

10 February 2010

TELECITY GROUP PLC

Telecity Group plc results for the year ended 31 December 2009

TelecityGroup delivers 27.3% growth in revenue, 58.1% growth in EBITDA and 107.7% growth in adjusted diluted earnings per share

Telecity Group plc ('TelecityGroup' or the 'Group'), Europe's industry leading provider of premium network independent data centres, today announces its audited results for the year ended 31 December 2009.

Highlights

- Revenue up 27.3% to £169.4m (2008: £133.0m)
- EBITDA up 58.1% to £63.9m (2008: £40.4m)
- EBITDA margin up to 37.7% (2008: 30.4%)
- Adjusted⁽¹⁾ profit after tax up by 108.9% to £32.0m (2008: £15.3m)
- Adjusted diluted earnings per share up 107.7% to 16.2p (2008: 7.8p)
- Cash flow from operating activities of £70.9m (2008: £45.9m) including strong working capital performance contribution of £8.1m (2008: £6.6m)
- 13MW of additional capacity opened in the year across all countries resulting in year end capacity of 51MW
- 6MW of additional capacity to be added in Frankfurt in response to customer demand, increasing total announced capacity to 67MW
- New 5 year, £200m bank facility in place

Statutory equivalents

The above highlights are before foreign exchange gains on financing items and, in respect of the prior year, a net deferred tax credit. These variable items 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 diluted earnings per share result:

- Profit after tax up 37.1% to £34.7m (2008: £25.3m)
- Basic diluted earnings per share up 36.4% to 17.6p (2008: 12.9p)

Michael Tobin, TelecityGroup CEO, said:

"2009 has been another outstanding year for TelecityGroup. The Group has delivered a strong set of results with an excellent performance in terms of growth in revenue, operating profit, earnings per share and cash flow from operations. We have also made very substantial investment in capacity right across our European markets to enable future growth and secured financing for a further round of demand driven investment. TelecityGroup has made a good start to 2010, with a healthy opening order book that is in line with our expectations. As such, I am confident that the Group should enjoy another strong year"

John Hughes, TelecityGroup Chairman, said:

"I am very pleased that TelecityGroup has entered into a new 5 year senior debt facility. This replaces its existing funding arrangements, which were due to expire in 2012. In addition to lengthening the term of its debt facilities, this new funding increases the Group's financing capabilities by some £100m, enabling it to deliver incremental value-creating growth."

For further information please contact:

TelecityGroup:

Investors:

Matthew Springett +44 (0)20 7005 6337

Media:

James Tyler +44 (0)20 7001 0076

Brunswick: Tom Buchanan / James Olley +44 (0)20 7404 5959

(1) Adjusted to exclude foreign exchange gains on financing items and, in respect of the prior year, a net deferred tax credit

Notes to Editors

Telecity Group plc

TelecityGroup is Europe's industry 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 23 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.

Website: 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 REVIEW

During the year TelecityGroup continued to deliver sustainable growth by opening and selling high quality, differentiated data centre capacity in Europe, to meet the demand for highly connected and resilient data centres that is being driven by the growth in the digital economy.

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

This enabled the Group to achieve strong growth in revenue, operating profit and earnings per share, while continuing to invest for future growth. During 2009, TelecityGroup opened new data centres in Paris, Stockholm and Milan and added incremental capacity in London, Amsterdam and Frankfurt.

The total fitted-out space operated by TelecityGroup increased 13.8% to 58,496 sq.m (2008: 51,412 sq.m) and total available customer power increased from 38 megawatts ("MW") at the beginning of 2009 to 51 MW at the year end.

TelecityGroup intends to continue to open capacity in its core markets in response to customer demand. The Group has now stated plans to increase its total customer available power to 67 MW.

Demand across the Group's markets from the organic growth of its existing customers and from new contract wins led to year end occupied space increasing 10.6% to 44,490 sq.m (2008: 40,238 sq.m).

TelecityGroup won new business from a wide range of leading international companies; the largest part of this demand came from companies operating in the areas of internet content provision and telecommunications. TelecityGroup's customer base remains highly diverse with the top 20 customers accounting for less than 25% of the Group's revenues.

Revenue per occupied sq.m⁽¹⁾ increased 15.1% to £3,807 (2008: £3,306). On a currency-neutral basis, revenue per occupied sq.m grew 10.1%. This reflects a combination of factors including increased sales of higher-power density space and price increases.

