

10 March 2008

TELECITY GROUP PLC

Preliminary Results for the Year Ended 31 December 2007

Telecity Group plc ('TelecityGroup' or the 'Group'), the leading pan-European operator of network independent data centres, today announces its preliminary results for the year ended 31 December 2007.

Highlights

- Revenue up 42.1% to £97.9m (2006: £68.9m)
- Adjusted EBITDA* up 112.1% to £23.4m (2006: £11.0m)
- Adjusted EBITDA* margin up to 23.8% (2006: 16.0%)
- Average revenue per occupied sq.m up 12.0% to £2,586 (2006: £2,308)
- Breakeven operating result (2006: loss £12.1m)
- Occupied space up 9.3% to 37,868 sq.m (2006: 34,651 sq.m)
- Available fully fitted inventory in existing facilities expanded to 46,597 sq.m
- Began build of new data centres in London and Amsterdam, both on track to open Q2 2008
- Successful IPO raising net proceeds of £66.9m
- Cash flow from operating activities of £12.5m (2006: £3.6m)

Michael Tobin, TelecityGroup CEO, said:

"2007 was an exciting and successful year for TelecityGroup. Strong, sustained demand for our services throughout the year combined with robust pricing levels in all markets helped us deliver an excellent performance.

"During the year we began work on two major new builds in Amsterdam and London, which are on track to take their first customers in Q2 2008. Both new builds are attracting good levels of interest from both existing and new customers.

"The successful delivery of our revenue and EBITDA objectives, combined with strong ongoing demand since the start of 2008, puts TelecityGroup in a powerful position to continue its growth this year and beyond. We expect the network independent data centre services sector to continue to grow strongly and we already have a good pipeline of new customer projects emerging from across a diverse sector base."

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*Adjusted EBITDA is defined as earnings before interest, taxation, depreciation, amortisation and exceptional items

A live webcast of the presentation to analysts including Q&A will take place at 9.30am GMT on 10 March. This can be accessed at www.telecity.com. An archived version will be available later on in the day.

There will also be a conference call primarily for US investors at 2.30pm (10.30am Eastern Time) on the day.

Dial-in details for the call are as follows:

UK: +44 (0)203 023 4483

US: +1 866 966 5335

Replay:

UK: +44 (0)20 8196 1998

US: +1 866 583 1035

Access code: 395006

Notes to Editors

Telecity Group plc

TelecityGroup is the leading pan-European provider of network independent data centres offering a range of flexible, scalable data centre and managed services. TelecityGroup specialises in the design, build, and management of highly connected and secure environments in which customers can house their technical, web and internet infrastructure. Each of its data centres acts a connectivity and content hub facilitating the storage, sharing and distribution of data, content and media. Headquartered in London, TelecityGroup operates 18 network independent data centres across seven European countries. The data centres are located in prime positions for commerce and connectivity, including Amsterdam, Dublin, Frankfurt, London, Manchester, Milan, Paris and Stockholm.

Web-site: www.telecitygroup.com

Cautionary note regarding forward-looking statements

This announcement includes statements that are forward-looking in nature. All statements other than statements of historical facts could be deemed to be forward looking statements. By their nature, these forward looking statements involve numerous assumptions, uncertainties and opportunities, both general and specific. Accordingly, the actual results, performance or achievements of the Company may be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, due to known and unknown risks, uncertainties and other factors. Except as required by the Listing Rules and applicable law, Telecity Group plc undertakes no obligation to update or change any forward-looking statements to reflect events occurring after the date such statements are published.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any securities in the United States, or any other jurisdiction. The Company's shares have not been registered in any jurisdiction, and, in particular, will not be registered under the U.S. Securities Act of 1933, as amended, or any applicable state securities laws.

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Preliminary Results for the Year Ended 31 December 2007

Telecity Group plc ('TelecityGroup' or the 'Group'), the leading pan-European operator of network independent data centres, today announces its preliminary results for the year ended 31 December 2007.

Introduction

2007 has been a very successful year for TelecityGroup, in which it has delivered strong results. During 2007 the Group's revenues increased by 42.1%, with an Adjusted EBITDA growth of 112.1%.

It is clear that the demand for the high quality data centres that TelecityGroup offers continues to increase, as evidenced during 2007 by the Group adding a number of additional blue chip customers to its roster, as well as renewing and expanding relationships with existing customers. The Group enjoys a diverse customer base across a variety of sectors and industries and has good visibility of the requirements both from existing and potential new customers.

Today's market for the premium product TelecityGroup provides is characterised by limited supply of data centre capacity, and so while the management team has continued to be extremely attentive to current customer requirements they have also been active in addressing this market opportunity. When Telecity plc merged with Redbus Interhouse plc ('Redbus') in 2006 and subsequently acquired Globix Holdings (UK) Limited ('Globix'), it was with a mission to develop further the enlarged Group's market-leading position as the primary content and connectivity hub in Europe's key markets, and it is satisfying to record the impact of this successful integration which underpins the results we are presenting. The final integration of the Globix business at the beginning of 2007 had a positive impact on our ability to sell additional value added services, such as engineering, connectivity, security and backup services ('Value Added Services'), contributing approximately 28.1% to 2007 revenues.

