



TelecityGroup plc

Results for the year to 31 December 2010

9 February 2011



Cautionary note regarding forward-looking statements

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Michael Tobin

Chief Executive Officer

Introduction

2010 highlights

- **Strong financial performance in 2010**
 - Revenues up 15.9% to £196.4m, with constant currency revenue growth of 17.7%
 - Adjusted EBITDA up 30.5% to £83.4⁽¹⁾m
 - Adjusted EBITDA margin up 480bps to 42.5%
 - Adjusted profit before tax up 45.0% to £51.4m
 - Operating free cash flow up 25.2% to £74.4m
 - Adjusted diluted earnings per share up 30.2% to 21.1p
- **Phased capacity expansion to enhance leadership position in Europe**
 - Total operating capacity at the end of 2010 58MW
 - Total announced capacity 107MW
 - Phased expansion programmes underway across seven sites
 - Market leading positions in the major European internet hubs to be enhanced
- **Outlook remains favourable**
 - Strong order book and order pipeline
 - EBITDA margins expected to remain strong

⁽¹⁾ Other companies in the sector exclude share-based payments from adjusted EBITDA. For comparative purposes the equivalent figure for TelecityGroup was £85.9m (2009: £65.5m).

Brian McArthur-Muscroft

Group Finance Director

Financial Summary

Income statement

	FY 09 (£'m)	FY 10 (£'m)	Growth (%)
Revenue	169.4	196.4	15.9 %
Operating costs	(105.5)	(113.0)	
Adjusted EBITDA	63.9	83.4	30.5 %
Depreciation and amortisation	(24.8)	(27.0)	
Adjusted operating profit	39.1	56.4	44.2 %
Net finance costs	(3.7)	(5.0)	
Adjusted profit before tax	35.4	51.4	45.0 %
Adjusted tax charge	(3.4)	(9.2)	
Adjusted profit after tax	32.0	42.2	31.7 %
Adjusted diluted EPS	16.2p	21.1p	30.2%
Adjusted EBITDA margin	37.7%	42.5%	

• The above results are adjusted to exclude exceptional items and other financing items

Strong revenue growth

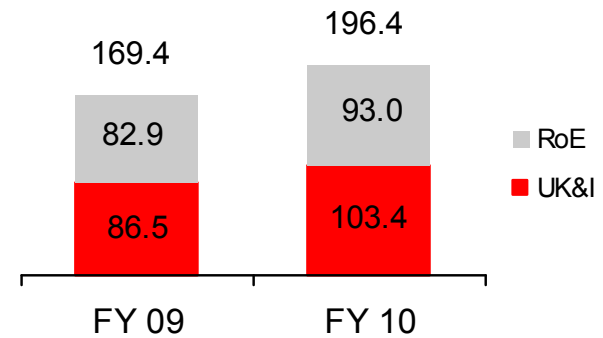
Total revenue up 15.9%

- **17.7% on a currency neutral basis**
 - Colocation revenue up 17.8%
 - Services revenue up 8.2%
 - Over 90% of revenues are recurring

Geographies

- **UK & Ireland revenue up 19.6%**
- **Rest of Europe revenue up 12.1%**
 - 15.3% on a currency neutral basis

By geography (£'m)

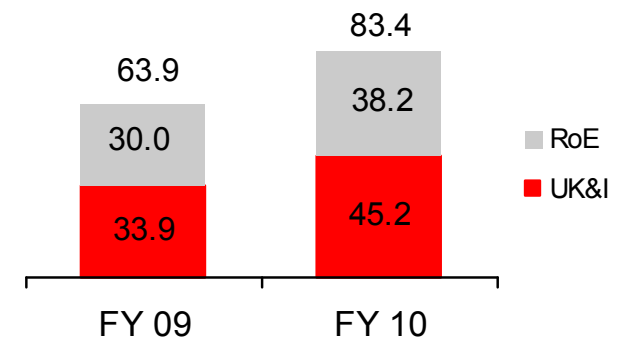


Significant growth in adjusted EBITDA

FY 10 adjusted EBITDA up 30.5% to £83.4m

- Responsible pricing
- Continuing focus on cost control

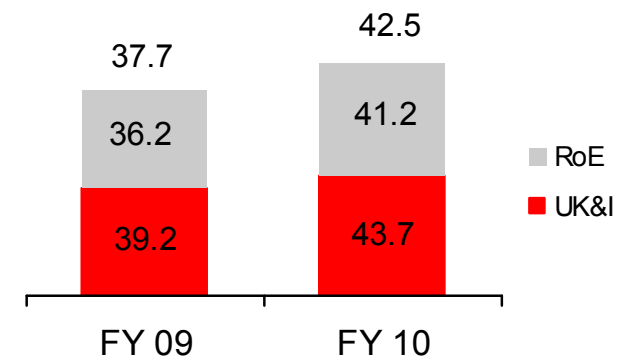
Adjusted EBITDA (£'m)



