

---

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

---

**FORM 8-K/A**

---

**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d)**  
**of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event Reported): May 28, 2015**

---

**EQUINIX, INC.**

(Exact Name of Registrant as Specified in its Charter)

---

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**000-31293**  
(Commission  
File Number)

**77-0487526**  
(I.R.S. Employer  
Identification Number)

**One Lagoon Drive, 4th Floor**  
**Redwood City, California 94065**  
**(650) 598-6000**  
(Addresses of principal executive offices)

---

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 
-

---

**Item 8.01. Other Events**

This Form 8-K/A is filed as an amendment to the Current Report on Form 8-K filed by Equinix, Inc. ("Equinix") on May 29, 2015 (the "Initial 8-K"). In the Initial 8-K, Equinix announced an offer (the "Acquisition") for the entire issued and to be issued share capital of Telecity Group plc, a public company organized under the laws of England and Wales ("Telecity Group"), for 572.5 British pence in cash and 0.0327 new shares of Equinix common stock per Telecity Group share, or approximately £2,351.9 million for Telecity Group's entire issued and to be issued share capital based on the volume-weighted average share price of \$267.74 per Equinix Share for the 5 day period to 28 May 2015 (being the last Business Day before the date of the announcement under Rule 2.7 of the United Kingdom city code on Takeovers and Mergers). The Acquisition is to be implemented by way of a scheme of arrangement in the United Kingdom. The completion of the Acquisition is subject to the satisfaction of closing conditions. We cannot assure you that the Acquisition will be consummated.

**Item 9.01. Financial Statements and Exhibits****(a) Financial Statements of Businesses Acquired.**

The consolidated financial statements of Telecity Group are attached hereto as Exhibit 99.1 and are incorporated herein by reference.

**(b) Pro Forma Financial Statements.**

The unaudited pro forma financial information is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

**(d) Exhibits.**

- 23.1 Consent of PricewaterhouseCoopers LLP, Independent Accountants of Telecity Group plc.
- 99.1 Audited consolidated balance sheets of Telecity Group as of December 31, 2013 and 2014 and the related consolidated income statements, consolidated statements of recognized income and expense and consolidated cash flow statements for each of the three years in the period ended December 31, 2014.  
Unaudited consolidated balance sheet of Telecity Group as of June 30, 2015 and the unaudited consolidated income statements, consolidated statements of recognized income and expense and consolidated cash flow statements for the six month periods ended June 30, 2015 and 2014.
- 99.2 Unaudited pro forma condensed combined financial information.

---

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

November 16, 2015

EQUINIX, INC.

By: /s/ KEITH D. TAYLOR  
Keith D. Taylor  
Chief Financial Officer

---

---

**EXHIBIT INDEX**

- 23.1 Consent of PricewaterhouseCoopers LLP, Independent Accountants of Teledyne Group plc.
- 99.1 Audited consolidated balance sheets of Teledyne Group as of December 31, 2013 and 2014 and the related consolidated income statements, consolidated statements of recognized income and expense and consolidated cash flow statements for each of the three years in the period ended December 31, 2014.  
Unaudited consolidated balance sheet of Teledyne Group as of June 30, 2015 and the unaudited consolidated income statements, consolidated statements of recognized income and expense and consolidated cash flow statements for the six month periods ended June 30, 2015 and 2014.
- 99.2 Unaudited pro forma condensed combined financial information.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-45280, 333-58074, 333-71870, 333-85202, 333-104078, 333-113765, 333-117892, 333-122142, 333-132466, 333-140946, 333-149452, 333-157545, 333-165033, 333-166581, 333-172447, 333-179677, 333-186873, 333-194229) and Form S-3 (Nos. 333-175358, 333-186938, 333-200294), of Equinix, Inc. of our report dated November 16, 2015 relating to the consolidated financial statements of Telecity Group plc, which appears in this Current Report on Form 8-K/A of Equinix, Inc.

