.8m (H1 2008: £60.7m) has been incurred during the period and the depreciation charge for the period was £12.2m (H1 2008: £9.8m). As a significant proportion of the Group's assets are denominated in Euros, the strengthening of Sterling has resulted in a foreign exchange downward movement on property, plant and equipment of £16.8m (H1 2008: gain £4.5m). This results in a period end carrying value of the Group's property, plant and equipment of £233.8m (H1 2008: £159.1m).

FINANCIAL REVIEW
CONTINUED

Current trade and other receivables have decreased by £7.5m to £21.0m (H1 2008: £28.5m). Trading receivables have decreased by £5.6m to £12.5m (H1 2008: £18.1m) after an increase in value due to foreign exchange movements of £0.5m. Further improved billing and credit control procedures across the Group have resulted in trade debtors reducing despite increasing revenue. The remainder of the reduction relates to reduced prepayments in respect of capital items.

Current trade and other payables have increased by £5.0m to £58.2m (H1 2008: £53.2m), including a foreign exchange movement of £1.5m. £2.3m of the increase relates to the higher deferred income balance as a result of revenue growth. Other payables have increased due to higher sales tax and an accrual for corporation tax.

Current and non-current provisions for other liabilities and charges of £7.1m (H1 2008: £7.1m) primarily relate to an onerous lease provision in respect of a property in Munich.

Operational and financial risks

In carrying out its business, the Group is exposed to a variety of risks. The most significant factors impacting TelecityGroup's future performance are the Group's ability to open incremental space to meet demand and manage all its operations effectively. The Directors regularly review the broader risks facing the business and appropriate steps are taken to reduce or eliminate the risks and mitigate their potential impact. Page 15 of the Group's 2008 Annual Report contained a list and detailed explanation of the principal risks which the Directors considered could affect the Group. The operational risks comprised business disruption risk, technology risk and capital expenditure risk. The financial risks comprised credit risk, foreign currency risk, liquidity and capital management risk, interest rate risk and cost risk. Although the list was not intended to be an extensive analysis of all risks which may arise in the ordinary course of business or otherwise, in the opinion of the Directors, the risks stated at that time remain the principal risks as at 30 June 2009.

On behalf of the Board

Michael Tobin
Chief Executive Officer

Brian McArthur-Muscroft
Group Finance Director

CONSOLIDATED INCOME STATEMENT

Continuing operations	Notes	Six months ended 30 June 2009 £'000	Six months ended 30 June[1] 2008 £'000
Revenue	4	**82,245**	61,861
Cost of sales	4	**(40,198)**	(34,054)
Gross profit		**42,047**	27,807
Sales and marketing costs		**(3,192)**	(3,713)
Administrative costs analysed:			
Depreciation and amortisation charges		**(12,798)**	(10,402)
Other administrative costs		**(9,498)**	(7,342)
Total administrative costs		**(22,296)**	(17,744)
Operating profit	4	**16,559**	6,350
Finance income		**4,800**	4,006
Finance costs		**(6,663)**	(2,172)
Profit on ordinary activities before taxation		**14,696**	8,184
Income tax (charge)/credit	6	**(1,019)**	2,404
Retained profit for the period		**13,677**	10,588
Earnings per share – basic (p)	7	**7.0**	5.4
Earnings per share – diluted (p)	7	**7.0**	5.4
Adjusted earnings per share – basic (p)	7	**6.9**	3.4
Adjusted earnings per share – diluted (p)	7	**6.9**	3.4
Supplementary income statement information			
EBITDA[2]		**29,357**	16,752
Depreciation charge	8	**(12,211)**	(9,819)
Intangible asset amortisation charge		**(587)**	(583)
Operating profit		**16,559**	6,350

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2009 £'000	Six months ended 30 June[1] 2008 £'000
Currency translation differences on foreign currency net investments	**(15,877)**	3,973
Interest rate cash flow hedge	**821**	—
Foreign exchange cash flow hedges	**4,308**	(474)
Net comprehensive (loss)/income recognised directly in equity	**(10,748)**	3,499
Profit for the period	**13,677**	10,588
Total comprehensive income recognised in period	**2,929**	14,087