In addition to this expansion the Group has also pursued opportunities for organic growth, and during 2007 continued to increase its capacity in existing facilities as well as commencing new state-of-the-art data centre builds in Amsterdam and London. These additions will allow TelecityGroup to remain the foremost provider of high quality network-independent data centre services in Europe.

On 24 October 2007 TelecityGroup was admitted to the London Stock Exchange, raising total net funds of £66.9m. The management team, led by Michael Tobin, continues to focus on the prudent development of the business and on the further expansion that these funds will enable.

Brian McArthur Muscroft joined as Group Finance Director in January 2007 and subsequently played a significant role in the IPO and the Group's refinancing programmes. As well as the appointment of John Hughes as Chairman of the Board of TelecityGroup, John O'Reilly and Simon Batey were also appointed as independent, non-executive Directors to the Group. Subsequent to the year end Simon Batey has been appointed as the Senior Independent Director.

John Hughes, Chairman, commented: "2007 was an excellent year for TelecityGroup as we delivered growth, completed a successful IPO and initiated significant expansion plans in order to cater for the expected increase in customer demand. These results reflect both strong management focus and the commitment of all the employees of TelecityGroup.

"The ongoing growth in content and bandwidth-intensive applications driving internet usage continues to magnify the need for highly-connected network independent data centre space. Current trading during the first months of 2008 has been strong with significant progress being made on growing the customer base. Furthermore the Group remains on track to open its two new data centres as planned, which on completion, will deliver 9,000 sq.m of additional capacity in London and Amsterdam. Strong customer interest is being shown in the first capacity release, available from Q2 2008. Initial customer orders have been signed for both data centres."

Business Review

2007 was an exciting and successful year for TelecityGroup as we consolidated our position as the primary content and connectivity hub in key European strategic markets. In addition, we continued to deliver on the potential created by the integration of TeleCity plc, Redbus and Globix in 2006. The following highlights were achieved during 2007:

The Market

Demand for high quality network independent data centre facilities continued to increase in all our markets during 2007. This was driven by continued growth and adoption of internet-based services, and the knock-on effects this has in driving content, applications and day to day business and on-line leisure activities. In addition, an increasing and diverse range of industries are recognising the benefits to be gained by outsourcing their data centre requirements. This sustained demand, coupled with the limited supply of new network independent data centre space, resulted in constrained supply and strengthening market prices.

Strategy

The key elements of TelecityGroup's strategy are to maintain the Group's position as the leading content and connectivity hub for customers and network service providers in key strategic markets by providing high levels of connectivity and a wide choice of network service providers. To achieve this strategy the Group is focused on the following main activities:

- growing the customer base by signing new contracts and renewing existing contracts priced towards prevailing market rates;
- continued enhancement of revenue per customer by providing additional value added services such as engineering, connectivity, security and backup services ('Value Added Services');
- capitalising on strong demand through expansion opportunities in both existing and new markets that meet the strategic investment return criteria; and
- consideration of selective acquisitions as appropriate opportunities arise.

The successful implementation of this strategy during 2007 is reflected in the Group's results. These are the first results since our IPO in October 2007 which was successfully completed despite challenging market conditions. The results show that revenue has increased 42.1% to £97.9m (2006: £68.9m) and Adjusted EBITDA has increased 112.1% to £23.4m (2006: £11.0m). The main factors driving this strong performance are detailed below.

Customers

TelecityGroup provides web, IT infrastructure hosting and connectivity solutions to an increasing number of organisations. Organisations seeking to reduce costs, improve service levels and focus on their own core competences have been turning to TelecityGroup as a reliable and trusted data centre partner.

In 2007, the Group was successful in winning significant new business. Contracts were signed with a range of leading companies in all of our markets while the existing customer base remained a key source of growth. This resulted in an increase of over 30% in our order book during the course of the year, providing the Group with good forward visibility of revenues. Customer additions included Microsoft, ITV, Thales, Banca Sara, and a number of other high-profile broadcast and financial institutions, while important renewals or upgrades included agreements with Barclays, Hewlett-Packard, Bwin, Siemens, Akamai and Sony Computer Entertainment Europe. The Group was also successful in renewing contracts with existing customers at rates closer to prevailing market rates at the point of contract renewal.

The combination of increased contract pricing and the successful growth in sales of additional Value Added Services helped to improve our revenue per occupied square metre by 12.0% from £2,308 to £2,586 per annum.

