

OPERATIONAL REVIEW



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Summary of Operational Review

- **TelecityGroup's position as Europe's leading premium network independent data centre operator was strengthened**
- **New capacity delivered in London, Amsterdam, Stockholm and Milan**
- **Progress shown in the first half of 2009 expected to continue throughout the year**

During the first half of 2009 TelecityGroup's position as Europe's leading premium network independent data centre operator was strengthened. The Group achieved strong growth in revenue, operating profit and earnings per share.

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

The Group continued to increase its ability to meet this demand by delivering new capacity in London, Amsterdam, Stockholm and Milan. Good progress was also made with the ongoing construction of a new data centre in Paris and an upgrade to one of the Group's Frankfurt data centres.

The total fitted-out space operated by TelecityGroup increased 13.1% to 54,757 sq.m (H1 2008: 48,406 sq.m) and total available customer power increased from 38MW at the beginning of 2009 to 41MW in June. Total Group capacity is planned to reach 51MW by the end of 2009, increasing to at least 60MW in 2011.

Demand across the Group's markets from the organic growth of its existing customers and from new contract wins led to period end occupied space increasing 14.9% to 44,780 sq.m (H1 2008: 38,972 sq.m).

The largest part of this demand came from companies operating in the areas of internet content provision, telecommunications and internet content distribution. TelecityGroup also won significant new business from systems integrators, business process outsourcers, companies involved in trading and financial services and premium web hosters.

“DURING THE FIRST HALF OF 2009 TELECITYGROUP ACHIEVED STRONG GROWTH IN REVENUE, OPERATING PROFIT AND EARNINGS PER SHARE.”

The Group is winning contracts with key European companies as well as US and global organisations that are seeking to extend their presence in Europe. The contracts TelecityGroup signed during the period include NCsoft, Spotify, China Telecom (Europe), Internap and Proofpoint.

Revenue per occupied sq.m⁽¹⁾ increased 15.8% to £1,837 (H1 2008: £1,587). On a currency-neutral basis, revenue per occupied sq.m grew 10.3%. This reflects a combination of benefits including new contracts signed at higher levels of pricing per kW than the Group average and price increases across the existing order book.

Certain new wins which commenced during the first half are structured so that revenue increases as customers draw additional amounts of power through a set amount of space. While these contracts have been signed at rates that enhance Group average pricing on a kW basis, they do not enhance pricing per occupied sq.m at start-up.

UK and Ireland

TelecityGroup's UK operations continued to make good progress during the first half of 2009 and the Group strengthened its position as the leading provider of premium data centre services in the London market.

TelecityGroup opened and sold additional space at its London 8 (Powergate) data centre and sold the remaining capacity that was added in 2008 to its Sovereign House data centre in the London Docklands. In total, fitted out space increased 9.1% to 25,772 sq.m (H1 2008: 23,623 sq.m) and occupied space increased 8.4% to 22,881 sq.m (H1 2008: 21,117 sq.m).

TelecityGroup is benefiting from both the organic growth of its existing customer base in the UK and also from new contract wins from both UK-based and international companies. As expected, sales of Colocation Services grew at a stronger rate than those of Value Added Services.

Revenue per occupied sq.m increased 6.3% to £1,849 (H1 2008: £1,740). This increase was driven by new business wins at higher levels of pricing per kW than Group average pricing and price increases across the existing order book. In addition to the factors discussed above that impacted at the Group level, revenue per occupied sq.m 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. This change had no impact on profit.

Rest of Europe ('RoE')

TelecityGroup enjoyed a successful first half in its RoE division. The Group increased its capacity at its Amsterdam 4 data centre and opened new data centres in Stockholm and Milan to meet growing customer demand. Total fitted out space in RoE increased 17.0% to 28,985 sq.m (H1 2008: 24,783 sq.m).

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

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Key performance indicators

| | Six months ended 30 June 2009 | Six months ended 30 June 2008 | Change |
|--|-------------------------------------|-------------------------------------|--------|
| Revenue (£'000) | 82,245 | 61,861 | 33.0% |
| EBITDA (£'000) | 29,357 | 16,752 | 75.2% |
| Adjusted EPS (pence) | 6.9 | 3.4 | 100.2% |
| Total fitted-out space (sq.m) | 54,757 | 48,406 | 13.1% |
| Occupancy (sq.m) | 44,780 | 38,972 | 14.9% |
| Revenue per sq.m ⁽¹⁾ (£/sq.m) | 1,837 | 1,587 | 15.8% |

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

In addition to the good progress made in these markets, the Group had an excellent first half in Germany. TeletyGroup's Frankfurt data centres are delivering very strong growth due in particular to demand from international companies seeking to establish or grow their European operations. The Group also achieved good growth in Paris and it will have more capacity to sell in this market when the new Paris 3 facility opens towards the end of 2009. Across the RoE division occupied space increased 22.6% to 21,899 sq.m (H1 2008: 17,855 sq.m). As expected, sales of Colocation grew at a stronger rate than those of Value Added Services.

Revenue per occupied sq.m increased 29.6% to £1,823 (H1 2008: £1,407). On a currency-neutral basis, revenue per sq.m increased 18.3%.

Operations

TeletyGroup is making excellent progress with its demand driven capacity expansion programme, which will see total available customer power increase to at least 60MW in 2011. During the

period, new data centres were opened in Stockholm and Milan on time and in accordance with budgeted cost expectations. Work is ongoing to increase the capacity of these sites and is proceeding to plan. New capacity was also opened during the period in London and Amsterdam. The Group expects to finish the fit out of its Amsterdam 4 data centre in the third quarter of 2009. An additional area of TeletyGroup's Powergate data centre in London has been opened since the period end and further planned capacity will come on line in 2010.

A 1.5MW capacity expansion programme is currently underway in Frankfurt and completion of this project is expected in the third quarter of 2009. The Group's new Paris 3 data centre is on track for an opening towards the end of 2009.

TeletyGroup 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 publicly to implementing the EU Code of Conduct for data centres in all of its sites. It is aiming to complete this roll-out by the end of 2009.

TeletyGroup also made substantial investments in its IT systems during the first half of 2009 in order to ensure that these systems are scalable to support the Group's ongoing growth.

Current trading and outlook

TeletyGroup has a high proportion of recurring revenue and the Group order book is currently in line with management's expectations. The Group expects that the progress the business has shown in the first half of 2009 will continue throughout the year.

The Group continues to re-invest its cash flows in new data centre capacity in its European markets, where it has strong local knowledge on an operational level and is best positioned to capture the growth of its customer base.