/s/ PricewaterhouseCoopers LLP  
London, United Kingdom

November 16, 2015



## Independent Auditor's Report

To the members of the Board of Telecity Group plc

We have audited the accompanying consolidated financial statements of Telecity Group plc and its subsidiaries, which comprise the consolidated balance sheets as of 31 December 2014, 31 December 2013 and 31 December 2012, and the related consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended 31 December 2014.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Telecity Group plc and its subsidiaries as of 31 December 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers LLP  
London, United Kingdom  
November 16, 2015

**Telecity Group plc**  
**Consolidated statements of income**

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
<b>Revenue</b>	3	<b>348,695</b>	325,550	282,950
Cost of sales		<b>(146,604)</b>	<b>(138,899)</b>	<b>(120,199)</b>
Gross profit		<b>202,091</b>	186,651	162,751
Sales and marketing costs		<b>(13,470)</b>	<b>(11,964)</b>	<b>(10,894)</b>
Administrative costs analysed:				
Depreciation charges		<b>(49,976)</b>	(45,761)	(38,416)
Amortisation charges		<b>(5,234)</b>	(4,950)	(3,746)
Operating exceptional items	6	<b>(18,502)</b>	(5,175)	(3,072)
Other administrative costs		<b>(24,895)</b>	<b>(21,448)</b>	<b>(22,395)</b>
Administrative costs		<b>(98,607)</b>	<b>(77,334)</b>	<b>(67,629)</b>
<b>Operating profit</b>	3	<b>90,014</b>	97,353	84,228
Finance income	9	<b>86</b>	106	128
Finance costs	10	<b>(8,960)</b>	(9,069)	(7,695)
Other financing items	11	<b>(118)</b>	50	(515)
<b>Profit on ordinary activities before taxation</b>		<b>81,022</b>	88,440	76,146
Income tax charge	12	<b>(21,292)</b>	<b>(23,222)</b>	<b>(18,038)</b>
<b>Profit for the year</b>		<b>59,730</b>	<b>65,218</b>	<b>58,108</b>
<b>Earnings per share:</b>				
<b>basic (pence)</b>	13	<b>29.5</b>	32.2	29.1
<b>diluted (pence)</b>		<b>29.4</b>	32.1	28.5

The accompanying notes form an integral part of these consolidated financial statements.

**Telecity Group plc**  
**Consolidated statement of comprehensive income**

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit for the year		59,730	65,218	58,108
<b>Other comprehensive income:</b>				
Currency translation differences on foreign currency net investments		(20,082)	(1,193)	(3,398)
Fair value movement on cash flow hedges	23	(1,944)	2,736	(2,550)
Tax on fair value movement on cash flow hedges	12	378	(651)	560
<b>Other comprehensive (expense)/ income for the year net of tax</b>		<b>(21,648)</b>	<b>892</b>	<b>(5,388)</b>
<b>Total comprehensive income recognised in the year attributable to owners of the parent</b>		<b>38,082</b>	<b>66,110</b>	<b>52,720</b>

The components of other comprehensive income may subsequently be reclassified to the income statement.

The accompanying notes form an integral part of these consolidated financial statements.



**Telecity Group plc**  
**Consolidated statements of changes in equity**

	Notes	Share capital £'000	Share premium account £'000	Retained profits £'000	Own shares £'000	Cumulative translation reserve £'000	Total £'000
<b>At 1 January 2012</b>		<b>398</b>	<b>75,852</b>	<b>221,713</b>	<b>(2,160)</b>	<b>2,224</b>	<b>298,027</b>
Profit for the year		—	—	58,108	—	—	58,108
Other comprehensive income:							
Currency translation differences on foreign currency net investments		—	—	—	—	(3,398)	(3,398)
Fair value movement on cash flow hedges	23	—	—	(2,550)	—	—	(2,550)
Tax on fair value movement on cash flow hedges	12	—	—	560	—	—	560
<b>Total comprehensive income/(expense) for the year ended 31 December 2012</b>		<b>—</b>	<b>—</b>	<b>56,118</b>	<b>—</b>	<b>(3,398)</b>	<b>52,720</b>
Transactions with owners:							
Credit to equity for share-based payments		—	—	3,667	—	—	3,667
Tax on share-based payments	12	—	—	3,647	—	—	3,647
Purchase of own shares	25	—	—	—	(100)	—	(100)
Issue of shares	25	5	2,186	—	1,813	—	4,004
Dividends paid to owners of the parent	26	—	—	(5,007)	—	—	(5,007)
		5	2,186	2,307	1,713	—	6,211
<b>At 31 December 2012 and 1 January 2013</b>		<b>403</b>	<b>78,038</b>	<b>280,138</b>	<b>(447)</b>	<b>(1,174)</b>	<b>356,958</b>