The TelecityGroup customer base continues to be diverse across a broad spread of sectors, helping to minimise the impact of demand fluctuations of any particular one. The new customer agreements that

were signed in 2007 spanned a wide range of sectors from software and IT, to investment banking and high street finance, as well as from our established connectivity, content and media markets.

This success in winning and retaining customers is reflected in a net increase of 9.3% in occupied space. At the end of 2007 occupancy was 37,868 sq.m or 81.3% (2006: 34,651 sq.m or 75.9%).

Capacity Expansion

During the year, data centre operators faced the challenge of securing suitable sites in key city locations which could offer the combination of highly secure physical access, high levels of power and telecoms connectivity to provide additional data centre capacity. TelecityGroup has established a strong track record in overcoming these barriers by nurturing and further strengthening our existing relationships with key utility providers, planning authorities and telecommunication network providers, all of which supports our position as the largest European provider of carrier neutral data centres and connectivity hubs.

Our ability to invest and deliver new space quickly has been received well by our customers and this new space has continued to attract interest from both new and existing customers, both of whom have demonstrated a desire to expand rapidly. For example, a high density hosting facility consisting of 40 racks delivering between 15 kilowatts ('kW') and 20kW per rack, which we opened in one of our London data centres in April, was built and sold out during 2007.

At the end of 2007 the Group had 46,597 sq.m of fitted out customer space (2006: 45,683 sq.m). A significant proportion of the Group's investment in 2007 was devoted to maximising the available capacity in terms of both space and power in our existing data centres. We have also been successful in putting in place all key planning elements necessary for two new facilities in Amsterdam and London, both of which are designed to deliver 2 kW of customer power per square metre, well above the current industry standard. Construction of both facilities commenced during the year and they are on schedule to be ready for customers during the second quarter of 2008. On completion, the new data centres will add an additional 9,000 sq.m to the Group's overall footprint. More significantly, together with the other expansion projects to existing data centres, this will increase the Group's overall power capacity in Amsterdam and London by over 100%.

Current Trading

Trading during the start of 2008 has remained strong and we have signed key new contracts as well as continuing to renew existing contracts at rates nearer to prevailing market rates. In spite of continued growth in demand, there has been limited increase in supply in the market resulting in robust pricing levels.

We believe that as an established part of the IT outsourcing chain, our colocation proposition will continue to provide a cost-effective solution that the market requires as demonstrated by the continuing demand for our services; the increasing relevance of internet-based services in the broader economy should have the effect of mitigating any market sentiment about a possible slowdown. Furthermore, we continue to see a strong pipeline of interest for our products and services and net order wins that are significantly higher than in the prior year.

Construction of the new data centres in London and Amsterdam is on track for availability in H1 2008 and we are encouraged by the level of interest from both existing and new customers for the additional capacity we are bringing on-line. The high customer-power specification of these new builds will provide the Group with competitive advantage as the availability of power increasingly becomes the main component of pricing.

Detailed Group Performance

In 2007, demand for the Group's services continued to grow in all markets in which we operate, with particular strength in London, Amsterdam and Paris. This, along with the full year effect of Globix (acquired in September 2006) and the improvements in pricing achieved on contract renewals, had a positive impact on the Group's financial performance. Globix is fully integrated within the business and is hence not reported as a separate segment.

Total revenue for the current year was £97.9m (2006: £68.9m) an increase of 42.1%. The increase is a result of new order wins and price increases across the Group's sites, as well as the full year effect of Globix. At the year end, occupied space was 37,868 sq.m (2006: 34,651 sq.m) and average revenue per square metre was £2,586 (2006: £2,308). Revenues from Colocation and Value Added Services have increased by 39.6% and 49.1% respectively reflecting the Group's continued focus on selling additional services. In the near future it is expected that Colocation revenues will grow more quickly than Value Added Services due to the significant amount of capacity provided by the new builds.

UK and Ireland ('UK&I') revenues totalled £63.4m for the year (2006: £40.6m) an increase of 56.2%. This was partly due to the inclusion of a full year's revenue for two sites added following the acquisition of Globix. Additional growth was generated by increasing occupancy at improved pricing levels reflecting strong market conditions experienced across the sector, and power upgrades at several of the data centres.

At the year end, occupied space was 20,873 sq.m (2006: 20,131 sq.m) and average revenue per occupied square metre was £3,036 (2006: £2,565).

Rest of Europe ('RoE') revenues totalled £34.6m for the year (2006: £28.3m), an increase of 22.0%. In addition to the strong market conditions experienced in all of the Group's markets, growth was generated by increasing occupancy at improved pricing levels. At the year end, occupied space was 16,995 sq.m (2006: 14,520 sq.m) and average revenue per occupied square metre was £2,033 (2006: £1,950).

