

Telecity Group plc

Half year report

2011



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TelecityGroup is Europe's  
leading provider of premium  
carrier-neutral data centres.

#### Business Review

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#### Financial Statements

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## H1 2011 Highlights

- Revenue up 19.8% to £112.2m (H1 2010: £93.7m)
- EBITDA<sup>(1)</sup> up 30.5% to £49.4m (H1 2010: £37.9m)
- EBITDA margin up to 44.1% (H1 2010: 40.4%)
- Adjusted<sup>(2)</sup> profit before tax up 44.6% to £31.0m (H1 2010: £21.4m)
- Adjusted diluted earnings per share up 27.3% to 11.2p (H1 2010: 8.8p)
- Acquisition of market-leading carrier-neutral data centre operator in Ireland, Data Electronics Group Limited, for a total consideration of £87.6m brings critical mass and secured expansion capacity in a growth territory
- Total available customer power at the period end up to 59MW (H1 2010: 54MW), increasing to 63MW with the acquisition of Data Electronics
- Total announced<sup>(3)</sup> customer power including the acquisition of Data Electronics up to 116MW
- Senior debt facility expanded by £100m to £300m and term extended to May 2016 with interest rate savings

### Statutory equivalents

The highlights above exclude the effect of other financing items as disclosed on the income statement, which comprise foreign exchange gains and losses on financing items and, in respect of the prior period, costs of refinancing (note 16). These items are not considered to be part of the underlying business of the Group. If these items are included, the following statutory equivalents result:

- Profit before tax of £33.9m (H1 2010: £14.3m)
- Diluted earnings per share of 12.6p (H1 2010: 6.2p)

A reconciliation between the adjusted and unadjusted figures is contained in note 16.

- (1) Earnings before interest, taxation, depreciation and amortisation (note 16).
- (2) Adjusted to exclude the effect of other financing items as disclosed on the income statement, which comprise foreign exchange gains and losses on financing items and, in respect of the prior period, costs of refinancing (note 16).
- (3) Total available customer power when all currently announced expansion projects are complete.

**Business Review**  
**Operational Review**

## Operational Review



Michael Tobin  
 Chief Executive Officer

### Summary and outlook

— The market in Europe is experiencing strong demand growth driven by growth in the digital economy

— TeleticityGroup continues to generate strong returns on the capital that it invests in expansion

— TeleticityGroup has an unrivalled multi-year announced capacity expansion programme in Europe

— The acquisition of Data Electronics gives TeleticityGroup a market leadership position in the Republic of Ireland

The execution of TeleticityGroup's strategy continued to lead to strong growth in revenue, EBITDA and adjusted earnings per share during the first half of 2011.

### Market and business overview

The carrier-neutral data centre market in Europe is experiencing strong demand growth. This growth is driven by customers, such as providers of internet content and cloud services, whose requirements for premium highly connected data centre capacity are being driven by growth in the digital economy.

TeleticityGroup is the leading provider of carrier-neutral data centres in Europe, operating highly connected facilities in key cities.

These data centres are the places in which the separate networks that make up the internet meet and where bandwidth-intensive applications, content and information is hosted. As such, they are the key network hubs, or enabling environments, of the European digital economy. TeleticityGroup's customers take advantage of the highly connected facilities to run, store, share, distribute and access digital media, IT applications and information effectively and efficiently.

In addition to connectivity, TeleticityGroup's data centres provide resilient power feeds, cooling and security so that customers' IT and telecoms equipment can run without interruption. Customers are charged primarily for locating their equipment within the highly connected and resilient environments that

the Group's data centres provide. These charges are supplemented by additional fees for engineering support, connectivity and other IT services.

TeleticityGroup has established a strong reputation for delivering operational quality and energy efficiency, which, combined with the high choice of connectivity, offers a compelling alternative to organisations managing their own proprietary data centres. This reputation for quality helps create further differentiation for TeleticityGroup's services in the marketplace.

### Strategy

TeleticityGroup aims to deliver controlled, sustainable, profitable growth by opening and selling high quality, differentiated data centre capacity in the key internet economy cities in Europe, to meet the demand for highly connected and resilient capacity that is being driven by the growth in the digital economy.

TeleticityGroup has generated, and aims to continue to generate, strong returns on the capital that it invests in expansion by only competing in the premium data centre market where it can add value for its customers with its high levels of connectivity, excellent infrastructure and high quality service. The Group is able to leverage the value of its existing connectivity and customer ecosystems by opening new capacity close to its established sites.

This focus on generating strong returns on capital has led to significant growth in earnings, from which the resulting operating free cash flows are being deployed to drive further growth.

TeleticityGroup has an unrivalled multi-year announced capacity expansion programme in Europe. Capacity expansion is ongoing in all of the Group's key markets. This provides its growing customer base with visibility as to how their needs for capacity can be met into the future. This is important to many of the Group's customers as their needs for scalable capacity are expected to grow due to macro trends, such as the emergence of cloud computing, whereby an increasing amount of IT infrastructure is being migrated towards centralised, highly connected data centres.

In addition to organic investments, TeleticityGroup aims to make acquisitions within Europe, either for the purpose of entering new markets, or to provide growth capacity in existing markets where its data centres are fully occupied. For example the acquisition of Data Electronics, which provides growth capacity in Ireland, a market where TeleticityGroup has been capacity constrained for some time and where there is demand for capacity from its typical customer base.

The Group maintains strong management at both the central and country level, so that it can combine a single Group vision with flexibility and high levels of service for its local customers.

### Group trading

The execution of TeleticityGroup's strategy continued to lead to strong growth in revenue, EBITDA and adjusted earnings per share during the first half of 2011.

The total fitted-out space operated by TeleticityGroup increased 8.9% to 65,939 sq.m at the end of the reporting period (H1 2010: 60,538 sq.m) and total available customer power increased 9.3% to 59 megawatts ('MW') (H1 2010: 54MW). Total capacity, including the acquisition of Data Electronics, is now over 70,000 sq.m and 63MW.

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 15.0% to 52,978 sq.m (H1 2010: 46,075 sq.m).

TeleticityGroup won new business from a broad base of organisations. Demand for capacity was seen in even measure from internet content, connectivity, cloud, systems integrators and financial companies during the period.

Demand from internet content customers continues to grow as an increasing amount of entertainment, social interaction, news, media and commerce moves online in richer formats. This trend is being supported by the ongoing growth in the use of mobile internet devices.

TeleticityGroup's connectivity customer base is growing as telecoms companies, including mobile operators, internet service providers and content distribution networks ('CDNs') continue to upgrade their capacity in line with the growth in content and applications being accessed across the internet. The Group is experiencing particularly strong growth from CDNs.

