2 February 2009

TELECITY GROUP PLC

Preliminary results for the 12 months to 31 December 2008

TelecityGroup delivers full year 2008 EBITDA of £40.4m and adjusted profit after tax of £15.3m

Telecity Group plc (‘TelecityGroup’ or the ‘Group’), Europe’s leading provider of premium network independent data centres, today announces its audited preliminary results for the year ended 31 December 2008.

Highlights

- Revenue up 35.9% to £133.0m (2007: £97.9m)
- EBITDA(1) up 109.2% to £40.4m (2007: £19.3m)
- EBITDA margin up to 30.4% (2007: 19.7%)
- Adjusted(2) profit after tax of £15.3m (2007: loss of £1.1m)
- Adjusted(2) earnings per share 7.8p (2007: loss of 0.6p)

Statutory equivalents

The above highlights are before the deferred taxation credit and foreign exchange gains on financing items (note 4) which are not considered to be part of the underlying business of the Group. If these items are included, the following statutory equivalents to adjusted profit after tax and adjusted earnings per share result:

- Profit after tax of £25.3m (2007: loss of £7.1m)
- Earnings per share of 13.0p (2007: loss of 4.3p)

John Hughes, TelecityGroup Chairman, said:

“2008 has been an excellent year for TelecityGroup. The Group has demonstrated its resilience in the face of testing economic conditions by delivering a strong set of results. In addition to this, the management team has laid the foundations for continued growth by opening new capacity in core markets to meet customer demand. I am pleased by the committed take-up of this capacity that has already been secured.”

Michael Tobin, TelecityGroup CEO, said:

“During 2008 the Group has achieved strong growth in revenues, operating profit and earnings per share. Demand for our premium data centre capacity remains robust and we continue to win business from leading international companies. We have recently signed new contracts with companies including: NTT, TV1 and Xchanging.

2009 will be another key year for TelecityGroup. A programme of carefully targeted expansion, tailored to meet local demands in our key city markets and maintain our position at the heart of the digital economy in Europe, is underway.

We are embarking on the second phases of our data centre builds in London and Amsterdam and, as previously announced, are undertaking focused capacity expansion with planned new openings in Paris, Stockholm and Milan. I am also pleased to announce today that we will invest €6m to deliver additional power in Frankfurt during 2009 in order to satisfy significantly increased customer demand in this important market. All of these investments are funded from our cash flows and existing borrowing facilities.”

Increasingly the most important measure of capacity in our industry is the availability of power for our customers, rather than just space. Our fully funded, demand-driven programme of expansion, which started in 2008, will allow us to lift our power capacity available for customer use from 33MW at the beginning of that year to some 60MW in 2011.The nature of TelecityGroup’s business is such that we have a high degree of visibility of our revenues going forward, so we start 2009 with confidence in our continued growth.”

(1) Earnings before Interest, Taxation, Depreciation and Amortisation. 2007: £23.4m when adjusted for exceptional items (note 4).
(2) Adjusted for deferred tax credit and foreign exchange gains on financing items, and, in respect of 2007, exceptional operating (note 4).

For further information please contact:

Investors:
TelecityGroup:
Matthew Springett +44 (0)20 7005 6337

Media:
TelecityGroup:
James Tyler +44 (0)20 7001 0076

Brunswick:
Sarah West
James Olley +44 (0)20 7404 5959

Notes to Editors

Telecity Group plc

TelecityGroup is Europe's leading provider of premium 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 as a connectivity and content hub facilitating the storage, sharing and distribution of data, content and media. Headquartered in London, TelecityGroup operates 20 network-independent data centres across seven European countries. The data centres are located in prime positions for commerce and connectivity, including London, Amsterdam, Frankfurt, Paris, Stockholm, Milan and Dublin.

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 U.S. jurisdiction, and, in particular, will not be registered under the U.S. Securities Act of 1933, as amended, or any applicable state securities laws.

Operational and Financial Review

During 2008 TelecityGroup's position as Europe's leading premium network-independent data centre operator was consolidated and enhanced. The Group achieved strong growth and revenues, operating profit and earnings per share.

The Group expanded its capacity in its core markets of London and Amsterdam by opening new data centres and expanding existing sites. The total fitted-out space operated by TelecityGroup increased 10.3% to 51,412 sq.m (2007: 46,597 sq.m) and total available customer power increased 15% to 38MW during the year. Our fully funded, demand driven, program of expansion, which started in 2008, will allow us to lift our power capacity available for customer use from 33MW at the beginning of the year to some 60MW in 2011.

TelecityGroup's centrally located and highly connected data centres are designed to meet the needs of customers that want to expand the parts of their businesses that are focused on the digital economy and drive efficiency savings through outsourcing.

Growing demand across the Group's markets, including strong customer take-up of the additional capacity opened in London and Amsterdam, resulted in year-end occupied space increasing 6.3% to 40,238 sq.m (2007: 37,868 sq.m). This demand is being driven both by the growing digital economy and the opportunities that our data centres offer for our customers to make efficiency savings by outsourcing their mission-critical applications.