Key Performance Indicators

The Group uses a number of KPIs to measure performance. 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, 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 2009	Year ended 31 December 2008	% Change
Revenue (£'000)	169,383	133,040	+27.3
EBITDA (£'000)	63,915	40,426	+58.1
Adjusted diluted EPS (pence)	16.2	7.8	+107.7
Total fitted out space (sq.m)	58,496	51,412	+13.8
Occupancy (sq.m)	44,490	40,238	+10.6
Revenue per sq.m ⁽¹⁾ (£/sq.m)	3,807	3,306	+15.1

(1) Measured as revenue for the year divided by year end occupied space.

UK and Ireland (UK&I)

TelecityGroup's UK&I operations continued to make good progress during 2009 as the Group benefited from the organic growth of its existing customer base and won new contracts from UK and international companies.

Fitted out space increased 6.7% to 26,972 sq.m (2008: 25,279 sq.m) as the Group continued to open its London 8 "Powergate" site in phases. Occupied space increased 8.8% to 23,462 sq.m (2008: 21,561 sq.m).

Revenue per occupied sq.m increased 2.4% to £3,685 (2008: £3,597). This increase was reduced by a change in a large customer contract in Ireland, which resulted in power costs being billed directly to the customer from the power company, as opposed to being billed by TelecityGroup.

OPERATIONAL REVIEW

continued

Rest of Europe ('RoE')

TelecityGroup enjoyed an excellent year in its RoE division, with strong growth in all of its markets.

TelecityGroup opened new data centres in Paris, Stockholm and Milan. The Group also extended capacity in Amsterdam and Frankfurt. Total fitted out space in RoE increased 20.6% to 31,524 sq.m (2008: 26,133 sq.m).

Across the RoE division occupied space increased 12.6% to 21,028 sq.m (2008: 18,677 sq.m). Revenue per occupied sq.m increased 32.7% to £3,944 (2008: £2,971). On a currency-neutral basis, revenue per sq.m increased 20.7%.

Operations

TelecityGroup made strong progress with its demand driven capacity expansion programme during 2009. New data centres were opened in Paris, Stockholm and Milan on time and in line with budgeted cost expectations. New capacity was also opened during the year in London, Amsterdam and Frankfurt. In total, Group capacity increased from 38MW at the beginning of the year, to 51MW at the year end.

TelecityGroup is leading the European data centre industry in its approach to energy management. The Group has implemented a range of projects to reduce the impact of its business on the environment and enhance its energy efficiency. The Group was the first data centre provider to commit to and implement the EU Code of Conduct for data centres in all of its sites.

TelecityGroup enlarged and strengthened its data centre build team during the year. As such, it is in a strong position to continue to deliver new capacity across Europe to meet customer demand, in accordance with its strategy of opening new capacity in existing markets where existing capacity is at or approaching full utilisation.

Current trading and outlook

TelecityGroup has a high proportion of recurring revenues. As such, a significant majority of the Group's revenue in a financial year is driven by its opening order book.

As planned, TelecityGroup has entered 2010 with a robust opening order book and management is confident that the Group will deliver revenue growth that is in line with market expectations in 2010.

TelecityGroup plans to continue to invest in capacity additions in its core European markets over the medium-term to meet customer demand and drive longer-term value creating growth. The first phase of extra capacity is announced today with the addition of 6MW in Frankfurt, the first of which will be available in 2011.

The Group is confident that it can achieve margin growth in 2010, notwithstanding the incremental costs associated with the continued investment.

FINANCIAL REVIEW

Total revenue for the year increased 27.3% to £169.4m (2008: £133.0m); £6.1m of the increase was due to the strengthening of the Euro against Sterling.

Due to a significant proportion of the Group's cost base being fixed, along with tight control of the variable element of the cost base, 64.6% of the incremental revenue flowed through to the EBITDA level. EBITDA increased 58.1% to £63.9m (2008: £40.4m).

Operating cash flows, after servicing of debt and taxation, were £70.9m (2008: £45.9m). This was a result of the increased EBITDA in the year and a strong working capital performance.

These cash flows, along with the Group's Senior debt facilities, were used to fund investment in additional capacity in the Group's new and existing data centres totalling £88.5m (2008: £69.4m).

The strong performance during the year resulted in a 107.7% growth in adjusted diluted earning per share ('EPS') to 16.2p (2008: 7.8p). A reconciliation between the Group's adjusted and underlying results is shown below:

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000	Year ended 31 December 2009 Pence	Year ended 31 December 2008 Pence
Profit after tax/EPS	34,722	25,332	17.6	12.9
Less deferred tax credit	—	(5,374)	—	(2.7)
Less exchange differences on financing items	(2,689)	(4,621)	(1.4)	(2.4)
Adjusted profit after tax/EPS	32,033	15,337	16.2	7.8

The Group had year end net debt of £55.9m (2008: £29.3m) and incurred finance costs of £3.8m (2008: £3.9m). The Group continues to operate at low leverage levels.