(1) Restated as described in note 3.
(2) Earnings before interest, taxation, depreciation and amortisation.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium account £'000	Retained profits/(losses) £'000	Own shares £'000	Cumulative translation reserve £'000	Total £'000
At 1 January 2008 – as previously reported	396	176,637	(26,993)	(4,447)	4,763	150,356
Prior year adjustment[1]	—	(102,456)	103,141	—	—	685
At 1 January 2008 – as restated	**396**	**74,181**	**76,148**	**(4,447)**	**4,763**	**151,041**
Profit for the period	—	—	10,588	—	—	10,588
Other comprehensive income:						
Currency translation differences on foreign currency net investments	—	—	—	—	3,973	3,973
Fair value movement on cash flow hedges	—	—	(474)	—	—	(474)
Total comprehensive income for the period ended 30 June 2008	**—**	**—**	**10,114**	**–**	**3,973**	**14,087**
Transactions with owners:						
Credit to equity for share-based payments	—	—	300	—	—	300
Issue of shares	—	—	—	80	—	80
	—	—	300	80	—	380
At 30 June 2008	**396**	**74,181**	**86,562**	**(4,367)**	**8,736**	**165,508**
At 1 January 2009	396	74,127	92,917	(4,266)	25,330	188,504
Profit for the period	—	—	13,677	—	—	13,677
Other comprehensive income:						
Currency translation differences on foreign currency net investments	—	—	—	—	(15,877)	(15,877)
Fair value movement on cash flow hedges	—	—	5,129	—	—	5,129
Total comprehensive income for the period ended 30 June 2009	—	—	18,806	—	(15,877)	2,929
Transactions with owners:						
Credit to equity for share-based payments	—	—	742	—	—	742
Issue of shares	—	—	—	7	—	7
	—	—	742	7	—	749
At 30 June 2009	**396**	**74,127**	**112,465**	**(4,259)**	**9,453**	**192,182**

(1) Restated as described in note 3.

CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2009 £'000**	31 December 2008 £'000	30 June[(1)] 2008 £'000
Assets				
Non-current assets				
Intangible assets		**46,046**	49,165	46,976
Property, plant and equipment	8	**233,846**	206,111	159,091
Deferred income taxes	6	**5,374**	5,374	2,440
Derivative financial instruments		**—**	—	1,379
Trade and other receivables		**2,760**	2,844	2,969
		288,026	263,494	212,855
Current assets				
Derivative financial instruments		**—**	—	469
Trade and other receivables		**20,951**	27,965	28,512
Cash and cash equivalents		**38,915**	51,506	26,310
		59,866	79,471	55,291
Total assets		**347,892**	342,965	268,146
Equity				
Share capital	9	**396**	396	396
Share premium account		**74,127**	74,127	74,181
Other reserves		**5,194**	21,064	4,369
Retained earnings		**112,465**	92,917	86,562
Total equity		**192,182**	188,504	165,508
Liabilities				
Non-current liabilities				
Borrowings		**78,607**	72,566	33,264
Obligations under finance leases		**917**	1,117	1,137
Derivative financial instruments		**1,519**	3,303	—
Provisions for other liabilities and charges		**6,130**	7,501	6,478
		87,173	84,487	40,879
Current liabilities				
Trade and other payables		**58,202**	55,730	53,203
Borrowings		**6,334**	6,689	7,265
Obligations under finance leases		**242**	421	204
Derivative financial instruments		**2,823**	6,167	474
Provisions for other liabilities and charges		**936**	967	613
		68,537	69,974	61,759
Total liabilities		**155,710**	154,461	102,638
Total equity and liabilities		**347,892**	342,965	268,146

(1) Restated as described in note 3.

CONSOLIDATED CASH FLOW STATEMENT

	Note	**Six months ended 30 June 2009 £'000**	Six months ended 30 June[1] 2008 £'000
Cash inflow from operating activities	10	**34,986**	22,971
Interest received		**793**	445
Interest paid		**(2,895)**	(1,709)
Interest element of finance lease payments		**—**	(38)
Taxation paid		**(72)**	(36)
Net cash inflow from operating activities		**32,812**	21,633
Cash flows from investing activities			
Purchase of property, plant and equipment		**(52,250)**	(41,251)
Net cash used in investing activities		**(52,250)**	(41,251)
Cash flows from financing activities			
Net proceeds on issue of ordinary share capital		**7**	135
Repayment of obligations under finance leases		**(233)**	(9)
Proceeds from borrowings		**9,180**	11,153
Repayment of borrowings		**(3,000)**	(3,000)
Net cash inflow from financing activities		**5,954**	8,279
Net decrease in cash and cash equivalents		**(13,484)**	(11,339)
Effects of foreign exchange rate change		**893**	688
Cash and cash equivalents at beginning of period		**51,506**	36,961
Cash and cash equivalents at end of period		**38,915**	26,310

(1) Restated as described in note 3.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Masters House, 107 Hammersmith Road, London W14 0QH.

The Company has its primary listing on the London Stock Exchange.