Revenue per occupied sq.m(1) increased 27.8% to £3,306 (2007: £2,586). On a currency-neutral basis, revenue per square metre grew 19.6%. This increase reflects the value that TelecityGroup's premium data centres and services add to its customers' businesses. It also reflects the higher power density of the space opened by TelecityGroup in 2008 in terms of kW per sq.m. The new data centres are designed to have a power density of up to 2kW per sq.m. This compares with an average power density of some 0.7kW per sq.m for the Group's existing facilities.

The new capacity has enabled the Group to expand and diversify its customer base. TelecityGroup has continued to benefit from growth in new and existing customers' content and connectivity business, signing new contracts with companies such as Digiplug, TV1 and NTT. It has also expanded its business in the enterprise market sector, securing new contracts with companies such as Xchanging and Pierre et Vacances.

Key Performance Indicators ('KPIs')

The Group uses a number of KPIs to measure performance which are set out below. These KPIs have been chosen because they are considered to be the main factors underpinning the Group's performance. The capacity of the existing facilities is a constraining factor to growth, so therefore, 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 achieved in the available space.

	Year-ended 31 December 2008	Year-ended 31 December 2007	Change
Revenue (£'000)	**133,040**	97,916	+35.9%
EBITDA(2)(3) (£'000)	**40,426**	23,352	+73.1%
Total fitted out space (sq.m)	**51,412**	46,597	+10.3%
Occupancy (sq.m)	**40,238**	37,868	+2,370 sq.m
Revenue per sq.m(1) (£/sq.m)	**3,306**	2,586	+27.8%

UK and Ireland

TelecityGroup made significant progress in the UK and Ireland in 2008. The Group opened an additional 1,500 sq.m of high power density space by expanding existing London data centres, and opened the first phase of a new 5,000 sq.m highly specified data centre in London.

(1) Revenue for the period divided by period end occupied space.
(2) Earnings before interest, taxation, depreciation and amortisation.
(3) 2007 EBITDA adjusted for exceptional operating items (note 4). 2007 EBITDA prior to these adjustments was £19.3m.

Total fitted out space increased 12.9% to 25,279 sq.m (2007: 22,385 sq.m). Occupied space increased 3.3% to 21,561 sq.m (2007: 20,873 sq.m). Using power-based metrics (kW per sq.m) occupancy levels increased by more than twice this amount.

Revenue per occupied sq.m increased 18.5% to £3,597 (2007: £3,036). This increase was driven by price increases to existing customers, sales of the new high power density space and an increase in sales of Value Added Services.

Rest of Europe ('RoE')

TelecityGroup enjoyed a successful year in its RoE division, which comprises operations in key western European cities. The Group opened the first phase of a new highly specified 4,000 sq.m data centre in Amsterdam, its fourth in that city. The Group also announced that it would open additional data centres in Paris, Milan and Stockholm. Work on these facilities has now begun and the Group expects the first phases of these new data centres to open in 2009. In addition, the Group will add around 1MW of power to its Gutleutstrasse data centre in Frankfurt during 2009 at a cost approximately €6m in order to satisfy significantly increased customer demand in this important market.

Total fitted out space in RoE increased 7.9% to 26,133 sq.m (2007: 24,212 sq.m). Occupied space increased 9.9% to 18,677 sq.m (2007: 16,995 sq.m), reflecting the strong demand for the Group's premium data centre space from content, connectivity, systems integrator and enterprise customers.

Revenue per occupied sq.m increased 46.1% to £2,971 (2007: £2,033). This increase was driven by price increases, foreign exchange gains, sales of the new high power density space and an increase in sales of Value Added Services. On a currency-neutral basis, revenue per sq.m increased 23.4%.

Current trading and outlook

The most significant factors impacting TelecityGroup's future performance are demand for premium data centre capacity and the Group's ability to open incremental space to meet this demand.

TelecityGroup has a high proportion of recurring revenues and its order book is currently in-line with management's expectations. TelecityGroup remains well positioned to withstand the current macro economic conditions and management is confident with regard to the outlook for 2009. The Group is expected to continue to grow as customers seek cost savings and efficiency improvements by moving more of their transactions and business activities on-line, and outsource their business critical infrastructure to the Group's facilities.

TelecityGroup has a diverse customer base with no one customer accounting for more than 4% of its revenues. The Group considers that a combination of this diverse customer base, the business-critical nature of the services that it provides and a keen focus on managing its largely fixed cost base, give it resilience to the current disruption in the wider economy.

During 2009, the Group intends to continue to re-invest its cash flows in new data centre capacity because of the attractive returns that are expected to be available from doing so. This re-investment is reviewed on an ongoing basis.

TelecityGroup has reduced its negative exposure to currency volatility by entering into an agreement to buy forward its expected Euro trading cash inflows for 2009 at a rate of £/€1.22.

Financial Review

TelecityGroup's operational performance has translated into excellent growth in all of its key financial metrics, demonstrating the resilience of the Group's business model. Increased occupancy levels and robust pricing have delivered substantial revenue growth. This, together with the Group's operational leverage and focus on cost control, has resulted in a 73.1% increase in EBITDA(1).