Since the year end the Group has secured a new £200m, 5 year Senior debt facility. The new financing agreement will, together with the operating cash flows of the business, provide sufficient funds to enable the Group to continue its demand driven expansion programme.

Revenue

UK and Ireland ('UK&I') revenue grew 11.5% to £86.5m (2008: £77.6m) and Rest of Europe ('RoE') revenue increased 49.5% to £82.9m (2008: £55.5m).

Revenue from colocation and value added services ('VAS') increased by 35.2% and 2.4% respectively. Sales of colocation were £136.8m (2008: £101.2m) and sales of VAS were £32.6m (2008: £31.9m).

Operating costs

Operating costs, including depreciation and amortisation, increased 13.6% to £130.3m (2008: £114.7m), with £5.7m of the increase due to the strengthening of the Euro against Sterling.

An analysis of operating costs is as follows:

- Property costs of £26.3m (2008: £23.6m) represented 15.5% of revenue (2008: 17.8%). The increase of £2.7m included £0.7m due to exchange rate movements. The underlying difference (i.e. before the effect of foreign exchange) of £2.0m was due to the new site in Milan (Milan 2) and scheduled rent reviews. The impact of the new builds on property costs was limited by the Group's policy to capitalise property costs during the construction phase.
- Electricity costs of £25.8m (2008: £21.7m) represented 15.2% of revenue (2008: 16.3%). The increase of £4.1m included £1.3m due to exchange rate movements. The underlying variance of £2.8m was due to increased occupancy, particularly in the new sites, and therefore power usage. In addition there has been an increase in unit prices for several contracts that have re-priced during the year. The increase is partially offset by a reduction of £2.1m in Ireland due to a change in contract terms through which electricity is now billed directly, rather than via the Group, in respect of the largest customer.
- The depreciation and amortisation charge has increased by £2.7m to £24.8m (2008: £22.1m), with £1.1m due to exchange rate movements. The underlying increase was due to additional depreciation from the new data centres. Such depreciation commences when the data centre, or a part thereof, is brought into use. During the year, a detailed review of the existing fixed asset base of the Group was performed.

FINANCIAL REVIEW

continued

In addition to the operational benefits obtained from the review of the fixed asset base, the exercise enabled the Group to increase the accuracy of its assessment of the useful economic lives of assets. It highlighted that certain of the Group's assets were being depreciated too quickly. Had the review not been completed the depreciation charge for the year would have been £3.2m higher. Going forward, whilst depreciation will continue to increase as the asset base of the Group is expanded, the impact of this review should imply lower future depreciation charges than would otherwise have been the case.

- Staff costs of £28.6m (2008: £25.0m) represented 16.9% of revenue (2008: 18.8%). The increase of £3.6m included £1.1m due to exchange rate movements. The underlying movement of £2.5m was due to an increase in headcount across the business in line with growth and the opening of new sites, annual salary increases and an increase to the share-based payment charge, partly as a result of the recent strong share price performance.
- Other costs of £24.7m (2008: £22.3m) represented 14.6% of revenue (2008: 16.8%). The increase of £2.4m included £1.4m due to exchange rate movements. The underlying movement of £1.0m was due to operational costs in respect of new build sites and additional repairs and maintenance costs on the Group's growing number of data centres.

Financing

Finance costs for the year were £3.8m (2008: £3.9m) and comprised interest on bank loans of £2.6m (2008: £2.7m) and other finance costs of £1.2m (2008: £1.2m).

The Group incurred gross interest (i.e. before deducting capitalised interest) on bank loans of £4.3m (2008: £3.2m). The Group capitalises interest on borrowings that relate to assets in the course of construction, such capitalised amounts totalled £1.7m in the year (2008: £0.5m). The year-on-year increase is due to the expanded new build programme and the consequential increase in assets in the course of construction. During the year, the Group had an interest rate swap in place that converted the interest rate on £53.0m of its borrowings from a floating LIBOR rate to a fixed interest rate of 5.205%.

Other finance costs include £0.4m (2008: £0.3m) amortisation of loan issue costs and £0.2m (2008: £0.4m) in respect of commitment and ancillary fees under the Senior debt facility. Also included in other finance costs are, unwinding of discount costs of £0.4m (2008: £0.4m) and £0.1m (2008: £0.1m) of interest in respect of finance leases.