Underlying Operating Costs have increased by £13.4m. In addition, the full year effect of Globix has contributed a further £6.4m to operating costs. Costs have increased, reflecting improved business volumes. An analysis of the underlying increase in operating costs is as follows:

- Payroll costs have increased by £4.1m due to higher sales commissions linked to the growth in revenue, additional data centre staff in the UK and increased corporate costs as a result of investing in business development and operating as a public company.
- Electricity costs have increased by £3.5m in line with increased occupancy, and related colocation revenues, and movements in power prices. As power is generally recharged to customers this has a limited impact on the profitability of the Group.
- The annual depreciation and amortisation charge has increased by £1.9m as the Group has continued to invest in its asset base.
- Other costs have increased by £3.0m. Part of the increase is directly related to costs in connection with sales of Value Added Services. In addition, due to the corporate activity in the past and the IPO, there have been increases in legal and professional fees. Finally, as part of the continued focus on working capital, and in particular a detailed review of the debtor book, there was an increased bad debt expense in the year of £2.5m.
- Property costs have only increased slightly, by £0.9m, despite the high levels of revenue growth.

Operating exceptional Items of £4.7m were incurred during the year. These comprised the following:

- £2.9m of listing costs incurred as a result of the Group's flotation. These costs, together with a further £5.4m charged directly to the share premium account, primarily relate to professional fees paid to the Group's sponsors, lawyers and accountants.
- £1.4m of costs were incurred during the final stages of the integration of Globix and Redbus, this integration is now complete.
- £0.7m of costs were incurred in respect of the new builds in London and Amsterdam which relate to costs such as rent and rates during the build period.
- Finally there is a credit of £0.3m to exceptional items following the reassessment of an onerous lease provision in respect of a site in Munich.

In addition, the Group has incurred £2.1m of exceptional finance costs. In preparation for the Group's admission to the London Stock Exchange, the Group restructured its borrowings and unamortised loan issue costs in respect of the previous debt were expensed. The new borrowings and facilities are described in more detail below.

Net Finance Costs have increased from £3.7m to £5.7m. During the year, the Group incurred interest on its long-term loans of £5.2m (2006: £4.2m). In addition, the Group incurred other financing costs of £1.1m (2006: £0.1m), including an adverse movement in the fair value of the Group's interest rate swaps of £0.5m (2006: £0.4m gain). Finance costs have been offset by finance income of £0.5m (2006: £0.6m).

Tax remains a minimal expense for the Group due to the availability of losses and unclaimed capital allowances in excess of depreciation, which are estimated at a total value of £139.9m (2006: £126.1m). The Group does not expect to pay significant amounts of tax in the foreseeable future.

Detailed Review of Group Cash Flow

Cash flows from operating activities increased £8.9m to £12.5m (2006: £3.6m). The strong cash performance is primarily a result of the increased Adjusted EBITDA of £23.4m (2006: £11.0m) less non-IPO related exceptional items of £1.8m (2006: £7.7m), net interest payments of £5.7m (2006: £4.0m) and working capital, foreign exchange and other movements of £3.4m (2006: inflow £4.3m).

The Group has invested £24.1m (2006: £6.6m) in capital expenditure, £8.9m of which relates to a capital prepayment for equipment and works in respect of the Amsterdam new build. The remaining £15.2m primarily relates to the two new builds of £1.6m, fit-outs to existing buildings of £7.6m (2006: £1.2m) and general capital expenditure of £6.0m (2006: £5.4m).

Net proceeds of £66.9m were raised during the Group's flotation of which £36.9m was used to repay existing borrowings. £0.1m was raised through issue of shares before the Group's flotation taking the total cash raised through issuing shares to £67.0m in the year (2006: £0.3m).

In total, the Group has generated £26.4m of cash during the year (2006: £0.7m outflow) increasing year end cash balances to £37.0m which will be used, along with the borrowing facilities described below, to finance the Group's planned capital projects.

Financing

During the year, the Group raised net IPO proceeds of £66.9m. This is after deducting all directly attributable costs of £8.3m relating to fees from the sponsors, lawyers and accountants.

In preparation for its admission to the public market, the Group restructured its borrowing facilities. At 31 December 2006 the Group had gross borrowings of £60.9m. Up to the IPO, the Group made net further draw-downs of £9.6m from this facility, primarily to finance capital projects. At IPO, borrowings of £32.8m were drawn-down under the new facility. These, along with part of the IPO proceeds were used to repay the borrowings under the old facility.

The new £125.0m facility, which is held jointly with Barclays Bank and HBOS, comprises a term loan of £30.0m and a revolving credit facility of £95.0m, £6.9m of which has been used to guarantee lease deposits on certain of the Group's data centres. This facility, together with the Group's cash balances, provide sufficient financing for all currently planned capital expenditure. Despite the reduced supply in the credit markets during the latter part of 2007, the Group secured this facility at a competitive rate, the margin being over one percentage point lower than that of the previous facility. The terms of the financing required that the term loan be drawn down immediately, although it was not needed at that time. It is expected that the planned capital projects will utilise the term loan during the first half of 2008. Under the terms of the facility, the Group is required to hedge the interest rate on part of the borrowings. It is the Group's policy to hedge the interest rate exposure on the majority of the borrowings.