(1) 2007 EBITDA adjusted for exceptional operating items (note 4). 2007 EBITDA prior to these adjustments was £19.3m.

The Group has a robust balance sheet and capital structure, and its debt-financing arrangements remain secure for the long-term. Together with the significant operating cash flows of the Group, these are sufficient to fund all announced and forecast capital projects and working capital requirements.

The strengthening of Euro against Sterling has increased the Sterling value of the results and balance sheet of the Group's Rest of Europe division. After the effect of foreign currency hedging instruments, the strengthening of Euro has increased revenue and EBITDA in the current year by £8.6m and £2.5m, respectively (when compared to FY07 average exchange rates). The effect of foreign exchange is not separately analysed in the detailed profit and loss commentary that follows.

Total revenue for the 2008 was £133.0m (2007: £97.9m), an increase of 35.9%. The increase is a result of new order wins and price increases across the Group's sites, as well additional revenues from Value Added Services, which have increased 15.8% year on year.

UK and Ireland ('UK&I') revenues totalled £77.6m for the year (2007: £63.4m), an increase of 22.4%. This was due to sales of additional space and re-pricing of existing contracts.

Rest of Europe ('RoE') revenues totalled £55.5m for the year (2007: £34.6m), an increase of 60.6%. This was due to similar factors as listed for UK&I, however the division has further benefited from developing its Value Added Services sales towards the levels experienced in UK&I and the strengthening of the Euro against Sterling.

Operating Costs have increased at a lower rate than revenue growth, demonstrating the Group's operational leverage and disciplined management of its cost base. Total operating costs were £114.7m (2007: £93.1m), £7.1m of the increase is due to foreign exchange rate movements. In addition, improved business volumes have resulted in cost increases. An analysis of the increase in each of the operating costs categories is as follows:

- Payroll costs have increased 25.7% to £25.0m (2007: £19.9m) due to increased headcount for the new data centres and engineers to provide further Value Added Services. In addition, sales commissions increased in-line with the higher net order wins during the year and head office costs have increased due to the full year effect of being a public company.

- Electricity costs have increased 31.8% to £21.7m (2007: £16.5m) in-line with increased occupancy, customer usage and movements in power prices. As power is generally recharged to customers, this limits the impact on the profitability of the Group.

- The annual depreciation and amortisation charge has increased 19.3% to £22.1m (2007: £18.5m) as the Group has continued its investment in its asset base.

- Other costs have increased 28.0% to £22.3m (2007: £17.4m), £12.1m of which relates to cost of sales of Value Added Services and maintenance costs. The year-on-year increase mainly relates to additional repairs and maintenance spend as the Group continues to invest in its asset base. In addition, sales and marketing costs have increased as a result of additional investment in this area.

- Property costs have increased 13.6% to £23.6m (2007: £20.8m), due to the sections of the new builds opened during the year, incremental property leases to facilitate expansion of existing sites and inflationary rental increases.

As a result of the strong revenue growth and cost control, EBITDA grew to £40.4m (2007: £23.4m) and an operating profit of £18.3m (2007: £0.8m) was generated. UK&I generated EBITDA of £24.6m (2007: £15.7m). RoE generated EBITDA of £15.8m (2007: £7.7m).

Net Finance Items for the year resulted in a credit of £1.7m (2007: expense £7.9m). This is primarily a result of foreign exchange gains on financing items of £4.6m (2007: £0.1m), which arose on the retranslation of the bank loan, cash and intercompany balances. The Group has taken actions to minimise similar volatility in the future.

During the year, the Group incurred interest on its long-term loans of £3.9m (2007: £5.2m). £0.5m of this amount relates to the financing of the Group's new-build data centres during the construction phase and has been capitalised as part of the cost of the projects.

The Group earned interest income of £0.9m (2007: £0.2m) on its cash balances. Other interest expenses of £0.4m (2007: £0.4m) were incurred, the majority of which relate to the unwinding of a discount on the Group's onerous lease provision in Munich.

During the year, the Group adopted hedge accounting in respect of its interest rate swap. Fair value movements on this financial instrument after the date hedge accounting was adopted have been posted to reserves. This has resulted in a deduction of £4.5m from reserves during the year in respect of this instrument.

Tax Following the Group's first reported annual profit before tax, the carrying value of its tax assets, mainly trading losses and unclaimed capital allowances in excess of depreciation, has been reviewed. This has resulted in a deferred tax asset of £5.4m being recognised at the year-end.

Current tax remains a minimal expense for the Group due to the availability of these trading losses and unclaimed capital allowances. The Group expects that it will continue to benefit from its tax losses in the future.

Profit after tax was therefore £25.3m (2007: loss £7.1m). Adjusted net profit, which excludes the foreign exchange gains on financing items, the deferred tax credit and, in respect of the previous year, exceptional items, was £15.3m (2007: loss £1.1m). This resulted in reported earnings per share ('EPS') of 13.0p (2007: loss 4.3p) and adjusted earnings per share of 7.9p (2007: loss 0.6p).