The emerging demand from customers operating cloud hosting and cloud-based applications is being driven by a migration of decentralised IT services to cloud-based platforms, which offer efficiency and scale benefits. This is resulting in growing demand for data centre capacity, particularly where that capacity can offer good distribution through multiple networks and superior reliability to end users.

The growth in demand from national, regional and international systems integrators that TeleticityGroup is experiencing is also being driven by the migration of IT services to centralised, data centre based platforms. This growth in demand is being underpinned by the emergence of 'private' cloud platforms, where organisations are using systems integrators to move their IT into cloud deployments.

TeleticityGroup's financial customer base is diverse and includes a variety of companies that need access to connectivity and have a requirement to be located close to other customers. Examples of this range from customers involved in trading activities to credit card payment processing platforms.

TeleticityGroup's revenue base remains diverse, the Group having over 5,000 customer contracts. The combined contracts of TeleticityGroup's top-25 customers accounted for some 30% of order book value at the end of June 2011.

Revenue per occupied sq.m<sup>(1)</sup> increased 3.7% to £2,146 (H1 2010: £2,069). Several factors led to this movement, including site mix in terms of power density and power pricing, power usage and price increases.

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

## Business Review

### Operational Review continued

#### Key performance indicators ('KPIs')

The Group's successful execution of its strategy has resulted in strong performance against each of its KPIs as shown below.

The below KPIs have been chosen because they are considered to be useful indicators of the Group's performance. The availability of space capacity to enable future growth is important to the Group, therefore the Group monitors both fitted-out space and occupancy. In addition, the amount of revenue generated per occupied sq.m is used as an indicator of sales efficiency. The Group also monitors a number of financial KPIs. Revenue, EBITDA and adjusted diluted earnings per share are considered to be the main indicators of financial performance. Net debt is monitored both to minimise the Group's finance costs and ensure that sufficient financing capacity exists within the bank facilities for the Group's planned expansion projects and potential acquisitions.

#### UK and Ireland ('UK&I')

TeletyGroup's UK&I business encompasses operations in London, Manchester and Dublin. London is Europe's primary internet hub and TeletyGroup's leading position in this market drove the strong growth achieved in the first half of 2011.

The Group continued to benefit from the organic growth of its existing customer base and won significant new contracts from UK and international companies. In line with previous periods, the majority of the growth achieved in the UK&I division was due to the expansion of existing customer contracts.

Fitted-out space increased 13.6% to 30,648 sq.m (H1 2010: 26,972 sq.m). Occupied space increased 15.2% to 27,548 sq.m (2010: 23,922 sq.m). Revenue per occupied sq.m increased 3.7% to £2,136 (H1 2010: £2,059). Including the acquisition of Data Electronics, total fitted-out space is now over 35,000 sq.m.

#### Rest of Europe ('RoE')

TeletyGroup's RoE business encompasses strong market positions in Amsterdam, Frankfurt, Stockholm, Paris and Milan. The Group is the market leader in Amsterdam, which is the primary internet hub in continental Europe.

During the first half of 2011, the Group added incremental fitted-out space in Paris. Total fitted-out space in RoE increased 5.1% to 35,291 sq.m (H1 2010: 33,566 sq.m).

TeletyGroup achieved solid growth across the RoE business in the first half of 2011, benefiting from the organic growth of its existing customer base and significant new contracts from local and international companies. As with the UK&I division, the majority of the growth achieved in the RoE division was due to the expansion of existing customer contracts.

Across the RoE division occupied space increased 14.8% to 25,430 sq.m (H1 2010: 22,153 sq.m). Revenue per occupied sq.m increased 3.7% to £2,157 (H1 2010: £2,080).

#### Key performance indicators ('KPIs')

	Six months ended 30 June 2011	Six months ended 30 June 2010	% Change
Revenue (£'000)	<b>112,211</b>	93,693	19.8%
EBITDA (£'000)	<b>49,449</b>	37,885	30.5%
Adjusted diluted earnings per share (pence)	<b>11.2</b>	8.8	27.3%
Net debt (£'000)	<b>56,074</b>	45,641	22.9%
Total fitted-out space (sq.m)	<b>65,939</b>	60,538	8.9%
Period end occupancy (sq.m)	<b>52,978</b>	46,075	15.0%
Revenue per occupied sq.m <sup>(1)</sup> (£/sq.m)	<b>2,146</b>	2,069	3.7%

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

## Operations

TeledyGroup has made good progress with the ongoing construction of capacity during the first half of 2011. The Group has now announced plans to increase in phased steps total space to some 104,000 sq.m and total customer power to 116MW. Additional capacity will be brought on-line in both the UK&I and RoE divisions during the second half of 2011. The majority of the total announced capacity is expected to be brought on-line in the next four years.

Within its UK&I business, work is progressing with capacity expansions at London Powergate, London Docklands and Manchester. The first phase of the London Powergate capacity expansion is expected to open in early Q4 2011, with the Manchester and London Docklands expansions following.

Within its RoE division, the Group delivered additional fitted-out space at its Paris 3 data centre during H1 2011 and work is progressing on capacity expansions in Amsterdam, Frankfurt, and Stockholm. The next phase of the Stockholm expansion is expected to open in early Q4 2011, followed by the additions in Frankfurt and Amsterdam.

The Group is continually increasing the efficiency of its data centre build process, implementing a common approach and best practice across all of its new builds. Build costs are typically in the range of £5.5m to £7.5m per MW. This expenditure is weighted towards the first phase of new build data centres, due to the need to initially construct the core infrastructure of the site before it is opened.

## Acquisition of Data Electronics Group Limited ('Data Electronics')

On 5 August 2011 TeledyGroup acquired Data Electronics, on a debt and cash free basis, for cash consideration of £87.6m.

Data Electronics is the leading provider of highly connected carrier-neutral data centres in the Republic of Ireland. It operates two high quality data centres in Dublin, with a combined capacity of 4,600 sq.m and 4MW of customer available power. These data centres offer over 40 carrier options and access to INEX, the Dublin internet exchange.

The acquisition of Data Electronics gives TeledyGroup a market leadership position in the Republic of Ireland, expanding the geographic footprint in which the Group can grow.

Demand for carrier-neutral data centre capacity is strong in Ireland, with many international companies choosing Dublin as their preferred entry point into Europe, creating a dynamic IT and internet economy. Data Electronics generates the majority of its revenue from overseas companies and TeledyGroup has experienced latent demand from its international customers that it has not recently been able to fulfil in this market.

Data Electronics has 1.5MW of secured incremental customer power. The company also has potential for further significant expansion within existing sites.

In addition to enhancing TeledyGroup's longer-term growth potential, the acquisition is expected to be earnings enhancing.

In the 2010 financial year, Data Electronics generated revenue of £13.0m (€15.1m), EBITDA before exceptional items of £6.3m (€7.3m) and a net profit of £2.5m (€2.9m). The company is expected to deliver strong growth in 2011.