The Group seeks to finance its business through an appropriate mix of debt and equity. Current and medium-term interest rates are monitored when evaluating the most cost effective sources of finance. The facility described above, along with the IPO proceeds, result in the Group having a strong liquidity position.

Discussion of Balance Sheet

The Group's intangible assets of £46.9m (2006: £47.1m) comprise acquired customer contracts and goodwill that arose during the acquisition of Telecity plc, Globix and Redbus. The carrying value of these assets has been reviewed during the year and no impairment is needed.

Capital expenditure of £16.9m (2006: £6.6m) has been incurred during the year. Off-setting these additions is the depreciation charge for the year of £17.4m (2006: £14.6m). As a significant proportion of the Group's assets are denominated in Euros, the strengthening of the Euro has resulted in a foreign exchange gain on Property, Plant and Equipment of £4.7m (2006: £0.9m loss). This results in a year end carrying value of the Group's Property, Plant and Equipment of £103.0m (2006: £98.8m).

Current trade and other receivables have increased to £36.7m (2006: £24.8m). This is primarily due to a capital prepayment of £8.9m, and associated recoverable sales tax, in respect of the new build in Amsterdam.

Provisions of £6.8m (2006: £7.2m) primarily relate to an onerous lease provision in respect of a property in Munich. A full provision is made in respect of this lease, however the Group continues to pursue options to mitigate the liability.

Key Performance Indicators ('KPI's')

The Group uses a number of KPI's to measure performance which are set out below. These KPI's have been chosen as they are considered to be the main factors underpinning the Group's performance. The capacity of our existing facilities is a constraining factor to growth, as such the Group monitors both fitted out space and occupancy. In addition, the amount of revenue generated per square metre is used to measure the income generation of the available space.

	Year ended 31 December 2007	Year ended 31 December 2006
Revenue (£'000)	97,916	68,893
Adjusted EBITDA (£'000)	23,352	11,008
Total fitted out space (sq.m)	46,597	45,683
Occupancy (sq.m)	37,868	34,651
Revenue per sq.m (£/sq.m)	2,586	2,308

Summary

The Group has achieved a great deal during the year and we are confident about the Group's future prospects. We look forward to reporting again in 2008, when our two new builds will have delivered significant inventory which we expect to be generating additional business for the Group.

On behalf of the Board

Michael Tobin
Chief Executive Officer

Brian McArthur Muscroft
Group Finance Director

Consolidated Income Statement

		Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Continuing operations	Notes		
Revenue	1	97,916	68,893
Cost of sales		<u>(57,837)</u>	<u>(46,538)</u>
Gross profit		40,079	22,355
Sales and marketing costs		(4,968)	(4,340)
Administrative costs analysed:			
Depreciation and amortisation		(18,534)	(15,377)
Operating exceptional items	2	(4,716)	(7,733)
Other administrative costs		(11,759)	(7,007)
Total administrative costs		<u>(35,009)</u>	<u>(30,117)</u>
Operating profit/(loss)		102	(12,102)
Finance income		523	617
Exceptional finance costs	2	(2,127)	-
Other finance costs		(6,256)	<u>(4,286)</u>
Loss on ordinary activities before taxation		(7,758)	(15,771)
Income tax (charge)/credit		(66)	<u>3</u>
Retained loss for the year	6	<u>(7,824)</u>	<u>(15,768)</u>
Loss per share: basic and diluted (p)	4	(4.67)	(10.23)
Adjusted loss per share: basic and diluted (p)	4	(0.59)	(5.21)
Supplementary income statement information			

Adjusted EBITDA	23,352	11,008
Operating exceptional items	<u>(4,716)</u>	<u>(7,733)</u>
EBITDA*	18,636	3,275
Depreciation	(17,414)	(14,555)
Intangible asset amortisation	<u>(1,120)</u>	<u>(822)</u>
Operating profit/(loss)	102	(12,102)

* Earnings before interest, taxation, depreciation and amortisation.

Consolidated Statement of Recognised Income and Expense

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Currency translation differences on foreign currency net investments	<u>5,244</u>	<u>(750)</u>
Net gain/(loss) recognised directly in equity	5,244	(750)
Loss for the year	<u>(7,824)</u>	<u>(15,768)</u>
Total losses recognised in year	<u>(2,580)</u>	<u>(16,518)</u>