Taxation

The Group incurred a total tax charge in the year of £3.4m (2008: £5.3m credit), comprising a current tax charge of £3.4m (2008: £0.1m) and a deferred tax charge of £nil (2008: £5.4m credit). The growth in recent years of the Group's profitability has increased the rate at which its tax losses are being utilised, to the extent that certain countries are now in a tax paying position.

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

Cash flow

Cash flows from operating activities increased £25.0m to £70.9m (2008: £45.9m). The strong cash performance is primarily a result of the increased EBITDA of £63.9m (2008: £40.4m) and further working capital gains of £8.1m (2008: £6.6m).

Included within operating activities are payments relating to net financing costs and taxation of £3.1m (2008: £1.9m) The Group invested £99.9m (2008: £79.2m) in capital expenditure, £88.5m (2008: £69.4m) of which related to new builds and other fit-outs to existing buildings and £11.4 m (2008: £9.8m) to other capital expenditure including maintenance and sales capital expenditure.

The above resulted in an increase in net debt of £28.9m, which together with foreign exchange movements, resulted in a year end net debt balance of £55.9m (2008: £29.3m).

During the year £6.0m has been repaid in respect of the term loan. Off-setting this were additional draw downs from the facility of £13.6m to finance capital expenditure.

FINANCIAL REVIEW

continued

Balance sheet

The Group's intangible assets, which had a year end book value of £46.1m (2008: £49.2m) comprised acquired customer contracts and goodwill that arose during the acquisitions of TeleCity, Globix and Redbus. The decrease in value of the assets was due to amortisation of £1.2m during the year and changes in foreign exchange rates.

The Group had a year end Property, Plant and Equipment balance of £286.3m (2008: £206.1m). Additions of £110.9m (2008: £99.2m) were made during the year and the depreciation charge for the year was £23.6m (2008: £21.0m). As a significant proportion of the Group's assets are denominated in Euros, the strengthening of Sterling resulted in a foreign exchange downward movement on Property, Plant and Equipment of £7.0m (2008: gain £24.2m).

As part of the review of the existing fixed asset base referred to above, in addition to the review of useful economic lives of assets, an assessment of the classification of items as leasehold improvements, plant and equipment or office equipment has been performed. This has resulted in certain reclassifications between these categories with no impact on either the income statement or balance sheet.

Current trade and other receivables decreased £8.5m to £19.5m (2008: £28.0m). Trade receivables have decreased by £3.9m to £10.5m (2008: £14.4m) due to further improved credit control procedures across the Group. At the year end trade debtors represented 32 days (2008: 35 days) of invoicing. Other current receivables reduced £4.6m to £9.0m (2008: £13.6m) mainly due to timing of VAT receipts in respect of capital projects.

Current trade and other payables increased £16.8m to £72.5m (2008: £55.7m) mainly due to an increase of £9.2m in respect of capital expenditure creditors arising due to the timing of projects over the year end. As the Group is now in a tax paying position there was a year end Corporation Tax creditor of £3.0m (2008: £nil). In addition, other creditors increased £2.5m to £3.5m (2008: £0.9m) due to timing of payments.

Excluding non-monetary items (for example deferred income and prepayments) and amounts owing under capital projects which, to the extent free cash is not sufficient, will be financed through the Group's Senior debt facility, the Group had year end net assets of £6.3m (2008: £36.6m). The reduction is largely due to the reduced cash balances that the Group held at the end of the year end as it sought to minimise its borrowings.

Total borrowings increased £7.5m to £86.8m (2008: £79.3m). At the year end the Group had £16.4m of committed undrawn facilities.

Current and non-current provisions for other liabilities and charges of £7.1m (2008: £8.5m) primarily relate to an onerous lease provision in respect of a property in Munich.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Continuing operations	Notes		
Revenue	3	169,383	133,040
Cost of sales	3	(80,656)	(69,805)
Gross profit		88,727	63,235
Sales and marketing costs		(6,415)	(6,747)
Administrative costs analysed:			
Depreciation and amortisation charges		(24,813)	(22,103)
Other administrative costs		(18,397)	(16,062)
Total administrative costs		(43,210)	(38,165)
Operating profit	3	39,102	18,323
Finance income		117	863
Finance costs		(3,788)	(3,904)
Other financing items		2,689	4,737
Profit on ordinary activities before taxation		38,120	20,019
Income tax (charge)/credit	5	(3,398)	5,313
Retained profit for the year		34,722	25,332
Earnings per share:			
	basic (p)	6	17.8
	diluted (p)	6	17.6
Adjusted earnings per share:			
	basic (p)	6	16.4
	diluted (p)	6	16.2
Supplementary income statement information			
EBITDA		63,915	40,426
Depreciation charge	7	(23,639)	(20,952)
Intangible asset amortisation charge		(1,174)	(1,151)
Operating profit		39,102	18,323