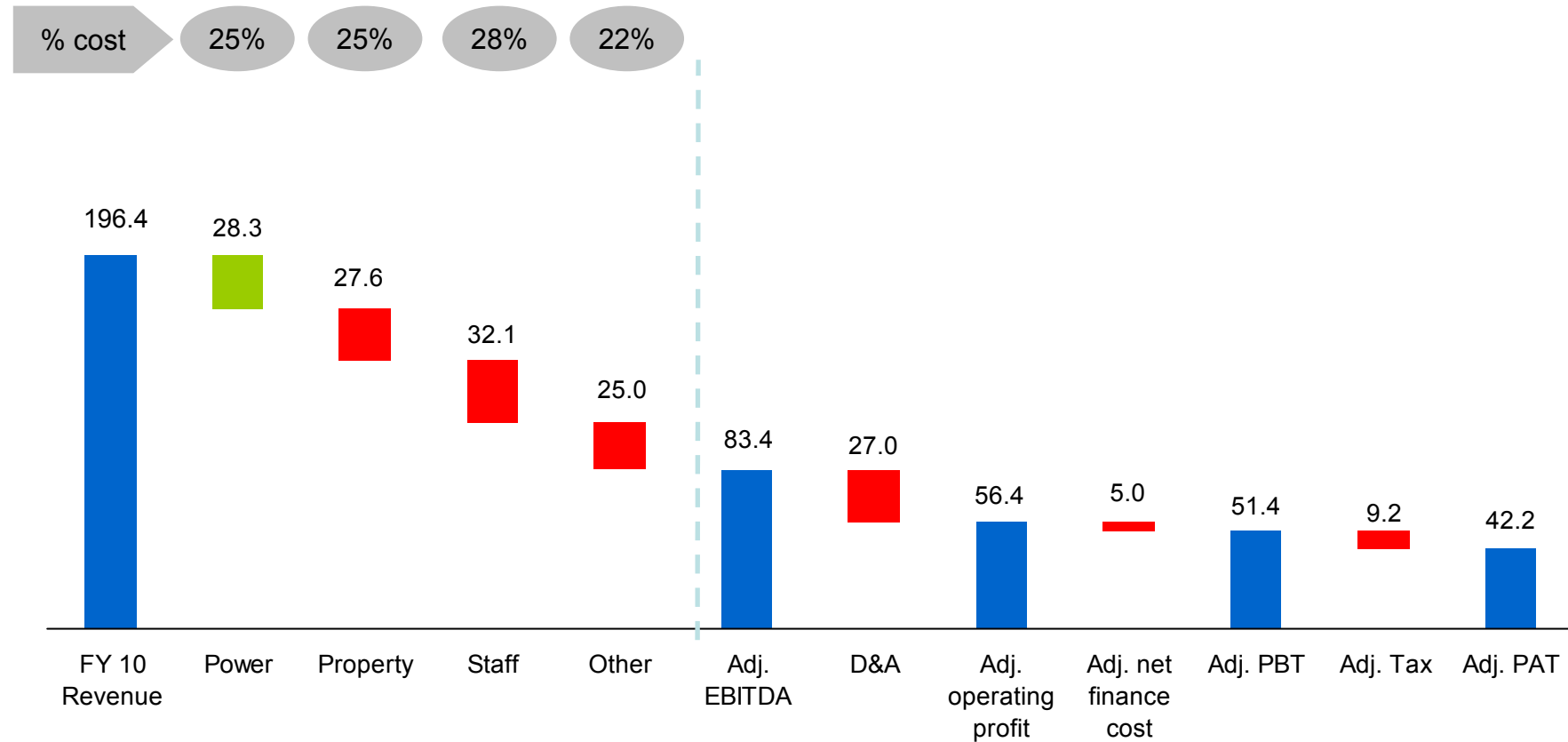
FY 10 adjusted EBITDA margin up to 42.5%

- Margin continued to benefit from operational leverage
- Margins to remain strong, despite significant expansion programme

Adjusted EBITDA margin (%)