At 31 December 2010, Data Electronics had gross assets of £22.8m (€26.6m).

## Corporate and Social Responsibility ('CSR')

TeledyGroup endeavours to conduct business with integrity and transparency while managing its social and environmental impacts. This year a new Board Committee has been formed to focus specifically on the Group's CSR activity in order to direct and review this area of the business.

The major focus so far this year has been on improving the energy efficiency of the Group's data centre estate. The Group is also fully engaged with the UK Government's Carbon Reduction Commitment Energy Efficiency Scheme, to which the formal and mandatory information submission was made in July 2011.

## Current trading and outlook

TeledyGroup has won significant new orders during the first half of 2011, adding to its recurring revenue base. The Group also has a solid order book pipeline. As such, management is confident that the Group will deliver a strong performance in 2011, in line with market expectations.

**Michael Tobin**  
Chief Executive Officer  
5 August 2011

**Business Review**  
**Financial Review**



**Brian McArthur-Muscroft**  
 Group Finance Director

### Summary

- Revenues up 19.8% to £112.2m
- EBITDA up 30.5% to £49.4m
- Adjusted diluted EPS up 27.3% to 11.2p
- Operating free cash flow increased to £41.2m resulting from increased EBITDA, enhanced by efficient working capital management
- Award winning senior debt facility provides the Group with additional flexibility to capitalise on expansion opportunities

## Financial Review

TeletyGroup's financial strategy is to provide a strong and efficient financial base from which the Group can grow in a controlled, sustainable and profitable manner.

TeletyGroup delivered another period of strong growth. Revenue increased 19.8% to £112.2m (H1 2010: £93.7m), EBITDA<sup>(1)</sup> increased 30.5% to £49.4m (H1 2010: £37.9m) and adjusted<sup>(2)</sup> diluted earnings per share ('EPS') increased 27.3% to 11.2p (H1 2010: 8.8p). The increase in adjusted EPS was after a higher tax charge as the Group has recognised most of its legacy tax losses and moved into a full tax rate position.

The resulting operating free cash flow of £41.2m (H1 2010: £36.5m) was largely invested in the demand driven expansion programme. Total expansion related investment capital expenditure was £39.6m (H1 2010: £22.5m). The prior period operating free cash flow benefited by £4.3m due to a customer advance payment.

Despite a significant proportion of the Group's results being denominated in foreign currencies, due to relatively constant average exchange rates period-on-period, the impact of foreign exchange on the income statement is not material.

### Financial strategy

TeletyGroup's financial strategy is to provide a strong and efficient financial base from which the Group can grow in a controlled, sustainable and profitable manner. During the period, the Group continued to focus on the following areas:

- ensuring revenue growth translates into earnings growth;
- providing adequate finance for investments that meet the Group's strict investment criteria;
- minimising the cost of debt, focusing on the lowest possible cost of capital for the Group; and
- efficient management of working capital.

Responsible pricing, strict cost control and capital efficiency ensured that the revenue growth of 19.8% was maintained and improved through to growth in EBITDA and adjusted EPS of 30.5% and 27.3% respectively. The adjusted EPS growth is despite absorbing a higher tax charge. Adjusted profit before tax increased 44.6%.

In May 2011, the Group extended the existing senior debt facility provided jointly by Barclays, HSBC, Lloyds Banking Group and RBS. This extension increased the facility by a further £100m to £300m and extended the term of the total facility to May 2016. This facility provides the Group with additional flexibility to capitalise on expansion opportunities. Furthermore, the Group has capacity for additional debt finance should it be needed.

(1) Earnings before interest, taxation, depreciation and amortisation (note 16).

(2) Adjusted to exclude the effect of other financing items as disclosed on the income statement, which comprise foreign exchange gains and losses on financing items and, in respect of the prior period, costs of refinancing (note 16).

The Group interest rate on its drawn debt was 5.2% during the period (H1 2010: 5.4%). When other costs of debt are included, such as commitment fees and amortisation of loan issue costs, the total cost of debt, calculated as finance costs (as reported in the income statement) for the period divided by the average debt for the period, was 6.0% (H1 2010: 6.9%). Period end net debt was £56.1m (H1 2010: £45.6m).

Cash inflows from working capital management were £3.7m (H1 2010: £10.1m). Due to the advance billing cycle, the Group's business model is naturally working capital generative. This has been further enhanced through efficient management of the Group's trade receivables.

## Revenue

The Group delivered strong revenue growth of 19.8% to £112.2m (H1 2010: £93.7m).

UK&I revenue grew 19.6% to £58.3m (H1 2010: £48.8m) and RoE revenue increased 20.0% to £53.9m (H1 2010: £44.9m).

The Group has secured significant order wins during the period, further enhancing the order book. Over 90% of the Group's revenue is recurring.

## EBITDA

EBITDA was £49.4m (H1 2010: £37.9m) and the EBITDA margin increased to 44.1% (H1 2010: 40.4%). Margins are expected to remain strong despite the increase in operating costs associated with the delivery of the announced incremental capacity and increasing power costs.

UK&I EBITDA grew 28.0% to £25.7m (H1 2010: £20.1m) and RoE EBITDA increased 33.4% to £23.8m (H1 2010: £17.8m).

Some other companies exclude share-based payments from their adjusted EBITDA. For comparative purposes the equivalent figure for the Group was £51.0m (H1 2010: £39.1m). EBITA<sup>(1)</sup> was £34.4m (H1 2010: £25.2m), the calculation of which is contained in note 16.

## Operating costs

Operating costs increased 13.8% to £78.8m (H1 2010: £69.2m), the details of which are as follows:

- Electricity costs of £16.0m (H1 2010: £13.5m) represented 14.2% of revenue (H1 2010: 14.4%). The increase of £2.5m was principally due to net increased customer usage. The Group seeks to recover the cost of electricity directly used by its customers' equipment, together with the associated supporting infrastructure electricity costs, for example, cooling.
- Property costs of £15.1m (H1 2010: £14.4m) represented 13.5% of revenue (H1 2010: 15.3%). The increase of £0.7m was mainly due to additional rent and rates associated with the opening of new capacity.
- Staff costs of £18.0m (H1 2010: £15.4m) represented 16.1% of revenue (H1 2010: 16.5%). The increase of £2.6m was due to an increase in headcount reflecting the Group's expanding capacity, annual salary increases and an increase in share-based payment expenses.

- Other costs of £13.6m (H1 2010: £12.5m) represented 12.2% of revenue (H1 2010: 13.3%). The increase of £1.1m was mainly due to higher expenses in cost of sales, marketing and administration as the business grew.
- Depreciation and amortisation of £16.0m (H1 2010: £13.4m) represented 14.3% of revenue (H1 2010: 14.3%). The increase of £2.6m 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.