EPS reconciliation

Below is a reconciliation between adjusted and statutory net profit and the resulting affect on EPS.

	Net profit £'m	**Earnings per share pence**
Statutory net profit	25.3	13.0
Less net foreign exchange gains on financing items	(4.6)	(2.4)
Less deferred tax credit	(5.4)	(2.7)
Adjusted net profit	**15.3**	**7.9**

Cash Flow and Net Debt

Cash flows from operating activities increased to £45.9m (2007: £13.2m). The strong cash performance is primarily a result of the increased EBITDA of £40.4m (2007: £23.4m) less net interest payments of £1.8m (2007: £5.6m) and working capital and other movements of £7.3m (2007: outflow £4.6m).

The Group has invested £79.2m (2007: £24.8m) in capital expenditure, of which £69.4m related to expansion capital expenditure and £9.8m to maintenance and sales capital expenditure.

After taking into account the effect of foreign exchange movements on Euro denominated cash and debt balances and other small cash movements of £0.3m, this has resulted in year-end net debt of £29.3m (2007: net cash £3.7m) which is well within the Group's senior debt facility.

Financing

The Group's remaining senior debt facility of £119.0m comprises a term loan(1) of £24.0m and a revolving credit facility of £95.0m. Of this, £9.4m (2007: £6.9m) has been used to guarantee lease deposits on certain of the Group's data centres. This facility, together with the Group's current and expected cash balances, provide sufficient financing for all currently planned capital expenditure. It is the Group's policy to hedge the interest rate exposure on a proportion of its borrowings.

During this period of financial instability in the banking sector, the Group has sought to maintain higher than normal cash balances. This has resulted in the year-end cash balances of £51.5m (2007: £37.0m), much of which will be used to fund capital expenditure early in 2009.

(1) £6m of which is repayable per annum

Balance Sheet

The Group's intangible assets of £49.2m (2007: £46.9m) 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, with reference to future cash flows, and no impairment is needed.

Capital additions of £99.2m (2007: £17.6m) have been made during the year relating to the assets described in the cash flow section above. The additions are higher than the cash flow in the year due to a capital prepayment of £8.9m made in 2007 and accrued capital expenditure of £11.1m at the current year end. These additions are partially off-set by the depreciation charge for the year of £21.0m (2007: £17.4m). 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 £24.2m (2007: £4.7m). This results in a year-end carrying value of the Group's Property, Plant and Equipment of £206.1m (2007: £103.7m). During the year, the Group has changed its accounting policy in respect of certain costs of construction. Previously these were accounted for as an exceptional operating cost. Following the change, such costs are included in the cost of the asset to which they relate. Further details are given in note 2.

Current trade and other receivables have decreased to £28.0m (2007: £36.7m). This is partly due to a capital prepayment of £8.9m that was made in the prior year. In addition, working capital improvements of £3.8m have been made in this area. The benefit from these improvements has been off-set by the higher year end carrying value of trade and other receivables as a result of the strengthening of the Euro against Sterling.

Trade and other payables have increased to £55.7m (2007: £36.1m). £11.1m of the current balance relates to capital creditors are described above. In addition the Group has benefited from working capital improvements in this area of £3.7m. The remainder of the increase is largely due to the strengthening of Euro against Sterling.

The total liability in respect of derivative financial instruments of £9.5m (2007: £0.1m) represents the fair value of the Group's interest rate swap and forward foreign exchange contracts. This does not represent a cash loss in the year.

Provisions of £8.5m (2007: £6.8m) primarily relate to an onerous lease provision in respect of a property in Munich. A full provision has been made in prior years in respect of this lease, however the Group continues to pursue options to mitigate the liability.

Operational and Financial Risks

The Group's operations expose it to a variety of risks. The Directors regularly review these risks and appropriate steps are taken to reduce or eliminate the risks and mitigate their potential impact. Below are listed the principal operating risks which the Directors consider could affect the Group but they are not intended to be an extensive analysis of all risks which may arise in the ordinary course of business or otherwise. The financial risks of the Group are contained in note 3 of the Group's Annual Report.

Operational Risks

- Any failure of the physical infrastructure or services of the Group could lead to significant costs and disruptions that could reduce revenues, harm the Group's business reputation and have a material adverse effect on financial results. The Group manages this through a series of back-up and safety systems.

- The market for data centres and internet-related products is characterised by continued evolution in technology, evolving industry standards, changes in customer needs, heavy competition and new product introductions. The Group manages this by developing new products and modifying or improving existing products in a timely and cost-effective manner. The Value Added Services which the Group offers include engineering, connectivity, security and backup services.

- Due to the increasing demand for the Group's services, substantial management effort and financial resources are employed by the Group in fitting-out and upgrading new data centres. In addition, the Group periodically upgrades and replaces the equipment in its premises. Although the Group has budgeted for expected fit-out and equipment expenses, additional expenses in the event of unforeseen delays, cost overruns, unanticipated expenses, regulatory changes, and increases in the price of equipment may negatively affect the Group's business. The Group manages this by utilising internal and external personnel with the appropriate level of skill and experience. In addition, detailed project appraisals are performed and kept up to date in respect of all major capital projects.