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Currency translation differences on foreign currency net investments	(9,365)	20,567
Interest rate cash flow hedge	531	(4,493)
Foreign exchange cash flow hedges	4,977	(4,977)
Net comprehensive (loss)/income recognised directly in equity	(3,857)	11,097
Profit for the year	34,722	25,332
Total comprehensive income recognised in year	30,865	36,429

The tax (charge)/credit relating to components of other comprehensive income is nil (2008: £nil) due to such items not being subject to tax.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium account £'000	Retained profits £'000	Own shares £'000	Cumulative translation reserve £'000	Total £'000
At 1 January 2008	396	74,181	76,148	(4,447)	4,763	151,041
Profit for the period	—	—	25,332	—	—	25,332
Other comprehensive income:						
Currency translation differences on foreign currency net investments	—	—	—	—	20,567	20,567
Fair value movement on cash flow hedge	—	—	(9,470)	—	—	(9,470)
Total comprehensive income for the period ended 31 December 2008	—	—	15,862	—	20,567	36,429
Transactions with owners:						
Credit to equity for share-based payments	—	—	907	—	—	907
Issue of shares	—	(54)	—	181	—	127
	—	(54)	907	181	—	1,034
At 31 December 2008	396	74,127	92,917	(4,266)	25,330	188,504
At 1 January 2009	396	74,127	92,917	(4,266)	25,330	188,504
Profit for the period	—	—	34,722	—	—	34,722
Other comprehensive income:						
Currency translation differences on foreign currency net investments	—	—	—	—	(9,365)	(9,365)
Fair value movement on cash flow hedges	—	—	5,508	—	—	5,508
Total comprehensive income for the period ended 31 December 2009	—	—	40,230	—	(9,365)	30,865
Transactions with owners:						
Credit to equity for share-based payments	—	—	1,559	—	—	1,559
Issue of shares	—	—	—	91	—	91
	—	—	1,559	91	—	1,650
At 31 December 2009	396	74,127	134,706	(4,175)	15,965	221,019

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2009 £'000	31 December 2008 £'000
Assets			
Non-current assets			
Intangible assets		46,118	49,165
Property, plant and equipment	7	286,283	206,111
Deferred income taxes	5	5,374	5,374
Trade and other receivables		3,137	2,844
		340,912	263,494
Current assets			
Trade and other receivables		19,483	27,965
Cash and cash equivalents		32,140	51,506
		51,623	79,471
Total assets		392,535	342,965
Equity			
Share capital	8	396	396
Share premium account		74,127	74,127
Retained earnings		134,706	92,917
Other reserves		11,790	21,064
Total equity		221,019	188,504
Liabilities			
Non-current liabilities			
Borrowings		80,467	72,566
Obligations under finance leases		1,000	1,117
Derivative financial instruments		2,313	3,303
Provisions for other liabilities and charges		6,078	7,501
		89,858	84,487
Current liabilities			
Trade and other payables		47,089	35,694
Deferred income		22,438	20,036
Current income tax liabilities		2,954	—
Borrowings		6,343	6,689
Obligations under finance leases		197	421
Derivative financial instruments		1,649	6,167
Provisions for other liabilities and charges		988	967
		81,658	69,974
Total liabilities		171,516	154,461
Total equity and liabilities		392,535	342,965

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Cash inflow from operations	9	74,017	47,786
Interest received		117	935
Interest paid		(2,829)	(2,735)
Interest element of finance lease payments		—	(13)
Taxation paid		(434)	(61)
Cash inflow from operating activities		70,871	45,912
Cash flows from investing activities			
Acquisition of subsidiaries		—	400
Purchase of property, plant and equipment		(99,929)	(79,190)
Net cash used in investing activities		(99,929)	(78,790)
Cash flows from financing activities			
Net proceeds on issue of ordinary share capital		91	127
Repayment of obligations under finance leases		(285)	(105)
Proceeds from borrowings		13,606	48,039
Repayment of borrowings		(6,000)	(6,000)
Net cash inflow from financing activities		7,412	42,061
Net (decrease)/increase in cash and cash equivalents		(21,646)	9,183
Effects of foreign exchange rate change		2,280	5,362
Cash and cash equivalents at beginning of year		51,506	36,961
Cash and cash equivalents at end of year		32,140	51,506

NOTES TO THE FINANCIAL STATEMENTS

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.