## Capital expenditure

During the period, cash capital expenditure totalled £50.1m (H1 2010: £28.9m). This comprised expansion capital expenditure of £39.6m (H1 2010: £22.5m) and operational capital expenditure of £10.4m (H1 2010: £6.4m).

Expansion capital expenditure delivers additional customer capacity through new data centres or through the expansion of existing sites.

Operational capital expenditure relates to maintenance and enhancement of the existing customer capacity, equipment for new customer installations (for example, racks and cages) and other capital expenditure.

The Group expects full-year cash capital expenditure to be between £110m and £120m.

(1) Earnings before interest, taxation and amortisation (note 16).

## Business Review

### Financial Review continued

#### Acquisition

On 5 August 2011, the Group acquired 100% of the share capital of Data Electronics Group Limited, on a debt and cash free basis, for cash consideration of £87.6m. As part of the acquisition the Group incurred associated costs, including stamp duty, of approximately £3.1m.

#### Financing

At the period end, net debt was £56.1m (H1 2010: £45.6m).

Finance costs for the period were £2.4m (H1 2010: £3.0m) reflecting the lower cost of debt. Finance costs comprised interest on bank loans of £0.8m (H1 2010: £1.6m), commitment fees of £0.6m (H1 2010: £0.6m), unwinding of loan issue costs and discount on provisions of £0.7m (H1 2010: £0.6m) and other finance costs of £0.3m (H1 2010: £0.2m). Interest on bank loans is stated net of capitalised interest of £1.4m (H1 2010: £0.8m). It is the Group's policy to capitalise interest on the borrowings funding assets in the course of construction.

Interest accrues on the Group's borrowings at LIBOR, or equivalent based on the currency of borrowings, plus a margin.

The Group has interest rate swaps in place that convert the interest rate on £72.0m of the Group's borrowings from a floating LIBOR rate to a fixed rate of 2.235%. The period end valuation of the interest rate swaps is included on the balance sheet under the heading of derivative financial instruments.

Other financing items for the period was a gain of £2.9m (H1 2010: expense £7.1m) and comprised foreign exchange gains on financing items (H1 2010: loss £0.9m). The prior period balance also contained costs incurred on refinancing of £6.3m.

#### Taxation

The adjusted tax charge (note 16) for the period was £8.4m (H1 2010: £3.8m) or 27.2% of adjusted profit before tax, reflecting the blended corporate tax rates across the territories in which the Group operates (H1 2010: 17.9%). The prior period tax charge benefited from the recognition of previously unrecognised tax assets.

The above adjusted tax charge and effective rate is adjusted by the tax on other financing items. Including these items, the total tax charge and effective rate for the period is £8.5m (H1 2010: £1.8m) and 25.1% (H1 2010: 12.9%) respectively.

#### Earnings per share

Adjusted diluted earnings per share ("adjusted EPS") increased 27.3% to 11.2p (H1 2010: 8.8p) despite the increase in tax rate described above. Adjusted EPS is calculated based on adjusted profit after tax. A reconciliation between the adjusted and unadjusted profit and EPS is given in the table below.

#### Cash flow

Operating free cash flow increased to £41.2m (H1 2010: £36.5m). The Group's strong cash performance was primarily a result of the increased EBITDA of £49.4m (H1 2010: £37.9m), enhanced by working capital cash inflows derived from the advance billing cycle operated by the Group and efficient working capital management.

Operating free cash flow is stated after operational capital expenditure of £10.4m (H1 2010: £6.4m). In addition to operational capital expenditure, the Group invested £39.6m (H1 2010: £22.5m) in organic expansion capital expenditure. Total capital expenditure for the period is therefore £50.1m (H1 2010: £28.9m).

### Reconciliation between the Group's adjusted and unadjusted results

	Period ended 30 June 2011 £'000	Period ended 30 June 2010 £'000	Period ended 30 June 2011 Pence	Period ended 30 June 2010 Pence
Profit after tax/unadjusted EPS	25,384	12,473	12.6	6.2
(Less)/add other finance items	(2,898)	7,132	(1.5)	3.6
Add/(less) tax effect of above	91	(1,997)	0.1	(1.0)
Adjusted profit after tax/adjusted EPS	22,577	17,608	11.2	8.8

Excluding amortisation, adjusted EPS was 11.6p (H1 2010: 9.1p).

As mentioned above, the Group extended and increased the Group's senior debt facilities during the period and incurred directly attributable loan issue costs of £2.5m. These costs have been capitalised and are being amortised over the life of the facility.

During the period, the Group made net repayments under the senior debt facility totalling £4.9m (H1 2010: draw downs £1.7m).

### Balance sheet

The Group's intangible assets, which have a book value of £62.1m (H1 2010: £44.3m), comprised acquired customer contracts and goodwill. The increase period-on-period is predominately due to the acquisition of IFL in July 2010, partially offset by amortisation.

The period end carrying value of property, plant and equipment was £354.8m (H1 2010: £278.7m). Accounting additions of £43.4m (H1 2010: £21.1m) were made during the period, the difference from the cash capital expenditure above of £50.1m was due to the timing of payments. The depreciation charge for the period was £15.0m (H1 2010: £12.6m). As a significant proportion of the Group's capital assets are denominated in Euros, the relative strengthening of the Euro against Sterling since 31 December 2010 resulted in an increase in the net book value of property, plant and equipment of £8.9m (H1 2010: decrease £15.9m).

Current trade and other receivables were £21.2m (H1 2010: £19.5m) and have increased due to the growth in the business.

Current trade and other payables have remained stable at £41.5m (H1 2010: £40.8m) and include amounts due in respect of capital items of £6.0m (H1 2010: £9.5m).

Deferred income was £37.2m (H1 2010: £32.1m), split between current and non-current of £32.3m (H1 2010: £27.0m) and £4.9m (H1 2010: £5.0m) respectively. The balance increased due to the growth of the business.

Provisions for other liabilities and charges were £5.5m (H1 2010: £5.9m), split between current and non-current of £1.0m (H1 2010: £0.9m) and £4.6m (H1 2010: £5.0m) respectively.

### Total equity

Equity shareholders' funds increased £32.8m (H1 2010: £4.1m) during the period to £290.4m (H1 2010: £223.0m) and comprised total comprehensive income of £30.2m (H1 2010: £2.8m) and equity transactions of £2.6m (H1 2010: £1.3m).

Total comprehensive income comprised retained profits for the period of £25.4m (H1 2010: £12.5m), currency translation differences on the Group's foreign currency net investments of £4.8m (H1 2010: £12.4m reduction), and fair value movements in the Group's cash flow hedges of £nil

(H1 2010: £2.6m increase). The increase in the Group's foreign currency net investments is due to strengthening of the Euro against Sterling during the period to 30 June 2011.