- The Group relies on certain key suppliers. The most significant of which are those for electricity and the landlords of the Group's properties. Before entering into a contract for either of these supplies, extensive research is performed to establish, to the extent possible, a high degree of comfort that the supplier will be able to provide appropriate services to the Group for the anticipated period.

On behalf of the Board

Michael Tobin	**Brian McArthur-Muscroft**
Chief Executive Officer	Group Finance Director
30 January 2009	

Consolidated Income Statement

Continuing operations	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007[1] £'000
Revenue	3	**133,040**	97,916
Cost of sales		**(69,805)**	(57,837)
Gross profit		**63,235**	40,079
Sales and marketing costs		**(6,747)**	(4,968)
Administrative costs analysed:			
Depreciation and amortisation		**(22,103)**	(18,534)
Operating exceptional items	4	**-**	(4,031)
Other administrative costs		**(16,062)**	(11,759)
Total administrative costs		**(38,165)**	(34,324)
Operating profit	3	**18,323**	787
Finance income		**10,364**	523
Exceptional finance costs	4	**-**	(2,127)
Other finance costs		**(8,668)**	(6,256)
Profit/(loss) on ordinary activities before taxation		**20,019**	(7,073)
Income tax credit/(charge)	6	**5,313**	(66)
Retained profit/(loss) for the year	10	**25,332**	(7,139)
Earnings per share - basic (p)	7	**13.0**	(4.3)
Earnings per share - diluted (p)		**12.9**	(4.3)
Adjusted earnings per share - basic (p)	7	**7.8**	(0.6)
Adjusted earnings per share - diluted (p)		**7.8**	(0.6)

Supplementary income statement information

Adjusted[2] EBITDA	**40,426**	23,352
Operating exceptional items	**-**	(4,031)
EBITDA[3]	**40,426**	19,321
Depreciation	**(20,952)**	(17,414)
Intangible asset amortisation	**(1,151)**	(1,120)
Operating profit	**18,323**	787

(1) Restated for a chance in accounting policy as described in note 2.
(2) 2007 EBITDA adjusted for exceptional operating items (note 4).
(3) Earnings before interest, taxation, depreciation and amortisation.

Consolidated Statement of Recognised Income and Expense

	Year ended 31 December 2008 £'000	Year ended 31 December 2007[1] £'000
Currency translation differences on foreign currency net investments	**20,567**	5,244
Interest rate cash flow hedge	**(4,493)**	
Foreign exchange cash flow hedge	**(4,977)**	-
Net gain recognised directly in equity	**11,097**	5,244
Profit/(loss) for the year	**25,332**	(7,139)
Total profits/(losses) recognised in year	**36,429**	(1,895)

(1) Restated for a change in accounting policy as described in note 2.

Consolidated Balance Sheet

	Notes	**31 December 2008 £'000**	31 December 2007[(1)] £'000
Assets			
Non-current assets			
Intangible assets		**49,165**	46,868
Property, plant and equipment	8	**206,111**	103,693
Deferred income taxes	6	**5,374**	-
Trade and other receivables		**2,844**	2,992
		263,494	153,553
Current assets			
Trade and other receivables		**27,965**	36,739
Cash and cash equivalents		**51,506**	36,961
		79,471	73,700
Total assets		**342,965**	227,253
Capital and reserves			
Share capital	10	**396**	396
Share premium account	10	**74,127**	74,181
Other reserves	10	**21,064**	316
Retained profits	10	**92,917**	76,148
Total equity	10	**188,504**	151,041
Liabilities			
Non-current liabilities			
Borrowings		**72,566**	25,531
Obligations under finance leases		**1,117**	990
Derivative financial instruments		**3,303**	77
Provisions for other liabilities and charges		**7,501**	5,994
		84,487	32,592
Current liabilities			
Trade and other payables		**55,730**	36,060
Borrowings		**6,689**	6,416
Obligations under finance leases		**421**	278
Derivative financial instruments		**6,167**	39
Provisions for other liabilities and charges		**967**	827
		69,974	43,620
Total liabilities		**154,461**	76,212
Total equity and liabilities		**342,965**	227,253

(1) Restated for a change in accounting policy as described in note 2.

Consolidated Cash Flow Statement

	Notes	**Year ended 31 December 2008 £'000**	Year ended 31 December 2007[1] £'000
Cash inflow from operating activities	11	**47,786**	18,998
Interest received		**935**	523
Interest paid		**(2,735)**	(6,158)
Interest element of finance lease payment		**(13)**	(75)
Taxation		**(61)**	(67)
Net cash inflow from operating activities		**45,912**	13,221
Cash flows from investing activities			
Acquisition of subsidiaries		**400**	-
Purchase of property, plant and equipment		**(79,190)**	(15,891)
Prepayment of property, plant and equipment		**-**	(8,907)
Net cash used in investing activities		**(78,790)**	(24,798)
Cash flows from financing activities			
Net proceeds on issue of ordinary share capital		**127**	67,042
Repayment of obligations under finance leases		**(105)**	(160)
Proceeds from borrowings		**48,039**	42,433
Repayment of borrowings		**(6,000)**	(71,297)
Net cash inflow from financing activities		**42,061**	38,018
Net increase in cash and cash equivalents		**9,183**	26,441
Effects of foreign exchange rate change		**5,362**	363
Cash and cash equivalents at beginning of year		**36,961**	10,157
Cash and cash equivalents at end of year		**51,506**	36,961

(1) Restated for a change in accounting policy as described in note 2.