**Telecity Group plc**  
**Consolidated statements of changes in equity (continued)**

	Notes	Share capital £'000	Share premium account £'000	Retained profits £'000	Own shares £'000	Cumulative translation reserve £'000	Total £'000
<b>At 1 January 2013</b>		<b>403</b>	<b>78,038</b>	<b>280,138</b>	<b>(447)</b>	<b>(1,174)</b>	<b>356,958</b>
Profit for the year		—	—	65,218	—	—	65,218
Other comprehensive income:							
Currency translation differences on foreign currency net investments		—	—	—	—	(1,193)	(1,193)
Fair value movement on cash flow hedges	23	—	—	2,736	—	—	2,736
Tax on fair value movement on cash flow hedges	12	—	—	(651)	—	—	(651)
<b>Total comprehensive income/(expense) for the year ended 31 December 2013</b>		<b>—</b>	<b>—</b>	<b>67,303</b>	<b>—</b>	<b>(1,193)</b>	<b>66,110</b>
Transactions with owners:							
Credit to equity for share-based payments		—	—	3,095	—	—	3,095
Tax on share-based payments	12	—	—	114	—	—	114
Purchase of own shares	25	—	—	—	(405)	—	(405)
Issue of shares	25	2	415	(291)	433	—	559
Dividends paid to owners of the parent	26	—	—	(17,168)	—	—	(17,168)
		<u>2</u>	<u>415</u>	<u>(14,250)</u>	<u>28</u>	<u>—</u>	<u>(13,805)</u>
<b>At 31 December 2013 and 1 January 2014</b>		<b>405</b>	<b>78,453</b>	<b>333,191</b>	<b>(419)</b>	<b>(2,367)</b>	<b>409,263</b>
Profit for the year		—	—	59,730	—	—	59,730
Other comprehensive income:							
Currency translation differences on foreign currency net investments		—	—	—	—	(20,082)	(20,082)
Fair value movement on cash flow hedges	23	—	—	(1,944)	—	—	(1,944)
Tax on fair value movement on cash flow hedges	12	—	—	378	—	—	378
<b>Total comprehensive income/(expense) for the year ended 31 December 2014</b>		<b>—</b>	<b>—</b>	<b>58,164</b>	<b>—</b>	<b>(20,082)</b>	<b>38,082</b>
Transactions with owners:							
Credit to equity for share-based payments		—	—	3,103	—	—	3,103
Tax on share-based payments	12	—	—	24	—	—	24
Purchase of own shares	25	—	—	—	(113)	—	(113)
Issue of shares	25	1	560	(456)	481	—	586
Dividends paid to owners of the parent	26	—	—	(23,302)	—	—	(23,302)
		<u>1</u>	<u>560</u>	<u>(20,631)</u>	<u>368</u>	<u>—</u>	<u>(19,702)</u>
<b>At 31 December 2014</b>		<b>406</b>	<b>79,013</b>	<b>370,724</b>	<b>(51)</b>	<b>(22,449)</b>	<b>427,643</b>

A description of each of the reserves is given in note 28.

The accompanying notes form an integral part of these consolidated financial statements.

**Telecity Group plc**  
**Consolidated balance sheets**

	Notes	31 December 2014 £'000	31 December 2013 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	14	157,819	179,098
Property, plant and equipment	15	703,955	661,917
Deferred income taxes	12	1,277	2,885
Trade and other receivables	18	777	1,163
		<u>863,828</u>	<u>845,063</u>
<b>Current assets</b>			
Trade and other receivables	18	43,628	40,604
Cash and cash equivalents	19	27,228	23,244
		<u>70,856</u>	<u>63,848</u>
<b>Total assets</b>		<u>934,684</u>	<u>908,911</u>
<b>Equity</b>			
Share capital	25	406	405
Share premium account		79,013	78,453
Retained profits		370,724	333,191
Own shares		(51)	(419)
Cumulative translation reserve		(22,449)	(2,367)
<b>Total equity</b>		<u>427,643</u>	<u>409,263</u>

**Telecity Group plc**  
**Consolidated balance sheets (continued)**

	Notes	31 December 2014 £'000	31 December 2013 £'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income	21	19,270	18,712
Borrowings	22	339,027	322,858
Derivative financial instruments	23	1,647	—
Provisions for other liabilities and charges	24	5,947	3,759
Deferred income taxes	12	30,115	29,394
		<u>396,006</u>	<u>374,723</u>
<b>Current liabilities</b>			
Trade and other payables	20	50,898	61,490
Deferred income	21	43,439	45,373
Current income tax liabilities		9,373	8,604
Borrowings	22	5,027	4,637
Derivative financial instruments	23	1,419	1,122
Provisions for other liabilities and charges	24	879	3,699
		<u>111,035</u>	<u>124,925</u>
<b>Total liabilities</b>		<u>507,041</u>	<u>499,648</u>
<b>Total liabilities and equity</b>		<u>934,684</u>	<u>908,911</u>

The accompanying notes form an integral part of these consolidated financial statements.