This condensed consolidated half year financial information, which comprises the Operational Review, the Financial Review, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and notes 1 to 11 to the financial statements, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2008 were approved by the Board of Directors on 30 January 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

This condensed consolidated half year financial information has been reviewed, not audited.

2. Basis of preparation

This condensed consolidated half year financial information for the six months ended 30 June 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed consolidated half year financial information, which includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRS as adopted by the European Union.

This condensed consolidated half year financial information, including the responsibility statement in the preceding paragraph made in accordance with DTR 4.2.10 (1), was approved on behalf of the Board by Michael Tobin and Brian McArthur-Muscroft on 31 July 2009.

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008. As described in the Group's 2008 Annual Report, during that year the Group changed its accounting policy in respect of certain costs of construction. The change in accounting policy occurred after the publication of the 2008 Interim Statement, accordingly the financial information in respect of that period has been restated. The financial effect of the restatement in the six months to 30 June 2008 is to increase profit after tax by £1,193,000 and increase net assets by £1,878,000. In addition, following a court order pursuant to Section 138 of the Companies Act 1985, dated 4 July 2007, a distributable amount of £102,456,000 previously contained within the share premium account has been reclassified to the profit and loss reserve.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. One such significant estimate is the estimated remaining useful lives of property, plant and equipment. In accordance with IAS 16, the Group has a policy of reviewing the residual useful lives of the data centres at least annually. As at the last balance sheet date, the Group performed such a review in respect of its leasehold improvements and plant and machinery, the financial effect of which is to reduce the depreciation charge for the period by £600,000.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual earnings.

3. Accounting policies continued

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Following a review of the Group's internal management information, the previously reported operating segments of the UK and Ireland and the Rest of Europe remain appropriate.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors.

Goodwill is allocated by management to groups of cash-generating units on a segment level.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

- IFRIC 13, 'Customer loyalty programmes';
- IFRIC 14, 'The limit on a defined benefit asset minimum funding requirements and their interaction';
- IFRIC 15, 'Agreements for the construction of real estate';
- IFRIC 16, 'Hedges of a net investment in a foreign operation'; and
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) to all business combinations from 1 January 2010, subject to endorsement by the EU.

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- IFRIC 18, 'Transfers of assets from customers', effective for transfers of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

4. Segmental information

The chief operating decision-maker has been identified as the Board of Directors. This committee reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The committee considers the business from both a geographic and services perspective. On a geographic basis management assesses the performance of the UK and Ireland and the Rest of Europe. Revenue is further assessed from a services perspective between Colocation and Value Added Services ('VAS').

The Board of Directors assessed the performance of the operating segments based primarily on the measures of revenue and EBITDA. Other information provided, except as noted below, to the Board of Directors is measured in a manner consistent with that in the financial statements.

Certain assets and liabilities, for example cash deposits and bank borrowings, are managed on a central basis and as such have not been allocated to individual segments.

	Six months ended 30 June 2009			Six months ended 30 June 2008[1]		
	UK and Ireland £'000	**Rest of Europe £'000**	**Total £'000**	UK and Ireland £'000	Rest of Europe £'000	Total £'000
Revenue	**42,313**	**39,932**	**82,245**	36,747	25,114	61,861
Cost of sales	**(20,875)**	**(19,323)**	**(40,198)**	(20,789)	(13,265)	(34,054)
Gross profit	**21,438**	**20,609**	**42,047**	15,958	11,849	27,807
Depreciation and amortisation charges	**(5,789)**	**(7,009)**	**(12,798)**	(4,946)	(5,456)	(10,402)
Other operating expenses	**(6,128)**	**(6,562)**	**(12,690)**	(5,581)	(5,474)	(11,055)
Operating profit	**9,521**	**7,038**	**16,559**	5,431	919	6,350
Finance income			**4,800**			4,006
Finance costs			**(6,663)**			(2,172)
Profit before tax			**14,696**			8,184
Income tax (charge)/credit			**(1,019)**			2,404
Profit for the period			**13,677**			10,588
EBITDA	**15,310**	**14,047**	**29,357**	10,377	6,375	16,752
Depreciation and amortisation charges	**(5,789)**	**(7,009)**	**(12,798)**	(4,946)	(5,456)	(10,402)
Operating profit	**9,521**	**7,038**	**16,559**	5,431	919	6,350
Segment assets	**144,977**	**169,083**	**314,060**	143,284	110,127	253,411
Unallocated assets			**33,832**			14,735
Total assets			**347,892**			268,146
Segment liabilities	**(26,566)**	**(36,843)**	**(63,409)**	(27,365)	(30,678)	(58,043)
Unallocated liabilities			**(92,301)**			(44,595)
Total liabilities			**(155,710)**			(102,638)
Capital expenditure	**7,278**	**44,972**	**52,250**	30,998	10,253	41,251