Notes to the preliminary announcement

1. General information

Telecity Group plc is a company incorporated, and domiciled, in the United Kingdom and has Sterling as its presentation and functional currency. Telecity Group plc and its subsidiaries operate in the internet infrastructure facilities and associated services industry within Europe.

2. Basis of preparation

The preliminary announcement does not constitute full financial statements.

The results for the year ended 31 December 2008 included in this preliminary announcement are extracted from the audited financial statements for the year ended 31 December 2008 which were approved by the Directors on 30 January 2009. 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 2008 Annual Report will be posted to shareholders in advance of the Annual General Meeting to be held on 14 May 2009. The financial statements for the year ended 31 December 2007 have been delivered to Registrar of Companies and those for 31 December 2008 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.

The consolidated preliminary announcement of the Group has been prepared in accordance with EU Endorsed International Financial Reporting Standards ('IFRSs'), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through the income statement.

The preparation of the preliminary announcement in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the Group's financial statements.

The accounting policy in respect of certain construction costs, for example rent, has been reviewed following the increase in the number of new data centres the Group is constructing. In the past, such costs were disclosed as exceptional items in the income statement until the point at which the data centre, or an area thereof, was ready for use. This differed from the majority of costs incurred during the construction of a new data centre, which are capitalised. As such, the Group has changed its accounting policy in respect of new build data centres such that the accounting for all directly attributable costs is consistent. The value of such costs now capitalised in the current year represent 3.5% (2007: 3.9%) of total additions to property, plant and equipment. The impact on the current year is to increase EBITDA by £nil (2007: nil), increase profit after tax by £3,429,000 (2007: £685,000) and increase net assets by £3,429,000 (2007: £685,000). In addition, basic and diluted earnings per share for the current year have increased by 1.7p (2007: 0.4p). There is no impact on any years prior to 2007.

In addition, following a court order pursuant to section 138 of the Companies Act, 1985 dated 4 July 2007, a distributable amount of £102,456,000 previously contained with the share premium account has been reclassified to the profit and loss reserve.

3. Segmental information

(a) Primary reporting format – geographic segments

At 31 December 2008, 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 2008			Year-ended 31 December 2007[1]		
	UK and Ireland £'000	**Rest of Europe £'000**	**Total £'000**	UK and Ireland £'000	Rest of Europe £'000	Total £'000
Revenue	**77,555**	**55,485**	**133,040**	63,364	34,552	97,916
Cost of sales	**(41,794)**	**(28,011)**	**(69,805)**	(37,308)	(20,529)	(57,837)
Gross profit	**35,761**	**27,474**	**63,235**	26,056	14,023	40,079
Depreciation and amortisation	**(10,255)**	**(11,848)**	**(22,103)**	(9,460)	(9,074)	(18,534)
Operating exceptional items	**-**	**-**	**-**	(609)	17	(592)
Other operating expenses	**(11,103)**	**(11,706)**	**(22,809)**	(10,395)	(6,332)	(16,727)
	14,403	**3,920**	**18,323**	5,592	(1,366)	4,226
Unallocated exceptional items			**-**			(3,439)
Operating profit			**18,323**			787
Finance income			**10,364**			523
Exceptional finance costs			**-**			(2,127)
Other finance costs			**(8,668)**			(6,256)
Profit/(loss) before tax			**20,019**			(7,073)
Income tax			**5,313**			(66)
Profit/(loss) for the year			**25,332**			(7,139)
Segment assets	**164,462**	**172,891**	**337,353**	126,984	98,573	225,557
Unallocated assets			**5,612**			1,696
Total assets			**342,965**			227,253
Segment liabilities	**(25,431)**	**(40,307)**	**(65,738)**	(19,985)	(20,868)	(40,853)
Unallocated liabilities			**(88,723)**			(35,359)
Total liabilities			**(154,461)**			(76,212)
Capital expenditure	**50,365**	**28,825**	**79,190**	9,308	6,583	15,891

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.

3. Segmental information (continued)

(b) Secondary reporting format – business segments

Revenue	**Year-ended 31 December 2008 £'000**	Year-ended 31 December 2007 £'000
Colocation	**101,176**	70,409
Value Added Services	**31,864**	27,507
	133,040	97,916

Colocation and Value Added Services utilise the same asset base, as such it is not practicable to allocate total assets and capital expenditure between these two segments.