Within equity transactions, £1.6m (H1 2010: £1.2m) was credited to reserves in respect of the share-based payment expense recorded in the income statement. In addition, the Group received £1.0m (H1 2010: £0.1m) in respect of shares issued under the share option schemes.

### Risks and uncertainties

The Group's operations expose it to a variety of risks. Within the Group, risk management is the responsibility of the Risk Working Group ('RWG'), a committee comprising the executive Directors as well as other senior managers. The RWG meets regularly to consider all areas of risk to which the Group is exposed and appropriate steps are taken to reduce or eliminate the risks or mitigate their potential impact. The areas of risk reviewed by the RWG include operational, financial, environmental, reputational, strategic, technological, compliance and regulatory risks.

A detailed explanation of the principal risks existing at 31 December 2010 which the Directors considered could affect the Group are contained on pages 22 and 23 of the Annual Report in respect of that year. Such risks are considered to remain relevant at the current period end and for the remaining six months of the financial year.

**Brian McArthur-Muscroft**  
Group Finance Director  
5 August 2011

Financial Statements  
Consolidated Income Statement

## Consolidated Income Statement

	Notes	Six months ended 30 June 2011 £'000	Six months ended 30 June 2010 £'000
<b>Continuing operations</b>			
Revenue	5	112,211	93,693
Cost of sales	5	(48,675)	(42,829)
<b>Gross profit</b>		<b>63,536</b>	<b>50,864</b>
Sales and marketing costs		(4,255)	(3,616)
Administrative costs analysed:			
Depreciation and amortisation charges		(15,998)	(13,400)
Other administrative costs		(9,832)	(9,363)
Total administrative costs		(25,830)	(22,763)
<b>Operating profit</b>	5	<b>33,451</b>	<b>24,485</b>
Finance income		8	8
Finance costs		(2,448)	(3,046)
Other financing items		2,898	(7,132)
<b>Profit on ordinary activities before taxation</b>		<b>33,909</b>	<b>14,315</b>
Income tax charge	7	(8,525)	(1,842)
<b>Profit for the period</b>		<b>25,384</b>	<b>12,473</b>
Earnings per share:			
basic (p)	8	12.9	6.4
diluted (p)	8	12.6	6.2
Adjusted earnings per share:			
basic (p)	8	11.5	9.0
diluted (p)	8	11.2	8.8

### Supplementary income statement information

<b>EBITDA<sup>(1)</sup></b>	16	<b>49,449</b>	<b>37,885</b>
Depreciation charge	9	(15,046)	(12,649)
Intangible asset amortisation charge		(952)	(751)
<b>Operating profit</b>		<b>33,451</b>	<b>24,485</b>

(1) Earnings before interest, taxation, depreciation and amortisation (note 16).

## Financial Statements

## Consolidated Statement of Comprehensive Income

## Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2011 £'000	Six months ended 30 June 2010 £'000
Profit for the period	25,384	12,473
<b>Other comprehensive income:</b>		
Currency translation differences on foreign currency net investments	4,826	(12,366)
Fair value movement on cash flow hedges net of tax	3	2,647
<b>Other comprehensive income/(expense) for the period net of tax</b>	<b>4,829</b>	<b>(9,719)</b>
<b>Total comprehensive income recognised in the period</b>	<b>30,213</b>	<b>2,754</b>

## Financial Statements

## Consolidated Statement of Changes in Equity

## Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Own shares £'000	Cumulative translation reserve £'000	Total £'000
<b>At 1 January 2010 – as originally stated</b>	<b>396</b>	<b>74,127</b>	<b>134,706</b>	<b>(4,175)</b>	<b>15,965</b>	<b>221,019</b>
Prior period adjustment (note 3)	–	–	(2,088)	–	–	(2,088)
<b>At 1 January 2010 – as restated</b>	<b>396</b>	<b>74,127</b>	<b>132,618</b>	<b>(4,175)</b>	<b>15,965</b>	<b>218,931</b>
Profit for the period	–	–	12,473	–	–	12,473
<b>Other comprehensive income:</b>						
Currency translation differences on foreign currency net investments	–	–	–	–	(12,366)	(12,366)
Fair value movement on cash flow hedges net of tax	–	–	2,647	–	–	2,647
<b>Total comprehensive income/(expense) for the period ended 30 June 2010</b>	<b>–</b>	<b>–</b>	<b>15,120</b>	<b>–</b>	<b>(12,366)</b>	<b>2,754</b>
<b>Transactions with owners:</b>						
Credit to equity for share-based payments	–	–	1,208	–	–	1,208
Issue of shares	–	–	–	100	–	100
	–	–	1,208	100	–	1,308
<b>At 30 June 2010</b>	<b>396</b>	<b>74,127</b>	<b>148,946</b>	<b>(4,075)</b>	<b>3,599</b>	<b>222,993</b>
<b>At 1 January 2011</b>	<b>396</b>	<b>74,127</b>	<b>176,043</b>	<b>(3,083)</b>	<b>10,062</b>	<b>257,545</b>
Profit for the period	–	–	25,384	–	–	25,384
<b>Other comprehensive income:</b>						
Currency translation differences on foreign currency net investments	–	–	–	–	4,826	4,826
Fair value movement on cash flow hedges net of tax	–	–	3	–	–	3
<b>Total comprehensive income for the period ended 30 June 2011</b>	<b>–</b>	<b>–</b>	<b>25,387</b>	<b>–</b>	<b>4,826</b>	<b>30,213</b>
<b>Transactions with owners:</b>						
Credit to equity for share-based payments	–	–	1,579	–	–	1,579
Issue of shares	1	726	–	295	–	1,022
	1	726	1,579	295	–	2,601
<b>At 30 June 2011</b>	<b>397</b>	<b>74,853</b>	<b>203,009</b>	<b>(2,788)</b>	<b>14,888</b>	<b>290,359</b>