Consolidated Balance Sheet

	Notes	31 December 2007 £'000	31 December 2006 £'000
Assets			
Non-current assets			
Intangible assets		46,868	47,145
Property, plant and equipment		103,008	98,799
Derivative financial instruments		-	212
Trade and other receivables		2,992	3,731
		<u>152,868</u>	<u>149,887</u>
Current assets			
Derivative financial instruments		-	141
Trade and other receivables		36,739	24,757
Cash and cash equivalents		36,961	10,157
		<u>73,700</u>	<u>35,055</u>
Total assets		<u>226,568</u>	<u>184,942</u>
Capital and reserves			
Share capital	5, 6	396	325
Share premium account	6	176,637	102,342
Other reserves	6	316	(481)
Retained losses	6	(26,993)	(19,476)
Total equity	6	<u>150,356</u>	<u>82,710</u>
Liabilities			
Non-current liabilities			
Borrowings		25,531	57,320
Obligations under finance leases		990	1,345
Derivative financial instruments		77	-
Provisions for other liabilities and charges		5,994	6,100
		<u>32,592</u>	<u>64,765</u>
Current liabilities			
Trade and other payables		36,060	34,503
Borrowings		6,416	1,810
Obligations under finance leases		278	84
Derivative financial instruments		39	-
Provisions for other liabilities and charges		827	1,070
		<u>43,620</u>	<u>37,467</u>
Total liabilities		<u>76,212</u>	<u>102,232</u>
Total equity and liabilities		<u>226,568</u>	<u>184,942</u>

Consolidated Cash Flow Statement

	Notes	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Cash inflow from operating activities	7	18,313	7,606
Interest received		523	264
Interest paid		(6,158)	(4,212)
Interest element of finance lease payment		(75)	(74)
Taxation		(67)	3
Net cash inflow from operating activities		12,536	3,587
Cash flows from investing activities			
Acquisition of subsidiaries		-	(50,208)
Cash acquired with subsidiaries		-	3,618
Purchase of property, plant and equipment		(15,206)	(6,619)
Prepayment of property, plant and equipment		(8,907)	-
Proceeds on sale of assets		-	2,236
Net cash used in investing activities		(24,113)	(50,973)
Cash flows from financing activities			
Net proceeds on issue of ordinary share capital		67,042	291
Repayment of obligations under finance leases		(160)	(98)
Proceeds from borrowings		42,433	126,470
Repayment of borrowings		(71,297)	(80,000)
Net cash inflow from financing activities		38,018	46,663
Net increase/(decrease) in cash and cash equivalents		26,441	(723)
Effects of foreign exchange rate change		363	(36)
Cash and cash equivalents at beginning of year		10,157	10,916
Cash and cash equivalents at end of year		36,961	10,157

Notes to the financial statements

1. Segmental information

Primary reporting format – geographic segments

At 31 December 2007, the Group is organised into two main geographic segments: the United Kingdom ('UK') and Ireland and the Rest of Europe. The segment results are as follows:

	Year ended 31 December 2007			Year ended 31 December 2006*		
	UK and Ireland £'000	Rest of Europe £'000	Total £'000	UK and Ireland £'000	Rest of Europe £'000	Total £'000
Revenue	63,364	34,552	97,916	40,576	28,317	68,893
Cost of sales	<u>(37,308)</u>	<u>(20,529)</u>	<u>(57,837)</u>	<u>(27,751)</u>	<u>(18,787)</u>	<u>(46,538)</u>
Gross profit	26,056	14,023	40,079	12,825	9,530	22,355
Depreciation and amortisation	(9,460)	(9,074)	(18,534)	(6,851)	(8,526)	(15,377)
Operating exceptional items	(869)	(408)	(1,277)	(432)	(2,532)	(2,964)
Other operating expenses	<u>(10,395)</u>	<u>(6,332)</u>	<u>(16,727)</u>	<u>(5,686)</u>	<u>(5,661)</u>	<u>(11,347)</u>
Operating profit/(loss)	5,332	(1,791)	3,541	(144)	(7,189)	(7,333)
Unallocated exceptional items			(3,439)			(4,769)
Finance income			523			617
Exceptional finance costs			(2,127)			-
Other finance costs			<u>(6,256)</u>			<u>(4,286)</u>
Loss before tax			(7,758)			(15,771)
Income tax			<u>(66)</u>			<u>3</u>
Loss for the period			<u>(7,824)</u>			<u>(15,768)</u>
Segment assets	126,724	98,148	224,872	112,853	71,071	183,924
Unallocated assets			<u>1,696</u>			<u>1,018</u>
Total assets			<u>226,568</u>			<u>184,942</u>
Segment liabilities	(19,985)	(20,868)	(40,853)	(27,200)	(14,473)	(41,673)
Unallocated liabilities			<u>(35,359)</u>			<u>(60,559)</u>
Total liabilities			<u>(76,212)</u>			<u>(102,232)</u>
Capital expenditure	<u>9,808</u>	<u>7,122</u>	<u>16,930</u>	<u>3,237</u>	<u>3,343</u>	<u>6,580</u>

Segment assets consist primarily of property, plant and equipment, intangible assets, trade and other receivables and cash and cash equivalents. Segment liabilities comprise trade and other payables and provisions for other liabilities and charges. Unallocated amounts comprise items such as Group borrowings and derivative financial instruments.