The Company is a public limited company which is listed on the London Stock Exchange. The address of its registered office is Masters House, 107 Hammersmith Road, London W14 0QH.

2. Basis of preparation

The preliminary announcement does not constitute full financial statements.

The results for the year ended 31 December 2009 included in this preliminary announcement are extracted from the audited financial statements for the year ended 31 December 2009 which were approved by the Directors on 9 February 2010. The auditors' report on those financial statements was unqualified and did not include a statement under Section 237(2) or 237(3) of the 2006 Companies Act.

The 2009 Annual Report will be posted to shareholders in advance of the Annual General Meeting to be held on 1 April 2010. The financial statements for the year ended 31 December 2008 have been delivered to Registrar of Companies and those for 31 December 2009 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 2006 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.

NOTES TO THE FINANCIAL STATEMENTS

continued

3. Segmental information

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

The Board considers the business from both a geographic and services perspective. On a geographic basis the Board assesses the performance of the UK and Ireland, and the Rest of Europe. The Rest of Europe includes France, Germany, Italy, The Netherlands and Sweden. Revenue is further assessed from a services perspective between colocation and value added services ('VAS').

The Board assess the performance of the operating segments based primarily on key performance indicators ('KPI's') which are set out below. These KPI's 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. Other information provided to the Board is measured in a manner consistent with that in the financial statements.

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

KPI's	Year ended 31 December 2009			Year ended 31 December 2008		
	UK and Ireland	Rest of Europe	Total	UK and Ireland	Rest of Europe	Total
Revenue (£'000)	86,457	82,926	169,383	77,555	55,485	133,040
EBITDA (£'000)	33,875	30,040	63,915	24,658	15,768	40,426
Total fitted out space (sq.m)	26,972	31,524	58,496	25,279	26,133	51,412
Occupancy (sq.m)	23,462	21,028	44,490	21,561	18,677	40,238
Revenue per sq.m ⁽¹⁾ (£/sq.m)	3,685	3,944	3,807	3,597	2,971	3,306

(1) Measured as revenue for the year divided by year end occupied space.

Other information	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	86,457	82,926	169,383	77,555	55,485	133,040
Cost of sales	(42,398)	(38,258)	(80,656)	(41,794)	(28,011)	(69,805)
Gross profit	44,059	44,668	88,727	35,761	27,474	63,235
Depreciation and amortisation charges	(10,501)	(14,312)	(24,813)	(10,255)	(11,848)	(22,103)
Operating expenses	(10,184)	(14,628)	(24,812)	(11,103)	(11,706)	(22,809)
Total operating costs	(20,685)	(28,940)	(49,625)	(21,358)	(23,554)	(44,912)
Operating profit	23,374	15,728	39,102	14,403	3,920	18,323
Finance income			117			863
Finance costs			(3,788)			(3,904)
Other financing items			2,689			4,737
Profit before tax			38,120			20,019
Income tax (charge)/credit			(3,398)			5,313
Profit for the year			34,722			25,332

Segment assets	147,353	223,604	370,957	164,462	172,891	337,353
Unallocated assets			21,578			5,612
Total assets			392,535			342,965
Segment liabilities	(28,385)	(48,811)	(77,196)	(25,431)	(40,307)	(65,738)
Unallocated liabilities			(94,320)			(88,723)
Total liabilities			(171,516)			(154,461)

NOTES TO THE FINANCIAL STATEMENTS

continued

3. Segmental information (continued)

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 vast majority of segment revenues are derived from customers located in those segments and intersegment trading is not material in either the current or previous year.

Revenue by service

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Colocation	136,765	101,176
Value added services	32,618	31,864
	169,383	133,040

4. Expenses analysed by nature

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Property costs	26,300	23,636
Electricity costs	25,827	21,725
Depreciation and amortisation charges	24,813	22,103
Staff costs	28,618	24,964
Other costs	24,723	22,289
	130,281	114,717

5. Income tax charge/(credit)

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Current tax:		
Current tax on profit for the year	3,398	61
Total current tax	3,398	61
Deferred tax:		
Origination and reversal of temporary differences:	—	(5,374)
Total deferred tax	—	(5,374)
Income tax charge/(credit)	3,398	(5,313)