4. Exceptional items

Exceptional items comprise:

	Year-ended 31 December 2008 £'000	Year-ended 31 December 2007(1) £'000
Operating exceptional items:		
Transaction-related expenses	**-**	2,877
Integration costs	**-**	1,430
Release of provisions for onerous leases	**-**	(276)
	-	4,031
Exceptional finance costs	**-**	2,127

In the prior year, 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 2007, the estimate of the discounted future amounts payable on these properties was reduced. The exceptional finance costs relate to the write-off of capitalised loan issue costs in respect of debt that was refinanced during the year.

5. Expenses by nature

	Year-ended 31 December 2008			Year-ended 31 December 2007(1)		
	Adjusted* £'000	**Exceptional £'000**	**Total £'000**	Adjusted* £'000	Exceptional £'000	Total £'000
Property costs	**23,636**	**-**	**23,636**	20,805	-	20,805
Electricity costs	**21,725**	**-**	**21,725**	16,478	-	16,478
Depreciation and amortisation	**22,103**	**-**	**22,103**	18,534	-	18,534
Payroll	**24,964**	**-**	**24,964**	19,861	609	20,470
Other	**22,289**	**-**	**22,289**	17,420	3,422	20,842
	114,717	**-**	**114,717**	93,098	4,031	97,129

*adjusted for exceptional items.

6. Income tax (credit)/charge

	31 December 2008 £'000	31 December 2007 £'000
Current tax:		
Current tax on profit/(loss) for the year	**61**	66
Total current tax	**61**	66
Deferred tax:		
Origination and reversal of temporary differences	**(5,374)**	-
	(5,374)	-
Income tax (credit)/charge	**(5,313)**	66

Factors affecting the current year (credit)/charge are as follows:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007[1] £'000
Profit/(loss) before tax	**20,019**	(7,073)
At statutory rate of tax of UK corporation tax of 28% (2007: 30%)	**5,605**	(2,122)
Effect of different tax rates in non-UK jurisdictions	**(336)**	14
Depreciation in excess of capital allowances	**(438)**	2,717
Items not taken into account for tax purposes and other timing differences	**1,075**	3,713
Utilisation of losses	**(5,845)**	(4,256)
Recognition of deferred tax asset	**(5,374)**	-
	(5,313)	66

At the year end the Group had recognised the following amounts in respect of deferred tax:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Deferred tax liabilities	**(38,071)**	(29,901)
Deferred tax assets	**43,445**	29,901
	5,374	-

The deferred tax liabilities relate to claimed capital allowances in excess of depreciation and the valuation of certain balance sheet items, for example intangible fixed assets relating to customer contracts. The deferred tax assets predominantly relate to trading losses. Such assets and liabilities have been off-set only when they arise in the same tax jurisdiction, the amounts are expected to reverse in similar periods and the amounts would be available for off-set. The majority of the net deferred tax asset is expected to be realised within twelve months.

6. Income tax (credit)/charge (continued)

The movement on the deferred income tax account is as follows:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
At 1 January	**-**	-
Income statement credit	**5,374**	-
At 31 December	**5,374**	-

Deferred income tax assets are recognised for tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable. In addition to the amounts recognised above, the Group has an unrecognised deferred tax asset of approximately £30,000,000 which relates to several of the Group's subsidiary companies.

7. Earnings per share

Basic earnings per share is calculated by dividing the profit/(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 2008 £'000	Year ended 31 December 2007 £'000[(1)]
Profit/(loss) attributable to equity holders of the Company (£'000)	**25,332**	(7,139)
Weighted average number of shares in issue (thousands)	**195,434**	167,426
Basic earnings per share (p)	**13.0**	(4.3)

Diluted earnings per share is calculated after adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive share options.

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000 [(1)]
Profit/(loss) attributable to equity holders of the Company (£'000)	**25,332**	(7,139)
Weighted average number of shares in issue (thousands)	**196,100**	167,426
Diluted earnings per share (p)	**12.9**	(4.3)

7. Earnings per share (continued)

The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group. Adjusted earnings are calculated by making the following adjustments:

	31 December 2008 £'000	31 December 2007 £'000
Profit/(loss) attributable to equity holders of the Company	**25,332**	(7,139)
Add back exceptional items (note 4)	**-**	6,158
Add back deferred tax credit (note 6)	**(5,374)**	-
Add back exchange gains on financing items	**(4,621)**	(82)
Tax effect of the above	**-**	-
Adjusted profit/(loss) attributable to equity holders of the Company	**15,337**	**(1,063)**

Applying the above adjusted earnings to the basic and diluted weighted average number of ordinary shares in issue during the year results in the following values for adjusted earnings per share:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000 [(1)]
Basic adjusted earnings per share (p)	**7.8**	(0.6)
Diluted adjusted earnings per share (p)	**7.8**	(0.6)