Revenue by service

	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 £'000
Colocation	**65,281**	46,389
Value Added Services	**16,964**	15,472
	82,245	61,861

(1) Restated as described in note 3.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

5. Expenses by nature

	Six months ended 30 June 2009 £'000	Six months ended 30 June[(1)] 2008 £'000
Property costs	**12,576**	11,291
Electricity costs	**13,325**	10,149
Depreciation and amortisation charges	**12,798**	10,402
Staff costs	**14,114**	12,160
Other costs	**12,873**	11,509
	65,686	55,511

6. Income taxes

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2009 is 6.9%. In the prior period, the carrying value of the Group's tax assets, mainly trading losses and unclaimed capital allowances in excess of depreciation, was reviewed. This resulted in a net deferred tax asset of £2,440,000 being recognised at the half year and a corresponding credit to income tax. By 31 December 2008 a deferred tax asset of £5,374,000 had been recognised. During the current period, the Group has offset current tax charges through the use of these assets. Further deferred tax assets were recorded during the period resulting in a period end deferred tax asset of £5,374,000. As the deferred tax asset at the end of the period is consistent with the balance recognised at 31 December 2008, there is no net charge for deferred tax in the period.

7. Earnings per share – basic and diluted

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June 2009	Six months ended 30 June[(1)] 2008
Profit attributable to equity holders of the Company (£'000)	**13,677**	10,588
Weighted average number of shares in issue ('000)	**195,524**	195,368
Basic earnings per share (p)	**7.0**	5.4

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average effect of share options outstanding during the period.

	Six months ended 30 June 2009	Six months ended 30 June[(1)] 2008
Profit attributable to equity holders of the Company (£'000)	**13,677**	10,588
Weighted average number of shares in issue ('000)	**196,602**	196,032
Diluted earnings per share (p)	**7.0**	5.4

(1) Restated as described in note 3.

7. Earnings per share – basic and diluted continued

The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group. Adjusted earnings per share is calculated by adding back exchange gains on financing items and the deferred tax movement (note 6) to the retained profit for the period as shown below:

	Six months ended 30 June 2009 £'000	Six months ended 30 June[1] 2008 £'000
Profit attributable to equity holders of the Company	**13,677**	10,588
Less exchange gains on financing items	**(176)**	(1,410)
Less deferred tax (note 6)	**—**	(2,440)
Adjusted profit attributable to equity holders of the Company	**13,501**	6,738

8. Property, plant and equipment

	Assets in the course of construction £'000	Leasehold improvements £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2008 – as originally stated	2,782	90,874	96,018	7,387	197,061
Prior year adjustment[1]	685	—	—	—	685
At 1 January 2008 – as restated	**3,467**	**90,874**	**96,018**	**7,387**	**197,746**
Exchange differences	656	6,858	1,200	233	8,947
Additions[1]	48,505	10,034	2,027	144	60,710
Transfers	(4,946)	4,946	—	—	—
At 30 June 2008	**47,682**	**112,712**	**99,245**	**7,764**	**267,403**
At 1 January 2009	48,914	177,420	105,662	8,676	340,672
Exchange differences	(4,561)	(20,183)	(2,912)	(546)	(28,202)
Additions	39,309	12,873	4,435	155	56,772
Transfers	(26,943)	26,351	592	—	—
Disposals	—	(40)	—	—	(40)
At 30 June 2009	**56,719**	**196,421**	**107,777**	**8,285**	**369,202**
Depreciation					
At 1 January 2008	—	54,423	34,724	4,906	94,053
Exchange differences	—	3,615	662	163	4,440
Charge for the period	—	7,425	1,802	592	9,819
At 30 June 2008	**—**	**65,463**	**37,188**	**5,661**	**108,312**
At 1 January 2009	—	86,311	41,536	6,714	134,561
Exchange differences	—	(9,265)	(1,711)	(433)	(11,409)
Charge for the period	—	9,695	2,039	477	12,211
Disposals	—	(7)	—	—	(7)
At 30 June 2009	**—**	**86,734**	**41,864**	**6,758**	**135,356**
Net book value					
At 30 June 2009	**56,719**	**109,687**	**65,913**	**1,527**	**233,846**
At 31 December 2008	48,914	91,109	64,126	1,962	206,111
At 30 June 2008	47,682	47,249	62,057	2,103	159,091

The Group has capital commitments in respect of in progress projects at the period end of £38,911,000 (31 December 2008: £81,159,000; 30 June 2008: £25,001,000).