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

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Profit before tax	38,120	20,019
At statutory rate of tax of UK corporation tax of 28% (2008: 28%)	10,673	5,605
Effect of different tax rates in non-UK jurisdictions	(59)	(336)
Items not taken into account for tax purposes and other differences	153	637
Recognition of previously unrecognised tax losses	(7,369)	(11,219)
	3,398	(5,313)

NOTES TO THE FINANCIAL STATEMENTS

continued

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

At the year end the Group recognised a net deferred tax asset of £5,374,000 (2008: £5,374,000) in respect of trading losses and capital allowances. During the year, the Group has offset current tax charges through the use of deferred tax assets totalling £7,292,000 (2008: £6,283,000). Further, previously unrecognised, deferred tax assets were recorded during the year, resulting in the year end deferred tax asset of £5,374,000. As the deferred tax asset at the end of the year is consistent with the balance recognised at 31 December 2008, there is no net charge for deferred tax in the year (2008: credit £5,374,000). The deferred tax assets and liabilities have been offset 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 offset. The majority of the net deferred tax asset is expected to be realised within 12 months.

The analysis of deferred income tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax losses £'000	Capital allowances in excess of depreciation £'000	Other £'000	Total £'000
At 31 December 2008	15,284	(6,750)	(3,160)	5,374
Utilisation of recognised tax losses	(6,122)	—	—	(6,122)
Recognition of previously unrecognised tax losses	7,369	—	—	7,369
Capital allowances in excess of depreciation	—	(1,170)	—	(1,170)
Other movements	—	(194)	117	(77)
At 31 December 2009	16,531	(8,114)	(3,043)	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 £10,509,000 (2008: £20,830,000) which relates to several of the Group's subsidiary companies.

6. Earnings per share – basic and diluted

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

	Year ended 31 December 2009	Year ended 31 December 2008
Profit attributable to equity holders of the Company (£'000)	34,722	25,332
Weighted average number of shares in issue ('000)	195,563	195,434
Basic earnings per share (p)	17.8	13.0

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

	Year ended 31 December 2009	Year ended 31 December 2008
Profit attributable to equity holders of the Company (£'000)	34,722	25,332
Weighted average number of shares in issue ('000)	197,815	196,100
Diluted earnings per share (p)	17.6	12.9

NOTES TO THE FINANCIAL STATEMENTS

continued

6. Earnings per share – basic and diluted (continued)

The adjusted earnings per share are presented as the Directors consider it provides an additional indication of the underlying performance of the Group. Adjusted earnings per share is calculated by adding back exchange gains on financing items and the deferred tax movement (note 5) to the retained profit for the period as shown below:

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Profit attributable to equity holders of the Company	34,722	25,332
Less exchange gains on financing items	(2,689)	(4,621)
Less deferred tax credit (note 5)	—	(5,374)
Adjusted profit attributable to equity holders of the Company	32,033	15,337

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

	Year ended 31 December 2009	Year ended 31 December 2008
Adjusted profit attributable to equity holders of the Company (£'000)	32,033	15,337
Weighted average diluted number of shares in issue ('000)	195,563	195,434
Adjusted earnings per share (p)	16.4	7.8

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

	Year ended 31 December 2009	Year ended 31 December 2008
Adjusted profit attributable to equity holders of the Company (£'000)	32,033	15,337
Weighted average diluted number of shares in issue ('000)	197,815	196,100
Adjusted diluted earnings per share (p)	16.2	7.8

NOTES TO THE FINANCIAL STATEMENTS

continued

7. Property, plant and equipment

	Assets in the course of construction £'000	Leasehold improvements £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2008	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 1 January 2009 – as originally stated	48,914	177,420	105,662	8,676	340,672
Recategorisation (see below)	—	(73,744)	75,190	(1,446)	—
At 1 January 2009 – as restated	48,914	103,676	180,852	7,230	340,672
Exchange differences	(740)	(6,486)	(5,532)	(270)	(13,028)
Additions	45,183	41,860	23,504	398	110,945
Transfers	(22,594)	21,962	619	13	—
Disposals	—	(1,122)	(2,996)	(46)	(4,164)
At 31 December 2009	70,763	159,890	196,447	7,325	434,425
Depreciation					
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 1 January 2009 – as originally stated	—	86,311	41,536	6,714	134,561
Recategorisation (see below)	—	(42,626)	43,588	(962)	—
At 1 January 2009 – as restated	—	43,685	85,124	5,752	134,561
Exchange differences	—	(2,713)	(3,119)	(205)	(6,037)
Charge for year	—	14,768	8,185	686	23,639
Disposals	—	(1,060)	(2,915)	(46)	(4,021)
At 31 December 2009	—	54,680	87,275	6,187	148,142
Net book value					
At 31 December 2009	70,763	105,210	109,172	1,138	286,283
At 1 January 2009	48,914	59,991	95,728	1,478	206,111
At 1 January 2008	3,467	36,451	61,294	2,481	103,693

The net book value of assets held under finance leases at 31 December 2009 is £812,000 (2008: £1,004,000).