* The comparative information has been re-presented to show the central costs separate from the result of UK and Ireland. The information in respect of the current year has been presented on this basis.

2. Exceptional items

Exceptional items comprise:

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Operating exceptional items:		
Costs in respect of new builds	685	-
Transaction-related expenses	2,877	-
Integration costs	1,430	1,956
(Release of provisions)/provisions for onerous leases	(276)	2,532
Debt restructuring costs	-	4,179
Profit on sale of property	-	(934)
	<u>4,716</u>	<u>7,733</u>
Exceptional finance costs	<u>2,127</u>	<u>-</u>

The costs in respect of new builds comprise rents, rates and other overhead costs in respect of the Group's two data centre projects, Powergate and Amsterdam 4. Such costs are classified as exceptional during the build phase. The transaction related expenses arose during the Group's Initial Public Offering and relate mainly to legal and professional fees. Integration costs, including redundancy costs, were incurred following the acquisitions of Redbus Interhouse plc and Globix Holdings (UK) Limited. The release of provisions for onerous leases relate to a lease over a property in Munich and a property in London. During the year, the estimate of the discounted future amounts payable on these properties was reduced.

In the prior year, the debt restructuring costs include professional fees in respect of investigating, negotiating and arranging additional finance for the Group and early termination fees in respect of the re-financed facilities. The profit on sale of property relates to a property that was sold for £2,230,000. The property had a carrying value of £1,296,000 on the date of sale.

The exceptional finance costs relates to the write-off of capitalised loan issue costs in respect of debt that was refinanced during the year.

3. Expenses by nature

	Year ended 31 December 2007			Year ended 31 December 2006		
	Adjusted* £'000	Exceptional £'000	Total £'000	Adjusted* £'000	Exceptional £'000	Total £'000
Property costs	20,805	685	21,490	16,578	2,532	19,110
Electricity	16,478	-	16,478	12,606	-	12,606
Depreciation and amortisation	18,534	-	18,534	15,377	-	15,377
Payroll	19,861	609	20,470	14,968	337	15,305
Other	17,420	3,422	20,842	13,733	4,864	18,597
	<u>93,098</u>	<u>4,716</u>	<u>97,814</u>	<u>73,262</u>	<u>7,733</u>	<u>80,995</u>

*adjusted for exceptional items.

4. Loss per share – basic and diluted

Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of Ordinary shares in issue during the year.

	Year ended 31 December 2007	Year ended 31 December 2006**
Loss attributable to equity holders of the Company (£'000)	<u>(7,824)</u>	<u>(15,768)</u>
Weighted average number of shares in issue (thousands)	<u>167,426</u>	<u>154,100</u>
Basic and diluted* loss per share (p)	<u>(4.67)</u>	<u>(10.23)</u>

The adjusted loss per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group. Adjusted loss per share is calculated by adding back the exceptional items (note 2) to the retained loss for the year as shown below:

	31 December 2007 £'000	31 December 2006 £'000
Loss attributable to equity holders of the Company	(7,824)	(15,768)
Add back exceptional items	6,843	7,733
Tax effect of exceptional items	-	-
Adjusted attributable to equity holders of the Company	<u>(981)</u>	<u>(8,035)</u>

* The weighted average diluted number of shares is equal to the weighted average number of shares due to the losses in the year.

** The comparative information has been re-stated following the capital restructure described in note 5.

5. Share capital

Company and Group	31 December 2007 £'000	31 December 2006 £'000
Authorised		
Nil 'A' (2006: 10,000,000) shares of £0.01 each	-	100
Nil 'B' (2006: 10,000,000) shares of £0.01 each	-	100
Nil 'C' (2006: 16,000,000) shares of £0.01 each	-	160
Nil 'D' (2006: 490,100) shares of £0.01 each	-	5
Nil 'E' (2006: 1,525,000) shares of £0.01 each	-	15
Nil Ordinary (2006: 61,984,900) shares of £0.01 each	-	620
496,431,508 Ordinary (2006: nil) shares of £0.002 each	993	-
	<u>993</u>	<u>1,000</u>

Company and Group	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Allotted		
Nil 'A' (2006: 10,000,000) shares of £0.01 each	-	100
Nil 'B' (2006: 10,000,000) shares of £0.01 each	-	100
Nil 'C' (2006: 11,291,709) shares of £0.01 each	-	113
Nil 'E' (2006: 1,165,728) shares of £0.01 each	-	12
198,092,373 Ordinary (2006: nil) shares of £0.002 each	396	-
	<u>396</u>	<u>325</u>

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

On 19 October 2007, the shareholders of the Company passed resolutions to sub-divide and re-classify each of the classes of issued share capital to Ordinary shares of £0.002. The shares in issue at that time along with the number of Ordinary shares into which they were converted is shown below:

Class of share	Number of previous class of shares (‘000)	Number of Ordinary shares (‘000)
A	10,000	50,000
B	10,000	50,000
C	11,292	56,459
E	1,166	3,166
F	475	1,488
		<hr/> 161,113 <hr/>

In connection with the Company’s flotation, 34,177,000 shares were issued for total consideration of £75,190,000. Share issue costs of £5,390,000 have been charged to the share premium account, which when added to the share issue costs charged to the income statement of £2,877,000 result in net cash proceeds from the IPO of £66,923,000.