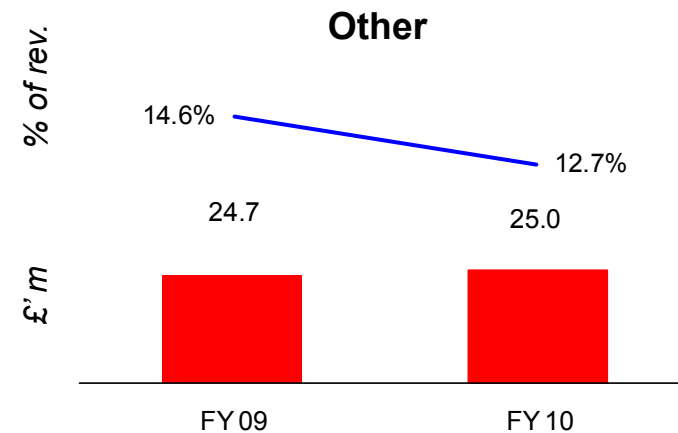
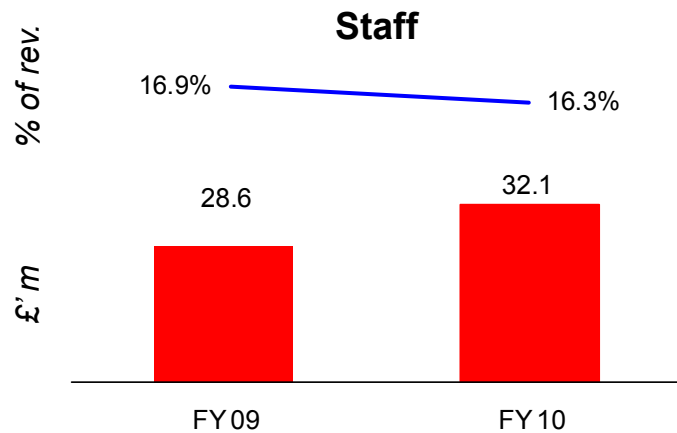
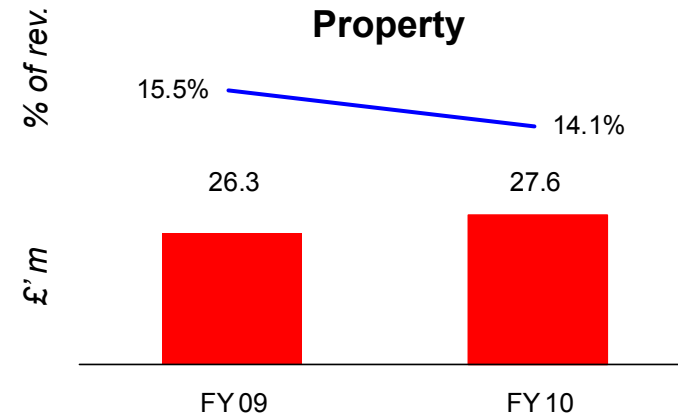
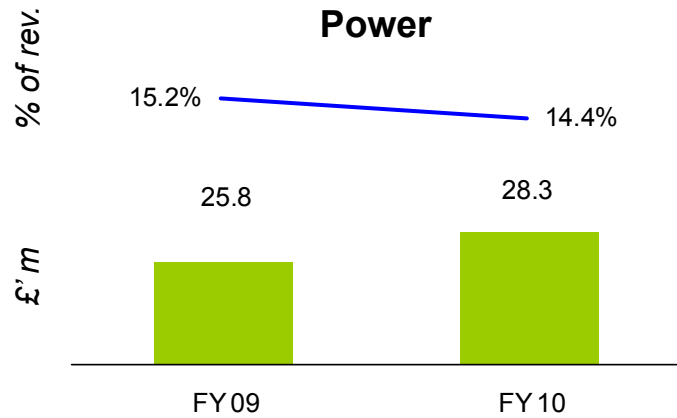


Revenue growth translates into EBITDA growth



• The above results are adjusted to exclude exceptional items and other financing items

Benefits of operational leverage and cost control



Strong cash flow generation and working capital performance

TelecityGroup FY 10	(£'m)	Drivers
Adjusted EBITDA	83.4	<ul style="list-style-type: none"> • Very strong conversion of EBITDA into operating cash flows
Working capital	10.2	<ul style="list-style-type: none"> • Efficient working capital cycle, which resulted in additional £10.2m cash inflow
Net interest	(4.6)	<ul style="list-style-type: none"> • Debtor days remain stable for 2010 at 32 (FY 09: 32)
Tax paid	(2.9)	<ul style="list-style-type: none"> • Other includes share-based payments and operating exceptionals
Other	1.6	<ul style="list-style-type: none"> • Operational capex includes maintenance and enhancement of existing infrastructure and customer capex
Operating cash flow	87.7	<ul style="list-style-type: none"> • Operating free cash flow has been partially used to invest in the Group's expansion programme
Operational capex	(13.3)	
Operating free cash flow	74.4	

Expansion capex

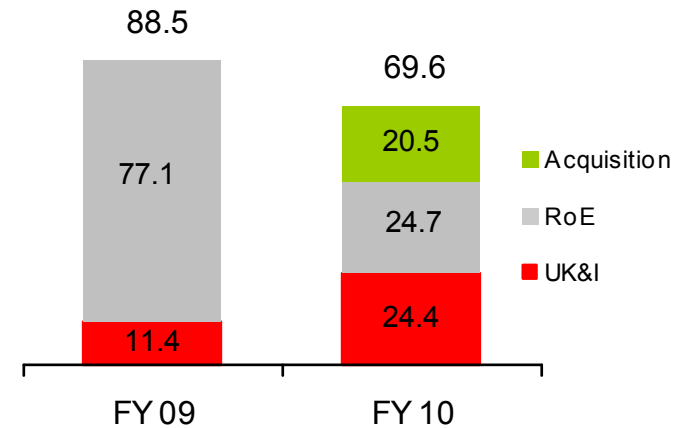
Expansion capex of £69.6m

- Free cash flow after organic expansion of £25.3m
 - £4.8m after IFL acquisition

Benefits of spend

- Increasing capacity in response to customer demand
- Securing future growth potential
- Leveraging existing sites

Expansion capex (£'m)



Strong financial base and business model

Strong financial base

- £200m debt facility provides the Group with additional flexibility to capitalise on expansion opportunities
- Net debt at the end of 2010 was £56.8m
- Effective interest rate on drawn debt of 5.3% (including margin)
- Significant headroom in current facilities, even after all announced expansion plans
- Significant additional debt capacity