(1) Restated as described in note 3.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9. Share capital

	30 June 2009 £'000	31 December 2008 £'000	30 June 2008 £'000
Authorised			
496,431,508 ordinary shares of £0.002 each (31 December 2008: 496,431,508; 30 June 2008: 496,431,508)	**993**	993	993

	30 June 2009 £'000	31 December 2008 £'000	30 June 2008 £'000
Allotted			
198,092,373 ordinary shares of £0.002 each (31 December 2008: 198,092,373; 30 June 2008: 198,092,373)	**396**	396	396

The ordinary shares carry no right to fixed income and each ordinary share carries one vote at general meetings.

During the period 9,000 shares were issued following the exercise of share options. All shares were issued from the Company's Employee Benefit Trust ('EBT') for total consideration of £7,000.

10. Cash flow from operating activities

Reconciliation of profit on ordinary activities before taxation to net cash inflow from operating activities:

	Six months ended 30 June 2009 £'000	Six months ended 30 June[1] 2008 £'000
Profit on ordinary activities before taxation	**14,696**	8,184
Add finance costs	**6,663**	2,172
Less finance income	**(4,800)**	(4,006)
Depreciation charge	**12,211**	9,819
Intangible asset amortisation	**587**	583
Share-based payments	**742**	300
Movement in receivables	**2,449**	3,118
Movement in payables	**3,586**	2,758
Movement in provisions	**(313)**	(198)
Exchange movement	**(835)**	241
Net cash inflow from operating activities	**34,986**	22,971

11. Contingent liabilities

Financial guarantees granted by the Group's banks in respect of operating leases amount to £11,148,000 at 30 June 2009. At 30 June 2009 the estimated discounted cost of reinstating leasehold properties at the end of leases in accordance with the lease contracts was not materially different from the balance disclosed in the 2008 Annual Report. The leases expire over a range of 2 to 20 years. In accordance with the Group accounting policy, no amount has been provided in the financial statements as it is not considered probable that such liabilities will be incurred, as the Group expects to renew its leases when they expire and continue to use them as data centres.

(1) Restated as described in note 3.

INDEPENDENT REVIEW REPORT

TO TELECITY GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009, which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants, London
31 July 2009

Notes:

(a) The maintenance and integrity of the Telecity Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CORPORATE INFORMATION

Company Secretary
Tony Hunter

Registered office
Masters House
107 Hammersmith Road
London W14 0QH
T +44 (0)20 7603 1515
F +44 (0)20 7603 8448

Operational headquarters
Suite 8.01
Exchange Tower
2 Harbour Exchange Square
London E14 9GE
T +44 (0)20 7001 0000

Website
www.telecitygroup.com

Registered number
5603875

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
T 0871 664 0300
(from the UK)*
T +44 20 8639 3399
(from overseas)
F +44 (0)20 8639 2342

Corporate advisors
Deutsche Bank AG
Winchester House
Great Winchester Street
London EC2N 2DB

JP Morgan Cazenove
20 Moorgate
London EC2R 6DA

Principal bankers
Barclays Bank plc
1 Churchill Place
London E14 5HP

Registered auditors
PricewaterhouseCoopers LLP
Chartered Accountants
1 Embankment Place
London WC2N 6RH

Solicitors
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS

Lovells LLP
Atlantic House
Holborn Viaduct
London EC1A 2FG

Addleshaw Goddard LLP
150 Aldersgate Street
London EC1A 4EJ

*calls cost 10p per minute plus any network extras

TelecityGroup
where content meets connectivity

Amsterdam
+31 (0) 20 592 8263
nl.info@telecity.com

Dublin
+353 (0) 1 433 2000
ie.info@telecity.com

Frankfurt
+49 (0) 69 900 210
de.info@telecity.com

London
+44 (0) 20 7001 0101
uk.info@telecity.com

Manchester
+44 (0) 161 232 3200
uk.info@telecity.com

Milan
+39 02 489 8000
it.info@telecity.com

Paris
+33 (0) 1 49 97 30 60
fr.info@telecity.com

Stockholm
+46 (0) 8 799 3800
se.info@telecity.com

www.telecitygroup.com

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Telecity Group plc is committed to achieving good environmental practice and this is reflected in this half year report which has been printed on Take 2 Silk. This stock comprises of 75% recycled fibre and 25% virgin fibre which is certified by the FSC (Forest Stewardship Council) and produced at mills with ISO 14001 environmental management systems. 95% of the waste created during the process was recycled. The materials used include vegetable oil inks, elemental chlorine free pulp and fibre from the FSC managed forests. The FSC managed forests have been independently inspected and comply with internationally agreed environmental, social and economic standards.