8. Property, plant and equipment

	Assets in the course of construction £'000	Leasehold improvements £'000	Plant and machinery £'000	Office Equipment £'000	Total £'000
Cost					
At 1 January 2007	-	72,605	92,315	5,886	170,806
Exchange differences	-	7,682	1,399	259	9,340
Additions	2,782	10,596	2,304	1,248	16,930
Disposals	-	(9)	-	(6)	(15)
At 1 January 2008 – as originally stated	2,782	90,874	96,018	7,387	197,061
Prior year adjustment (note 2)	685	-	-	-	685
At 1 January 2008 – as restated	**3,467**	**90,874**	**96,018**	**7,387**	**197,746**
Exchange differences	3,421	33,988	5,372	1,013	43,794
Additions	66,459	28,229	4,201	276	99,165
Transfers	(24,433)	24,362	71	-	-
Disposals	-	(33)	-	-	(33)
At 31 December 2008	**48,914**	**177,420**	**105,662**	**8,676**	**340,672**
Depreciation					
At 1 January 2007	-	37,892	30,482	3,633	72,007
Exchange differences	-	3,759	733	147	4,639
Charge for year	-	12,773	3,509	1,132	17,414
Disposals	-	(1)	-	(6)	(7)
At 1 January 2008	**-**	**54,423**	**34,724**	**4,906**	**94,053**
Exchange differences	-	15,687	3,137	754	19,578
Charge for year	-	16,223	3,675	1,054	20,952
Disposals	-	(22)	-	-	(22)
At 31 December 2008	**-**	**86,311**	**41,536**	**6,714**	**134,561**
Net book value					
At 31 December 2008	**48,914**	**91,109**	**64,126**	**1,962**	**206,111**
At 1 January 2008	3,467	36,451	61,294	2,481	103,693
At 1 January 2007	-	34,713	61,833	2,253	98,799

The net book value of assets held under finance leases at 31 December 2008 is £1,004,000 (2007: £1,014,000).

Included within additions to assets in the course of construction for the year 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 £523,000 and £3,429,000 respectively (2007: nil and £685,000).

9. Share capital

Company and Group	**31 December 2008 £'000**	31 December 2007 £'000
Authorised		
496,431,508 Ordinary (2007: 496,431,508) shares of £0.002 each	**993**	993

Company and Group	**31 December 2008 £'000**	31 December 2007 £'000
Allotted		
198,092,373 Ordinary (2007: 198,092,373) shares of £0.002 each	**396**	396

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

During the year 231,000 shares were issued under the Group's share options schemes for consideration of £181,000.

10. Statement of changes in equity

Group	**Share capital £'000**	**Share premium account[(1)] £'000**	**Retained profit[(1)] £'000**	**Own shares £'000**	**Cumulative translation reserve £'000**	**Total £'000**
At 1 January 2007	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 1 January 2008 – as previously reported	396	176,637	(26,993)	(4,447)	4,763	150,356
Prior year adjustment (note 2)		(102,456)	103,141	-	-	685
At 1 January 2008 – as restated	**396**	**74,181**	**76,148**	**(4,447)**	**4,763**	**151,041**
Profit for the year	-	-	25,332	-	-	25,332
Credit to equity for share-based payments	-	-	907	-	-	907
Currency translation differences on foreign currency net investments	-	-	-	-	20,567	20,567
Cash flow hedges	-	-	(9,470)	-	-	(9,470)
Issue of shares	-	(54)	-	181	-	127
At 31 December 2008	**396**	**74,127**	**92,917**	**(4,266)**	**25,330**	**188,504**

11. Cash flow from operating activities and reconciliation of consolidated net debt

Reconciliation of profit/(loss) on ordinary activities before taxation to net cash inflow from operating activities:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007[1] £'000
Profit/(loss) on ordinary activities before taxation	**20,019**	(7,073)
Add finance costs	**8,668**	8,383
Less finance income	**(10,364)**	(523)
Add IPO related costs	**-**	2,877
Depreciation charge	**20,952**	17,414
Intangible asset amortisation	**1,151**	1,120
Loss on disposal of property, plant and equipment	**11**	8
Share-based payment charges	**907**	307
Movement in receivables	**3,774**	(2,338)
Movement in payables	**3,674**	(165)
Movement in provisions	**(806)**	(349)
Exchange movement	**(200)**	(663)
Net cash inflow from operating activities	**47,786**	18,998

Reconciliation of consolidated net debt:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Increase in cash and cash equivalents	**9,183**	26,441
Cash (inflow)/outflow from movement in debt	**(41,934)**	29,024
Change in net debt	**(32,751)**	55,465
Effects of foreign exchange rate change	**(282)**	(1,317)
Movement in net debt in the period	**(33,033)**	54,148
Net cash/(debt) at beginning of year	**3,746**	(50,402)
Net (debt)/cash at end of year	**(29,287)**	3,746

(1) Restated for a change in accounting policy as described in note 2.

Corporate Information

Secretary
Tony Hunter

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

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

Web site: www.telecitygroup.com

Registered Number: 5603875

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Corporate Advisors
Deutche Bank AG
Winchester House
Great Winchester Street
London
EC2N 2DB

Citigroup
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

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

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

Solicitors
Freshfields Bruckhaus Deringer
65 Fleet Street
London
EC4Y 1HS

Lovells LLP
Atlantic House
Holborn Viaduct
London
EC1A 2FG

Addleshaw Goddard LLP
150 Aldersgate Street
London
EC1A 4EJ