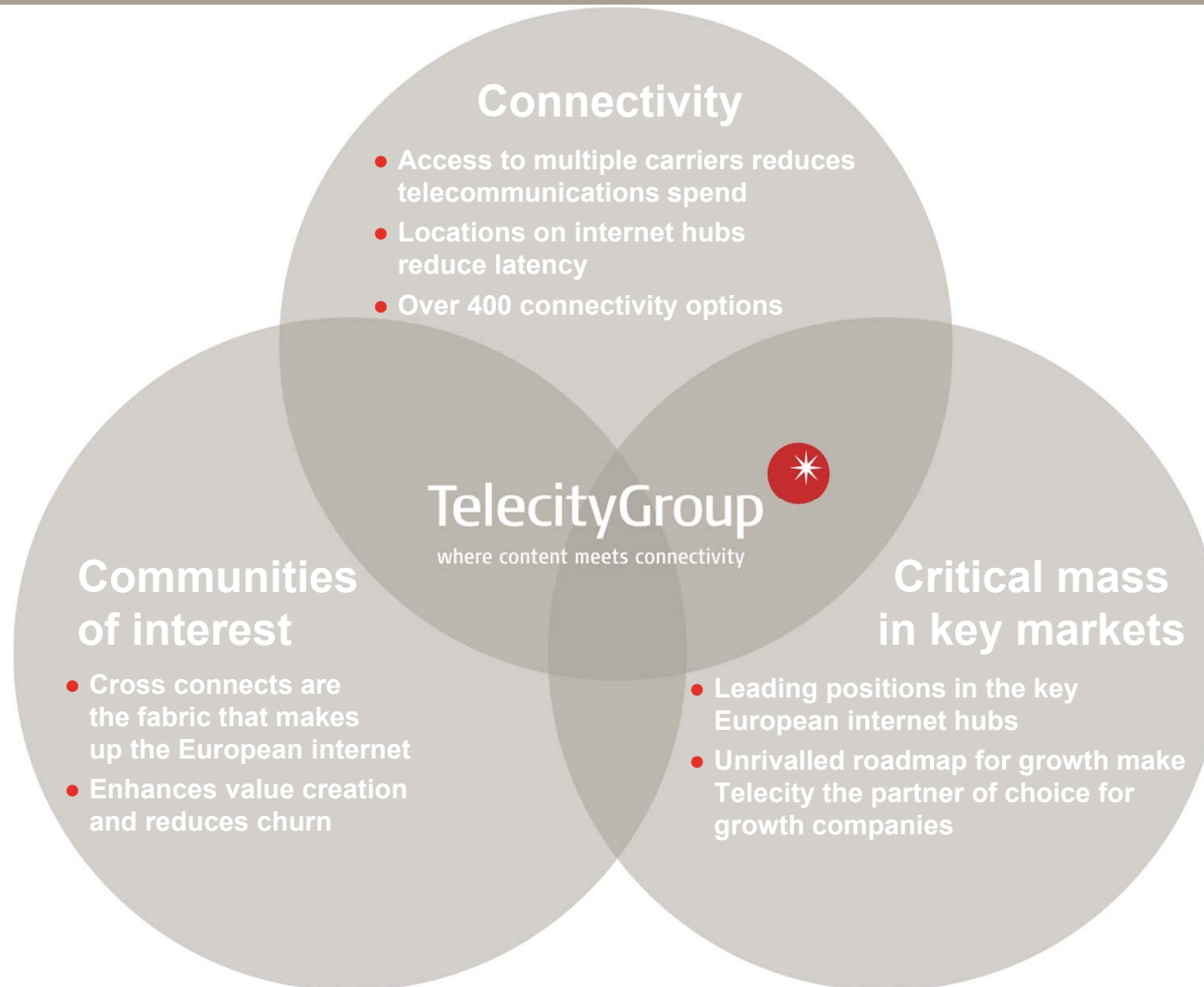
Strong business model

- Revenue growth translates into earnings growth
 - Existing operations highly cash generative
 - Efficient management of working capital has led to additional cash generation of £10.2m in the year (FY 09: £8.1m)
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Michael Tobin