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 £1,713,000 and £4,858,000 respectively (2008: £523,000 and £3,429,000).

During the year a review of asset lives was conducted, which allocated assets into depreciation classes which more closely reflect the expected useful economic lives of individual assets. The review also recategorised certain types of assets, predominantly from Leasehold improvements into Plant and machinery.

NOTES TO THE FINANCIAL STATEMENTS

continued

8. Share capital

Company and Group	31 December 2009 £'000	31 December 2008 £'000
Authorised		
496,431,508 ordinary (2008: 496,431,508) shares of £0.002 each	993	993

Company and Group	31 December 2009 £'000	31 December 2008 £'000
Allotted		
198,092,373 ordinary (2008: 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, 119,000 shares were issued from the Employee Benefit Trust ('EBT') under the Group's share options schemes for total consideration of £93,000.

All shares are fully paid with the exception of those held by the EBT. At the year end the EBT owed an amount of £4,175,000 (2008: £4,268,000) in respect of such shares.

9. Cash inflow from operations and reconciliation of consolidated net debt

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

	31 December 2009 £'000	31 December 2008 £'000
Profit on ordinary activities before taxation	38,120	20,019
Add finance costs	3,788	3,904
Less finance income	(117)	(863)
Less other financing items	(2,689)	(4,737)
Depreciation charge	23,639	20,952
Intangible asset amortisation	1,174	1,151
Loss on disposal of property, plant and equipment	53	11
Share-based payment charges	1,559	907
Movement in receivables	5,956	3,774
Movement in payables	3,284	3,674
Movement in provisions	(1,184)	(806)
Exchange movement	434	(200)
Cash inflow from operations	74,017	47,786

Reconciliation of consolidated net debt:

	31 December 2009 £'000	31 December 2008 £'000
(Decrease)/increase in cash and cash equivalents	(21,646)	9,183
Cash inflow from movement in debt	(7,321)	(41,934)
Change in net debt	(28,967)	(32,751)
Effects of foreign exchange rate change	2,387	(282)
Movement in net debt in the year	(26,580)	(33,033)
Net (debt)/cash at beginning of year	(29,287)	3,746
Net debt at end of year	(55,867)	(29,287)

NOTES TO THE FINANCIAL STATEMENTS

continued

10. Contingent liabilities

Financial guarantees granted by the Group's banks in respect of operating leases amount to £10,214,000 at 31 December 2009 (2008: £9,400,000). At 31 December 2009 the estimated discounted cost of reinstating leasehold properties at the end of leases in accordance with the lease contracts amounted to £5,870,000 (2008: £6,158,000). The leases expire over a range of two to 20 years. In accordance with the Group accounting policy, no amount has been provided in the financial statements as it is not considered probable that such liabilities will be incurred, as the Group expects to exercise its right to renew its leases when they expire and continue to use them as data centres.

11. Post balance sheet events

Since the year end the Group has secured a new £200m 5 year financing agreement with Barclays, HSBC, Lloyds Banking Group and RBS. The new financing agreement will, together with the operating cash flows of the business, provide sufficient funds to enable the Group to continue its demand driven expansion program. The Group will write off unamortised issue costs relating to the previous facility together with non-capitalisable costs of arranging the new financing agreement in 2010.

CORPORATE INFORMATION

Company Secretary

Tony Hunter

Registered office

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

Operational headquarters

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

Website

www.telecitygroup.com

Registered number

5603875

Registrars

Capita Registrars

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Corporate advisors

Deutsche Bank AG

Winchester House
Great Winchester Street
London EC2N 2DB

J.P. Morgan Cazenove

20 Moorgate
London EC2R 6DA

Principal bankers

Barclays Bank plc

1 Churchill Place
London E14 5HP

Registered auditors

PricewaterhouseCoopers LLP

Chartered Accountants
1 Embankment Place
London WC2N 6RH

Solicitors

Freshfields Bruckhaus Deringer LLP

65 Fleet Street
London EC4Y 1HS

Lovells LLP

Atlantic House
Holborn Viaduct
London EC1A 2FG

Reed Smith LLP

The Broadgate Tower
20 Primrose Street
London EC2A 2RS