**Financial Statements**  
**Consolidated Condensed Balance Sheet**

## Consolidated Condensed Balance Sheet

	Notes	30 June 2011 £'000	31 December 2010 £'000	30 June 2010 <sup>(1)</sup> £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		62,108	62,564	44,330
Property, plant and equipment	9	354,778	317,832	278,682
Deferred income taxes		5,905	6,659	5,648
Trade and other receivables		2,975	2,888	2,968
		<b>425,766</b>	<b>389,943</b>	<b>331,628</b>
<b>Current assets</b>				
Trade and other receivables		21,168	22,139	19,503
Cash and cash equivalents		19,291	24,362	36,517
		<b>40,459</b>	<b>46,501</b>	<b>56,020</b>
<b>Total assets</b>	5	<b>466,225</b>	<b>436,444</b>	<b>387,648</b>
<b>Equity</b>				
Share capital	11	397	396	396
Share premium account		74,853	74,127	74,127
Retained earnings		203,009	176,043	148,946
Other reserves		12,100	6,979	(476)
<b>Total equity</b>		<b>290,359</b>	<b>257,545</b>	<b>222,993</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred income		4,911	5,268	5,043
Borrowings	10	74,955	80,654	81,584
Derivative financial instruments		672	657	727
Provisions for other liabilities and charges		4,583	4,837	4,987
Deferred income taxes		6,357	5,009	—
		<b>91,478</b>	<b>96,425</b>	<b>92,341</b>
<b>Current liabilities</b>				
Trade and other payables		41,523	47,085	40,774
Deferred income		32,313	28,665	27,043
Current income tax liabilities		8,527	4,670	2,043
Borrowings	10	410	489	574
Derivative financial instruments		662	698	960
Provisions for other liabilities and charges		953	867	920
		<b>84,388</b>	<b>82,474</b>	<b>72,314</b>
<b>Total liabilities</b>	5	<b>175,866</b>	<b>178,899</b>	<b>164,655</b>
<b>Total equity and liabilities</b>		<b>466,225</b>	<b>436,444</b>	<b>387,648</b>

(1) Restated as described in note 3.

Financial Statements  
**Consolidated Cash Flow Statement**

## Consolidated Cash Flow Statement

	Notes	Six months ended 30 June 2011 £'000	Six months ended 30 June 2010 £'000
<b>Cash flows from operations</b>	12	<b>55,936</b>	47,880
Net interest paid		(1,856)	(2,829)
Interest element of finance lease payments		(21)	(25)
Taxation paid		(2,445)	(2,162)
<b>Cash inflow from operating activities</b>		<b>51,614</b>	42,864
Purchase of operational property, plant and equipment		(10,448)	(6,381)
<b>Operating free cash flows</b>		<b>41,166</b>	36,483
<b>Cash flows from investing activities</b>			
Purchase of expansion related property, plant and equipment		(39,608)	(22,547)
<b>Net cash used in investing activities</b>		<b>(39,608)</b>	(22,547)
<b>Cash flows from financing activities</b>			
Net proceeds on issue of ordinary share capital	11	1,022	100
Amounts paid in respect of costs relating to refinancing		(2,500)	(10,284)
Repayment of obligations under finance leases		–	(170)
Proceeds from borrowings		–	93,812
Repayment of borrowings		(4,851)	(92,080)
<b>Net cash outflow from financing activities</b>		<b>(6,329)</b>	(8,622)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4,771)</b>	5,314
Effects of foreign exchange rate change		(300)	(937)
Cash and cash equivalents at beginning of period		24,362	32,140
<b>Cash and cash equivalents at end of period</b>		<b>19,291</b>	36,517

**Financial Statements****Notes to the Condensed Financial Statements**

# Notes to the Condensed 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 is listed on the London Stock Exchange.

This half year financial report, 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 Condensed Balance Sheet, the Consolidated Cash Flow Statement and notes 1 to 16 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 2010 were approved by the Board of Directors on 8 February 2011 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 498(2) or (3) of the Companies Act 2006.

This half year financial report has been reviewed, not audited.

The Directors of Teleticity Group plc are listed in the Teleticity Group plc Annual Report for 31 December 2010, with the exception of M Carli and S Elhabashi who were appointed in May 2011. A list of current directors is maintained on the Teleticity Group plc website: [www.teleticitygroup.com](http://www.teleticitygroup.com).

**2. Basis of preparation and Directors' Responsibility Statement**

The Directors confirm that this half year financial report for the six months ended 30 June 2011 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. It should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRS as adopted by the European Union. As required by DTR 4.2.7 and DTR 4.2.8, the half year financial report includes a fair review of important events that have occurred, any material related party transactions during the period, and a description of the principal risks and uncertainties for the remaining six months of the financial year. The Group's operations are not significantly exposed to seasonality.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of 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.

This half year financial report, including the responsibility statement above made in accordance with DTR 4.2.10 (1), was approved on behalf of the Board by Michael Tobin and Brian McArthur-Muscroft on 5 August 2011.

## Financial Statements

### Notes to the Condensed Financial Statements continued

#### 3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010.

As described in note 2.2 of those financial statements a prior period adjustment was made and accordingly the balance sheet at 30 June 2010 has been restated in this half year financial report.

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.

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

IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. When adopted, the standard is not expected to have a material effect on the Group's results.

#### 4. Estimates

The preparation of half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

#### 5. Segmental information

The chief operating decision-maker has been identified as the Board of Directors (the 'Board'). The Board 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 Board considers the business from a geographic perspective and principally assesses the performance of the UK and Ireland, and the Rest of Europe. When further detail is required the results of individual countries are reviewed.

The Group derives its revenue from the provision of colocation and related services in France, Germany, Ireland, Italy, the Netherlands, Sweden and the United Kingdom. Due to similarities in services, customers, regulatory environment and economic characteristics across the countries in which the Group operates, the Group aggregates certain segments in order to provide more meaningful analysis.

The Board assesses the performance of the operating segments based primarily on Key Performance Indicators ('KPIs') which are set out below. These KPIs have been chosen because they are considered to be useful indicators of the Group's performance. Other information provided to the Board is measured in a manner consistent with that in the financial statements.

## 5. Segmental information continued

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.

KPIs	Six months ended 30 June 2011			Six months ended 30 June 2010		
	UK and Ireland	Rest of Europe	Total	UK and Ireland	Rest of Europe	Total
Revenue (£'000)	58,345	53,866	112,211	48,790	44,903	93,693
EBITDA (£'000)	25,680	23,769	49,449	20,064	17,821	37,885
Total fitted-out space (sq.m)	30,648	35,291	65,939	26,972	33,566	60,538
Period end occupancy (sq.m)	27,548	25,430	52,978	23,922	22,153	46,075
Revenue per occupied sq.m <sup>(1)</sup> (£/sq.m)	2,136	2,157	2,146	2,059	2,080	2,069

(1) Calculated as the revenue for the period divided by the average occupied space during the period (note 16).