Chief Executive Officer

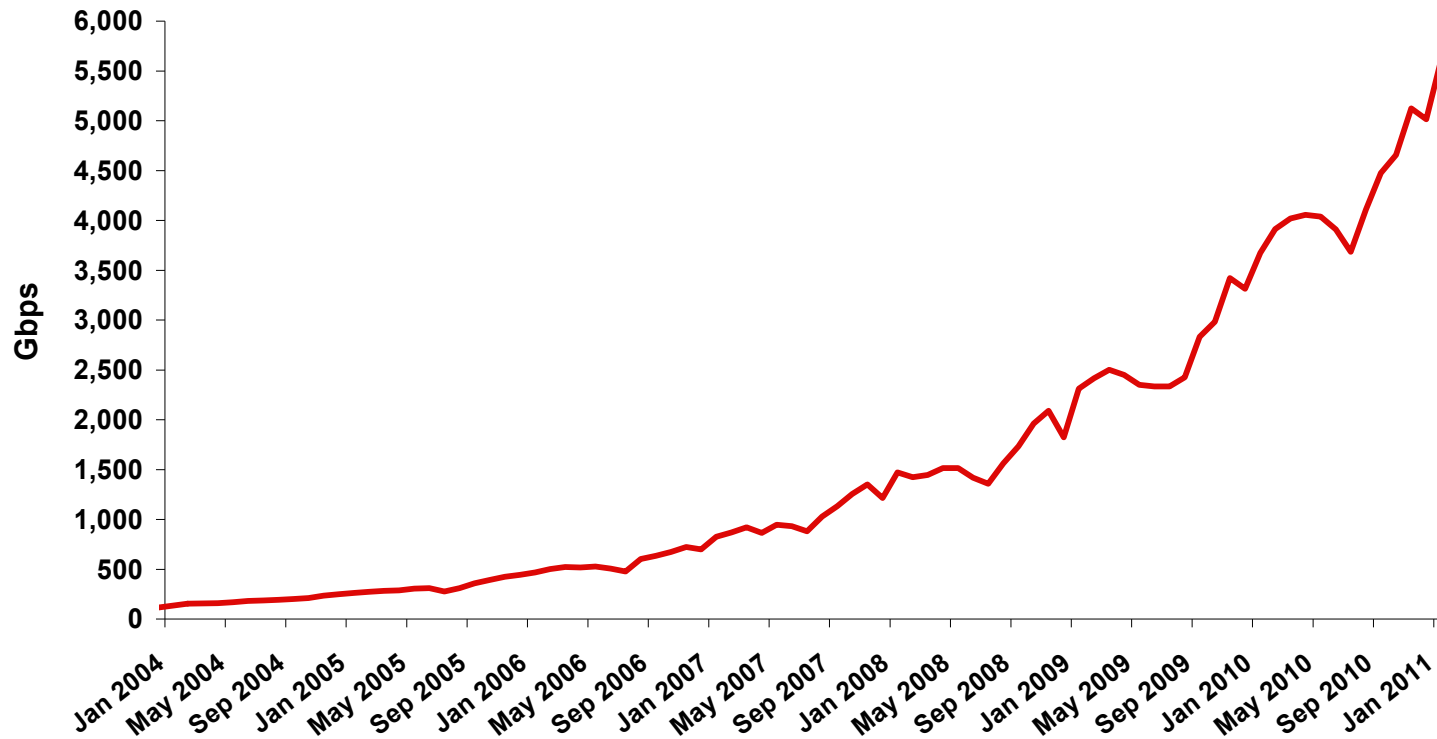
Operating review



Structural growth:

Internet traffic is a core demand driver for data centre capacity

Aggregated peak European IXP traffic (2003 – 2010)



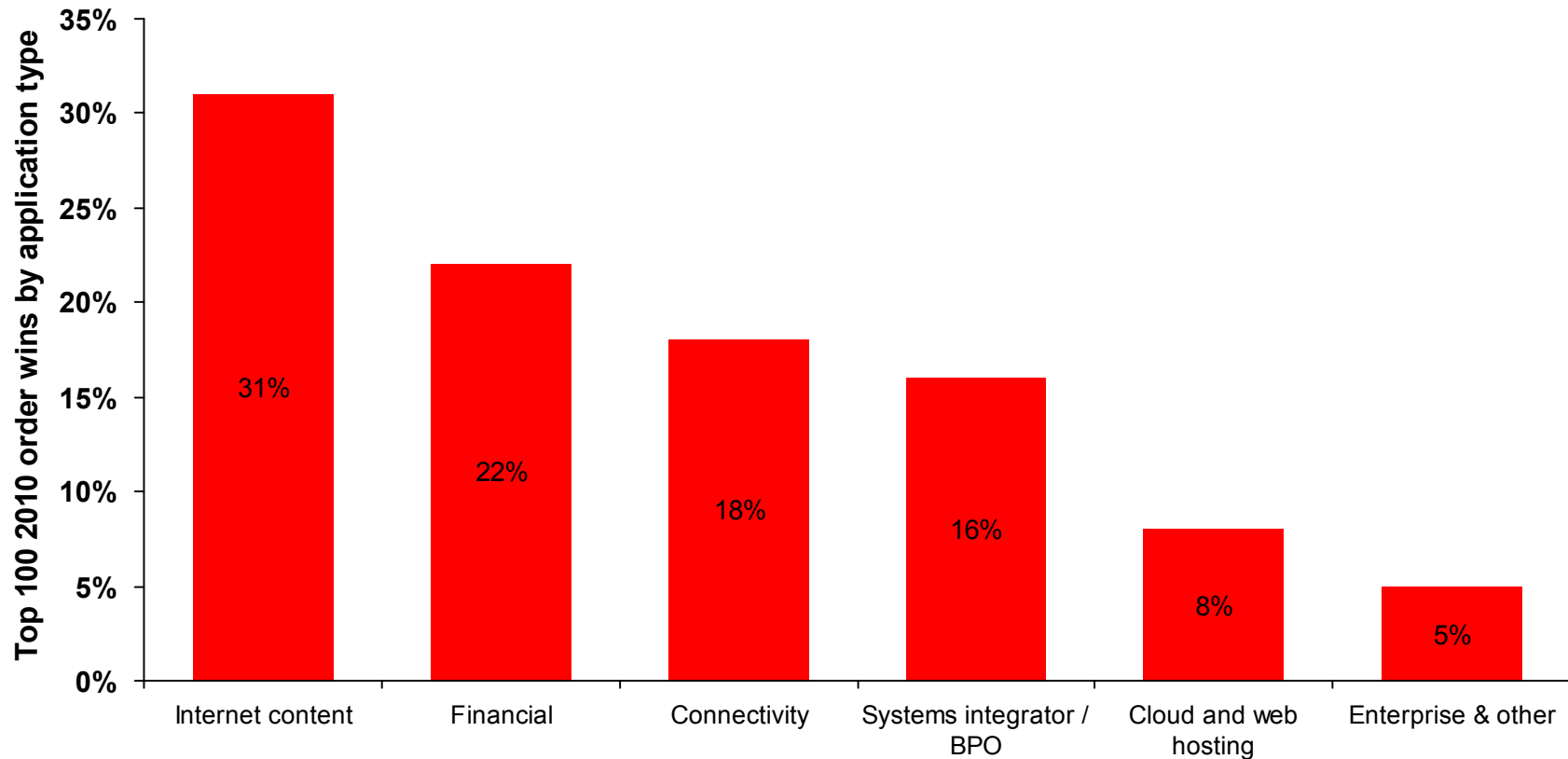
We continue to see significant growth in the digital economy
Virtuous circle of growth in internet traffic and investment in network capacity