At the same time 2,802,000 shares were issued to the Telecity Group Employee Benefit Trust (‘EBT’) in order to satisfy some of the Group’s liabilities to employees for share options issued under long-term incentive plans. The shares were issued for £4,447,000 and the consideration remains on a loan account, which is expected to be repaid as the options are exercised.

In addition, on 24 April 2007, following an amendment to the Company’s authorised share capital, the Company issued 475,000 ‘F’ shares for cash consideration of £119,000. As shown in the table above, these shares were subsequently converted into 1,488,000 Ordinary shares. This takes the total net proceeds from share issues in the year to £67,042,000.

The Company, in accordance with its articles of association and the relevant provisions of the Companies Act 1985, as amended (the ‘Act’), has acquired for nil consideration 3,568,492 deferred shares of 0.2p each in the capital of the Company (the ‘Deferred Shares’) issued at the time of admission to the London Stock Exchange.

The Deferred Shares arose as a result of the share capital restructuring described above. The Deferred Shares acquired by the Company represented all of the Deferred Shares in issue. The Deferred Shares carried no voting rights. Pursuant to sections 146(2)(a) and 147 of the Act, the Company has cancelled the Deferred Shares acquired and diminished the amount of its issued share capital by the nominal value of the Deferred Shares cancelled.

6. Statement of changes in equity

Group	Share capital £'000	Share premium account £'000	Retained losses £'000	Own shares £'000	Cumulative translation reserve £'000	Total £'000
At 1 January 2006	200	58,025	(4,029)	-	269	54,465
Loss for the year	-	-	(15,768)	-	-	(15,768)
Credit to equity for share-based payments	-	-	321	-	-	321
Currency translation differences on foreign currency net investments	-	-	-	-	(750)	(750)
Issue of shares	125	44,317	-	-	-	44,442
At 31 December 2006	325	102,342	(19,476)	-	(481)	82,710
Loss for the year	-	-	(7,824)	-	-	(7,824)
Credit to equity for share-based payments	-	-	307	-	-	307
Currency translation differences on foreign currency net investments	-	-	-	-	5,244	5,244
Issue of shares	71	74,295	-	(4,447)	-	69,919
At 31 December 2007	396	176,637	(26,993)	(4,447)	4,763	150,356

Own shares held by the Group represent 2,802,000 shares in Telecity Group plc. All shares are held by the EBT. These shares are listed on a recognised stock exchange and their market value and nominal value at 31 December 2007 was £8,406,000 and £6,000 respectively.

The EBT is a discretionary trust for the benefit of employees and the shares held are used to satisfy some of the Group's obligations to employees for share options and long-term incentive plans.

Currency translation differences on foreign currency net investments arise from the retranslation of the net investments in overseas subsidiaries, including long-term inter-company loans which are considered part of the Group's investment in its subsidiaries.

7. Cash flow from operating activities

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

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Loss on ordinary activities before taxation	(7,758)	(15,771)
Add finance costs	8,383	4,286
Less finance income	(523)	(617)
Add IPO related costs	2,877	-
Depreciation charge	17,414	14,555
Intangible asset amortisation	1,120	822
Loss/(profit) on disposal of property, plant and equipment	8	(934)
Share-based payments	307	321
Movement in receivables	(2,338)	(1,937)
Movement in payables	(165)	5,111
Movement in provisions	(349)	1,433
Exchange movement	(663)	337
Net cash inflow from operating activities	18,313	7,606

8. Basis of preparation

The preliminary announcement does not constitute full financial statements.

The results for the year ended 31 December 2007 included in this preliminary announcement are extracted from the audited financial statements for the year ended 31 December 2007 which were approved by the Directors on 7 March 2008. The auditors' report on those financial statements was unqualified and did not include a statement under Section 237(2) or 237(3) of the 1985 Companies Act.

The 2007 Annual Report will to be posted to shareholders in advance of the Annual General Meeting to be held on 15 May 2008. A copy will also be available from the Company's registered office: Masters House, 107 Hammersmith Road, London W14 OQH, UK (tel. +44 (0)20 7603 1515). The financial statements for the year ended 31 December 2006 have been delivered to Registrar of Companies and those for 31 December 2007 will be delivered to the Registrar of Companies following the Annual General Meeting.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRSs'), this announcement does not itself contain sufficient information to comply with the disclosure aspects of IFRSs.