Summary income statement	Six months ended 30 June 2011			Six months ended 30 June 2010		
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>	58,345	53,866	112,211	48,790	44,903	93,693
Cost of sales	(26,375)	(22,300)	(48,675)	(22,404)	(20,425)	(42,829)
<b>Gross profit</b>	31,970	31,566	63,536	26,386	24,478	50,864
Depreciation and amortisation charges	(6,908)	(9,090)	(15,998)	(5,159)	(8,241)	(13,400)
Operating expenses	(6,290)	(7,797)	(14,087)	(6,322)	(6,657)	(12,979)
<b>Operating profit</b>	18,772	14,679	33,451	14,905	9,580	24,485
Finance income			8			8
Finance costs			(2,448)			(3,046)
Other financing items			2,898			(7,132)
<b>Profit before tax</b>			33,909			14,315
Income tax charge			(8,525)			(1,842)
<b>Profit for the period</b>			25,384			12,473
<b>Supplementary non-statutory information</b>						
EBITDA	25,680	23,769	49,449	20,064	17,821	37,885
Depreciation and amortisation charges	(6,908)	(9,090)	(15,998)	(5,159)	(8,241)	(13,400)
<b>Operating profit</b>	18,772	14,679	33,451	14,905	9,580	24,485
<b>Summary assets and liabilities</b>						
Segment assets	206,190	237,603	443,793	154,505	211,950	366,455
Unallocated assets			22,432			21,193
<b>Total assets</b>			466,225			387,648
Segment liabilities	(47,506)	(41,309)	(88,815)	(41,518)	(37,285)	(78,803)
Unallocated liabilities			(87,051)			(85,852)
<b>Total liabilities</b>			(175,866)			(164,655)
<b>Additions to property, plant and equipment</b>	30,747	12,646	43,393	13,651	7,452	21,103

## Financial Statements

## Notes to the Condensed Financial Statements continued

## 6. Expenses by nature

	Six months ended 30 June 2011 £'000	Six months ended 30 June 2010 £'000
Electricity costs	15,959	13,511
Property costs	15,126	14,361
Staff costs	18,029	15,443
Other costs	13,648	12,493
Depreciation and amortisation charges	15,998	13,400
	<b>78,760</b>	<b>69,208</b>

## 7. 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 for the year ending 31 December 2011 is approximately 27%. In accordance with IAS 34, the tax effect of exceptional or one-off items has not been included in the calculation of the estimated average annual tax rate.

## 8. Earnings per share

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.

Adjusted earnings per share is calculated on the same basis but uses the adjusted profit attributable to equity holders of the Company.

The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group. Adjusted profit for the period is calculated as shown in note 16.

	Six months ended 30 June 2011 Basic	Six months ended 30 June 2010 Basic	Six months ended 30 June 2011 Adjusted	Six months ended 30 June 2010 Adjusted
Profit for the period (£'000)	25,384	12,473	22,577	17,608
Weighted average number of shares in issue ('000)	196,504	195,716	196,504	195,716
Earnings per share (p)	12.9	6.4	11.5	9.0

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.

Diluted adjusted earnings per share is calculated on the same basis but uses the adjusted profit attributable to equity holders of the Company.

	Six months ended 30 June 2011 Basic diluted	Six months ended 30 June 2010 Basic diluted	Six months ended 30 June 2011 Adjusted diluted	Six months ended 30 June 2010 Adjusted diluted
Profit for the period (£'000)	25,384	12,473	22,577	17,608
Weighted average diluted number of shares in issue ('000)	201,241	199,788	201,241	199,788
Diluted earnings per share (p)	12.6	6.2	11.2	8.8

## 9. Property, plant and equipment

	Assets in the course of construction £'000	Leasehold improvements £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
<b>Cost</b>					
<b>At 1 January 2010</b>	<b>70,763</b>	<b>159,890</b>	<b>196,447</b>	<b>7,325</b>	<b>434,425</b>
Exchange differences	(2,103)	(13,803)	(8,750)	(338)	(24,994)
Additions	2,087	10,328	8,487	201	21,103
Transfers	(12,687)	12,687	–	–	–
Disposals	–	(110)	(970)	(8)	(1,088)
<b>At 30 June 2010</b>	<b>58,060</b>	<b>168,992</b>	<b>195,214</b>	<b>7,180</b>	<b>429,446</b>
<b>At 1 January 2011</b>	<b>48,961</b>	<b>186,114</b>	<b>244,476</b>	<b>7,848</b>	<b>487,399</b>
Exchange differences	1,904	7,526	4,477	184	14,091
Additions	26,618	5,449	11,120	206	43,393
Disposals	–	(31)	(425)	(105)	(561)
<b>At 30 June 2011</b>	<b>77,483</b>	<b>199,058</b>	<b>259,648</b>	<b>8,133</b>	<b>544,322</b>
<b>Depreciation</b>					
<b>At 1 January 2010</b>	<b>–</b>	<b>54,680</b>	<b>87,275</b>	<b>6,187</b>	<b>148,142</b>
Exchange differences	–	(3,833)	(5,005)	(281)	(9,119)
Charge for the period	–	6,520	5,817	312	12,649
Disposals	–	(59)	(842)	(7)	(908)
<b>At 30 June 2010</b>	<b>–</b>	<b>57,308</b>	<b>87,245</b>	<b>6,211</b>	<b>150,764</b>
<b>At 1 January 2011</b>	<b>–</b>	<b>67,567</b>	<b>95,373</b>	<b>6,627</b>	<b>169,567</b>
Exchange differences	–	2,472	2,598	149	5,219
Charge for the period	–	6,173	8,262	611	15,046
Disposals	–	(6)	(177)	(105)	(288)
<b>At 30 June 2011</b>	<b>–</b>	<b>76,206</b>	<b>106,056</b>	<b>7,282</b>	<b>189,544</b>
<b>Net book value</b>					
<b>At 30 June 2011</b>	<b>77,483</b>	<b>122,852</b>	<b>153,592</b>	<b>851</b>	<b>354,778</b>
At 31 December 2010	48,961	118,547	149,103	1,221	317,832
At 30 June 2010	58,060	111,684	107,969	969	278,682

The Group had capital commitments in respect of in progress projects at the period end of £11,548,000 (31 December 2010: £15,700,000; 30 June 2010: £8,804,000).

The net book value of assets held under finance leases at 30 June 2011 was £527,000 (31 December 2010: £547,000; 30 June 2010: £560,000).

Included within additions to assets in the course of construction for the period are capitalised finance and other costs (principally rent and rates incurred during the construction or commissioning phase) in respect of the Group's new data centres, totalling £1,369,000 and £958,000 respectively (H1 2010: £826,000 and £807,000).

## Financial Statements

## Notes to the Condensed Financial Statements continued

## 10. Borrowings

In May 2011, the Group refinanced its existing banking facility held jointly with Barclays, HSBC, Lloyds Banking Group and RBS. Through this agreement, the total available amount under the Group's banking facilities was increased by £100m to £300m and the term was extended to May 2016.