Source: Euro-IX

Structural growth:

Broad based demand for highly-connected data centres

Customer wins by application type in 2010

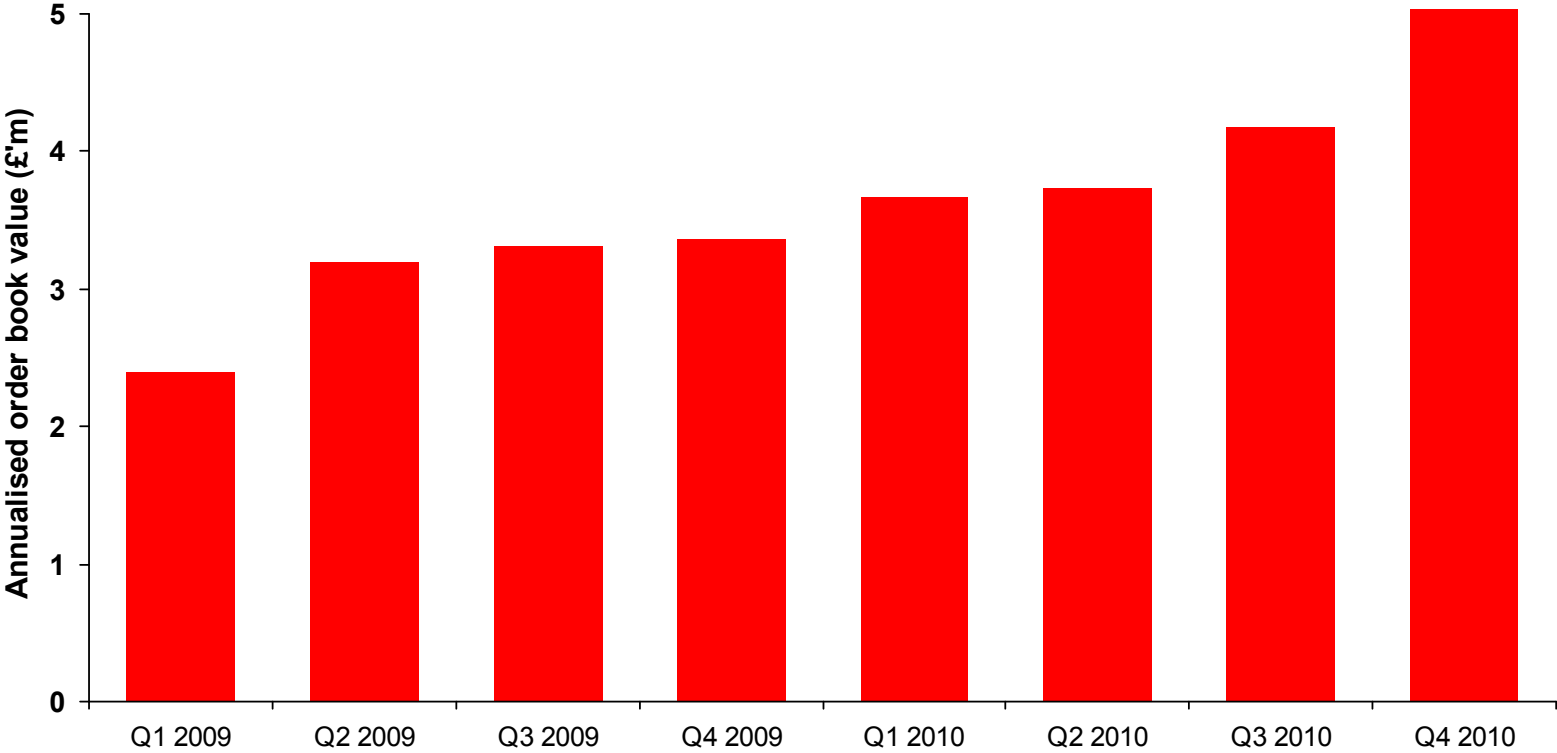


TelecityGroup has a diverse and growing customer base
The Group has over 5,000 customer contracts.

Structural growth:

Demand from existing customers is increasing

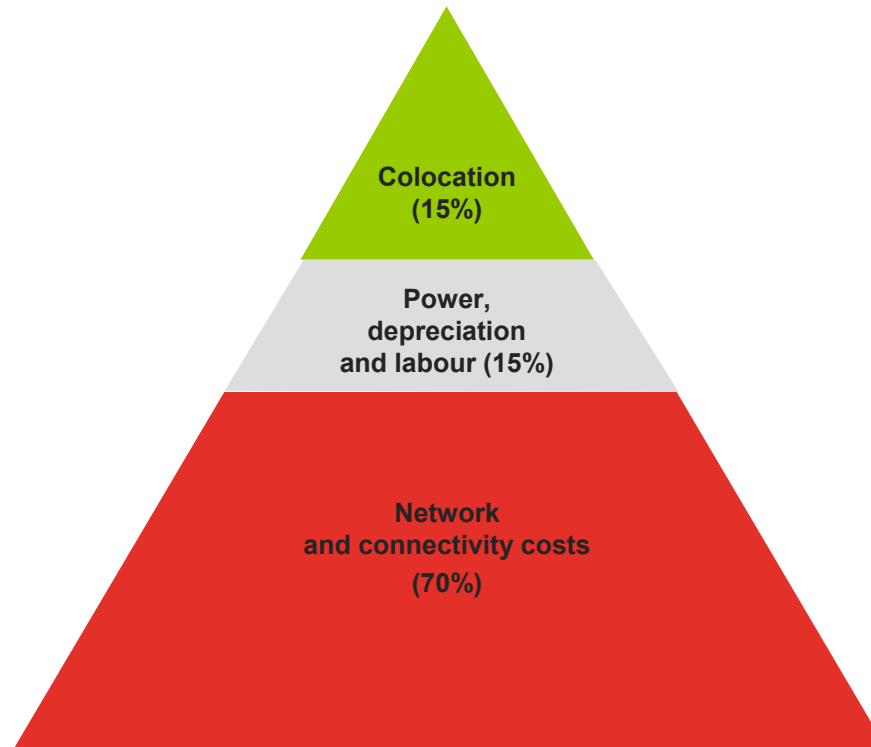
The growth profile of a key customer



Developing strategic relationships with key companies in the digital economy
Position on internet hubs and clearly announced capacity growth plans make TelecityGroup an ideal partner for growing customers.

Controlled, sustainable growth:
TelecityGroup's data centres provide savings for customers

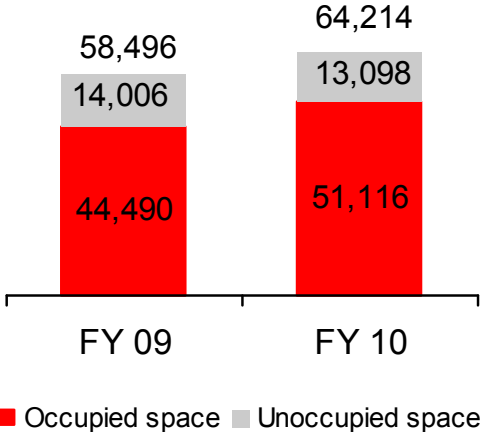
Case study of a highly network-dependent customer's data centre costs



TelecityGroup aims to generate strong returns on the capital that it invests by only competing in the premium data centre market, where barriers to entry are high and it can add value for its customers with its high levels of connectivity, excellent infrastructure and service.

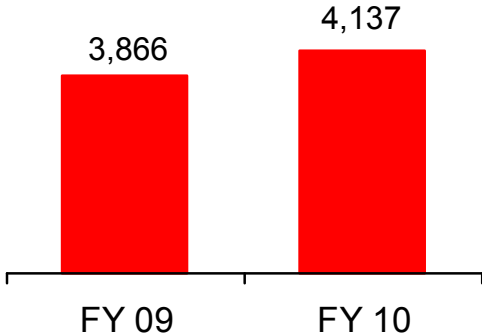
Controlled, sustainable growth: Capacity and occupancy

Group capacity & occupancy (sq.m)



- Fitted-out space up 9.8% to 64,214 sq.m
- Occupied space up 14.9% to 51,116 sq.m

Group revenue per occupied sq.m (£)

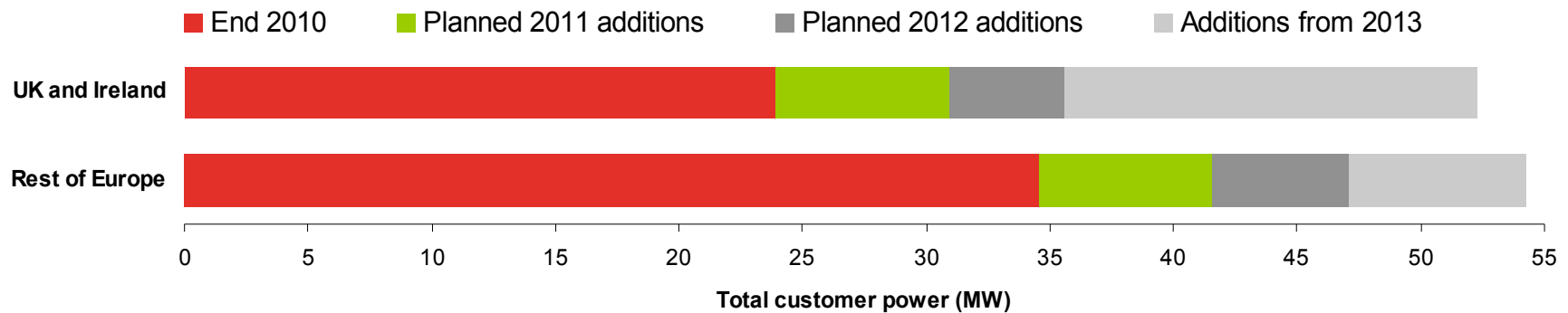


- Revenue per average occupied sq.m up 7.0% to £4,137, with FX neutral growth of 8.6%

Controlled, sustainable growth: Announced capacity to reach 107MW

Total capacity in December 2010 58MW

- Total announced customer power up to 107MW
- Expansion underway in London Docklands, London Powergate, Manchester, Amsterdam, Frankfurt, Paris and Stockholm
- Build costs range from £5.5m to £7.5m per MW



Controlled, sustainable growth: 2011 outlook

- **Confident in 2011 outlook**
 - Strong opening order book
 - Order pipeline remains robust
 - Margins expected to remain strong
 - New sites to become operational in H2 2011

Questions

Appendix I - earnings per share

The strong performance during the year has resulted in a 30.2% growth in adjusted diluted earning per share ('EPS') to 21.1p (FY 09: 16.2p). A reconciliation between the Group's adjusted and unadjusted results and EPS is shown below:

	Results		EPS	
	FY 09	FY 10	FY 09	FY 10
	£'m	£'m	Pence	Pence
Profit attributable to equity holders of the Company	34.7	38.0	17.6	19.0
(Less)/add other financing items	(2.7)	4.2	(1.4)	2.1
Exceptional items	—	1.2	—	0.6
Less tax effects of above	—	(1.2)	—	(0.6)
Adjusted profit attributable to equity holders of the Company	32.0	42.2	16.2	21.1

Appendix II - KPIs

- Measurement of rev/sq.m enhanced since the start of the year
- Now measured as revenue divided by average occupancy for the period rather than period end
- Results under both new and previous methods shown below

	New method			Previous method		
	FY 09	FY 10	% change	FY 09	FY 10	% change
Revenue (£'m)	169.4	196.4	15.9%	169.4	196.4	15.9%
Relevant occupied space (sq.m)	43,815	47,471	8.3%	44,490	51,116	14.9%
Revenue per sq.m (£/sq.m)	3,866	4,137	7.0%	3,807	3,842	0.9%

Appendix III - Our business

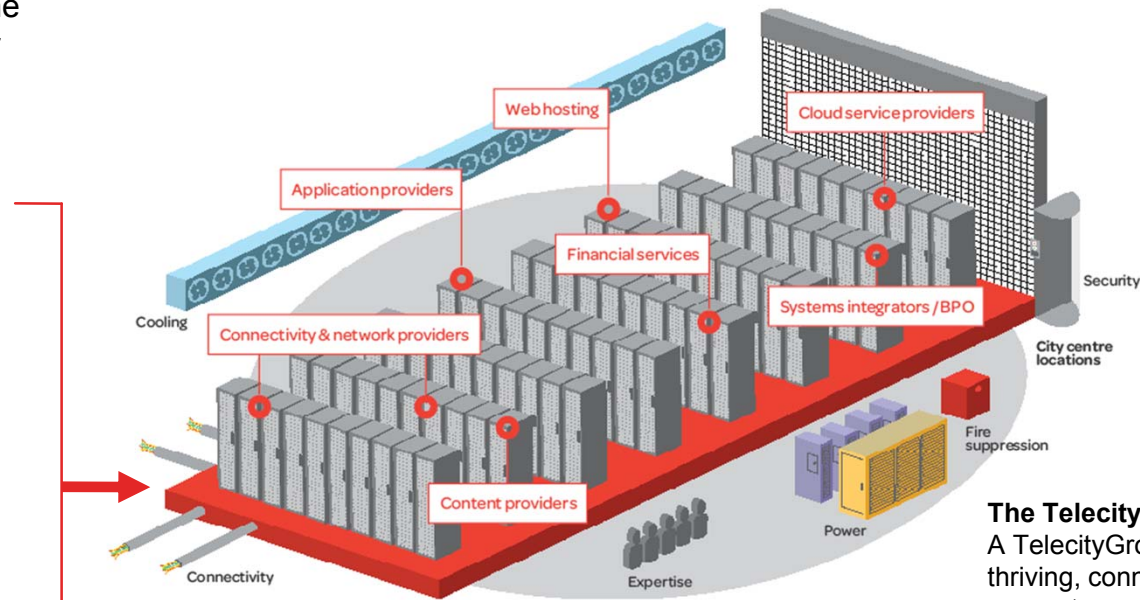
What is driving demand?

The growth of the digital economy is creating significant demand for the services provided by our customers. Examples of demand drivers include:

- Digital media
- Enterprise IT services
- Financial services
- On-demand IT / Cloud computing
- Mobile computing
- E-Commerce
- Social networking
- Internet access
- Music & video content
- Gaming
- E-Government services
- Knowledge management

The TelecityGroup hub: the data centres that power the digital economy

These end-user demands are being met by a wide range of our customers who operate services from within our data centres:



Technologies and applications evolve but TelecityGroup's core business remains the same. The data centre environments which TelecityGroup builds and operates are difficult to replicate: scalability, cost-management, reliability and flexibility all improve when IT infrastructure is hosted in a TelecityGroup network-independent data centre.

The TelecityGroup data centre

A TelecityGroup data centre is a thriving, connected, digital ecosystem providing direct access to a wide choice of telecoms and content distribution networks, key internet exchange points, and cloud hubs.

- ✓ Track record
- ✓ City centre locations
- ✓ Customer ecosystem
- ✓ High levels of connectivity

Appendix IV – Where we are going

Unique set of assets, combined to create value:

- Wide range of connectivity choices
- Market reputation and expertise
- Established ecosystems and communities of interest
- High quality data centres, in key central locations across Europe

Disciplined financial management:

- Cost effective financing secured
- Efficient capital structure
- Controlled, responsible approach to risk

Leveraging our existing infrastructure to secure future growth:

- Ongoing enhancement of leadership positions in key European internet hubs
- Deliver targeting expansion programme in key markets
- Development of customer ecosystems to establish long term customer relationships

TelecityGroup



where content meets connectivity