	30 June 2011 £'000	31 December 2010 £'000	30 June 2010 £'000
<b>Current</b>			
Bank borrowings	206	297	394
Obligations under finance leases	204	192	180
	<b>410</b>	<b>489</b>	<b>574</b>
<b>Non-current</b>			
Bank borrowings	74,287	80,035	80,840
Obligations under finance leases	668	619	744
	<b>74,955</b>	<b>80,654</b>	<b>81,584</b>
Total borrowings	<b>75,365</b>	<b>81,143</b>	<b>82,158</b>

The maturity profile of borrowings is set out below:

	30 June 2011 £'000	31 December 2010 £'000	30 June 2010 £'000
Within one year	410	489	597
In one to two years	204	194	181
In two to three years	204	12,194	4,184
In three to four years	16,191	16,194	12,184
In four to five years	64,403	56,220	69,534
After five years	—	—	165
	<b>81,412</b>	<b>85,291</b>	<b>86,845</b>
Less future interest and unamortised debt issue costs	(6,047)	(4,148)	(4,687)
	<b>75,365</b>	<b>81,143</b>	<b>82,158</b>

The Group has undrawn committed loan facilities at the period end as shown below:

	30 June 2011 £'000	31 December 2010 £'000	30 June 2010 £'000
Undrawn committed facilities	211,577	106,641	103,296

## 11. Share capital

The allotted share capital of the Company is shown below:

	30 June 2011 £'000	31 December 2010 £'000	30 June 2010 £'000
198,428,402 ordinary shares of £0.002 each (31 December 2010: 198,092,373; 30 June 2010: 198,092,373)	397	396	396

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

During the period 487,000 shares (H1 2010: 128,000) were issued following the exercise of share options. Of these, 150,000 shares (H1 2010: 128,000) were issued from the Company's Employee Benefit Trust for total consideration of £295,000 (H1 2010: £100,000) and 337,000 new shares (H1 2010: nil) were issued by the Company for total consideration of £727,000 (H1 2010: £nil).

## 12. Cash flows from operations

Reconciliation of profit on ordinary activities before taxation to net cash flows from operations:

	Six months ended 30 June 2011 £'000	Six months ended 30 June 2010 £'000
Profit on ordinary activities before taxation	33,909	14,315
Add finance costs	2,448	3,046
Less finance income	(8)	(8)
(Less)/add other financing items	(2,898)	7,132
Add depreciation charge	15,046	12,649
Add intangible asset amortisation	952	751
Movement in receivables	1,418	(1,325)
Movement in payables	120	3,848
Movement in deferred income	2,623	7,767
Movement in provisions	(458)	(231)
Loss on disposal of property, plant and equipment	273	123
Share-based payments	1,579	1,208
Exchange movement	932	(1,395)
Net cash flows from operations	55,936	47,880

## 13. Contingent liabilities

Financial guarantees granted by the Group's banks in respect of operating leases amount to £8,202,000 at 30 June 2011 (31 December 2010: £9,134,000; 30 June 2010: £9,508,000). At 30 June 2011 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 2010 Annual Report.

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.

## 14. Post balance sheet events

On 5 August 2011, the Group acquired 100% of the share capital of Data Electronics Group Limited, on a debt and cash free basis, for cash consideration of £87.6m. As part of the acquisition the Group incurred associated costs, including stamp duty, of approximately £3.1m.

## 15. Related party transactions

There were no related party transactions, other than remuneration to key management, during the period.

## Financial Statements

## Notes to the Condensed Financial Statements continued

## 16. Non-statutory information

The Group monitors a number of non-statutory financial measures as the Directors consider they provide additional information on the performance of the Group. A reconciliation between the non-statutory financial measures and their statutory equivalents is shown below:

	Six months ended 30 June 2011 £'000	Six months ended 30 June 2010 £'000	
<b>Adjusted profit for the period</b>			
Profit for the period	25,384	12,473	
(Less)/add exchange (gains)/losses on financing items	(2,898)	865	
Add costs incurred on refinancing	—	6,267	
Add/(less) tax effect of above	91	(1,997)	
Adjusted profit for the period	22,577	17,608	
<b>Adjusted profit before taxation</b>			
Profit on ordinary activities before taxation	33,909	14,315	
(Less)/add exchange (gains)/losses on financing items	(2,898)	865	
Add costs incurred on refinancing	—	6,267	
Adjusted profit before taxation	31,011	21,447	
<b>EBITA and EBITDA</b>			
Operating profit	33,451	24,485	
Add amortisation charges	952	751	
Earnings before interest, taxation and amortisation ('EBITA')	34,403	25,236	
Add depreciation charges	15,046	12,649	
Earnings before interest, taxation, depreciation and amortisation ('EBITDA')	49,449	37,885	
<b>Adjusted income tax charge</b>			
Income tax charge	(8,525)	(1,842)	
Tax effect of adjusting items	91	(1,997)	
Adjusted income tax charge	(8,434)	(3,839)	
<b>Revenue per occupied sq.m</b>			
Revenue for period (£'000)	112,211	93,693	
Average occupied space for period (sq.m)	52,283	45,283	
Revenue per occupied sq.m (£/sq.m)	2,146	2,069	
Revenue per occupied sq.m is calculated by dividing the revenue for the period by the average occupied space during the period.			
	30 June 2011 £'000	31 December 2010 £'000	30 June 2010 £'000
<b>Net debt</b>			
Cash and cash equivalents	19,291	24,362	36,517
Current borrowings	(410)	(489)	(574)
Non-current borrowings	(74,955)	(80,654)	(81,584)
Net debt	(56,074)	(56,781)	(45,641)

**Financial Statements**  
**Independent Review Report**

# Independent Review Report

to Teleticity Group plc

## Introduction

We have been engaged by the Company to review the condensed financial statements in the half year financial report for the six months ended 30 June 2011, which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Condensed Balance Sheet, the Consolidated Cash Flow Statement and the related notes. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed financial statements.

## Directors' responsibilities

The half year financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year 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 financial statements included in this half year financial report has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting', as adopted by the European Union.

## Our responsibility

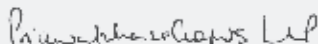
Our responsibility is to express to the Company a conclusion on the condensed financial statements in the half year financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the 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 financial statements in the half year financial report for the six months ended 30 June 2011 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**

Chartered Accountants  
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5 August 2011

Financial Statements  
Corporate Information

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Tony Hunter

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View this half year report online at  
<http://interimreport.telespree.com/2011>

## Visit Us Online

We are committed to communicating with all stakeholders. Our website contains a full investor section with news, interactive reports, webcasts and downloads.

### Archived reports

Copies of our Annual and Interim Reports for the past three years are available on our investor relations page. Telespree reports are available as an interactive microsite or as a downloadable pdf.

[www.telespree.com/  
annual-interim-reports.htm](http://www.telespree.com/annual-interim-reports.htm)

### Corporate information

For more on Telespree's business and services visit our download centre where marketing documents are available. These include our corporate overview brochure and video tours of our data centres.

[www.telespree.com/  
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### Presentations and webcasts

Telespree publishes full investor presentations twice a year, which are archived and available for download on our investor relations site. In addition you can also view webcasts with our CEO, Michael Tobin, discussing key highlights from these presentations.

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