**Telecity Group plc**  
**Consolidated statements of cash flows**

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
<b>Cash inflow from operating activities</b>	29	<b>148,988</b>	145,904	135,538
Interest received		60	79	126
Interest paid		(6,687)	(5,743)	(4,025)
Interest element of finance lease payments		(747)	(771)	(512)
Taxation paid		(16,720)	(10,908)	(14,602)
Purchase of operational, plant and equipment		(32,223)	(25,341)	(22,791)
<b>Cash inflow from operating activities</b>		<b>92,671</b>	103,220	93,734
<b>Cash flows from investing activities</b>				
Acquisition of subsidiaries, net of cash acquired	17	—	(39,447)	(25,716)
Costs associated with acquisition of subsidiaries		—	(3,157)	(2,641)
Proceeds from sale of property, plant and equipment		9	46	—
Purchase of investment related property, plant and equipment		(97,046)	(91,968)	(131,531)
Purchase of freehold land		—	—	(4,864)
Purchase of landlord furnished leasehold improvements		—	—	(15,000)
<b>Cash used in investing activities</b>		<b>(97,037)</b>	(134,526)	(179,752)
<b>Cash flows from financing activities</b>				
Net proceeds from borrowings		30,655	42,680	88,467
Proceeds from sale and leaseback arrangements		2,898	12,639	2,956
Repayment of finance leases		(4,902)	(3,969)	(1,875)
Costs relating to refinancing		—	(2,038)	(1,935)
Net proceeds on issue of ordinary share capital		472	154	3,904
Dividends paid to owners of the parent		(23,302)	(17,168)	(5,007)
<b>Net cash inflow from financing activities</b>		<b>5,821</b>	32,298	86,510
<b>Net increase in cash and cash equivalents</b>		<b>1,455</b>	992	492
Effects of foreign exchange rate change		2,529	1,281	(1,554)
Cash and cash equivalents at beginning of year		23,244	20,971	22,033
<b>Cash and cash equivalents at end of year</b>	19	<b>27,228</b>	23,244	20,971

The accompanying notes form an integral part of these consolidated financial statements.

---

**Telecity Group plc**  
**Notes to the consolidated financial statements**

**1. General information**

Telecity Group plc (the 'Company') 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 (together the 'Group') operate in the internet infrastructure facilities and associated services industry within Europe. The operating companies of the Group are disclosed within note 16.

The Company is a public limited company which is listed on the London Stock Exchange.

**2. Significant accounting policies**

The significant accounting policies adopted in the preparation of these consolidated financial statements have been incorporated into the relevant notes where possible. For example, the accounting policy for depreciation is contained in the property, plant and equipment note. General accounting policies which are not specific to a particular note, for example foreign exchange, are set out below.

**2.1 Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations, collectively 'IFRS'. The consolidated financial statements have been prepared under the historical cost convention, with the exception of the Group's interest rate swap contracts (note 23) which are recorded at fair value and the share-based payment expense (note 27) which is based on fair value at date of option grant.

**2.2 Going concern**

The Group generates operating cash flows which are invested in organic and inorganic investment activities. To the extent investment expenditure exceeds the operating cash flows of the business, the additional expenditure is funded by the Group's borrowing facilities (note 22).

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

**2.3 Accounting developments and changes**

No new standards have been adopted by the Group for the first time in the year ended 31 December 2014.

A number of new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted. To the extent they are not relevant to the Group, they have been excluded from the following summary:

IFRS 9, 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. When adopted, the standard is not expected to have a material effect on the Group's results.

IFRS 15, 'Revenue from contracts with customers' establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty about revenue and cash flows arising from the entity's contracts with customers. When adopted, the standard is not expected to have a material effect on the Group's results.

#### 2.4 Significant accounting policy judgments

IFRS requires management to exercise its judgment in the process of determining and applying the Group's accounting policies. A summary of the Group's key accounting policy judgments is given below:

Accounting for fair value movements of interest rate swap contracts – the Group holds several interest rate swap contracts (note 23). The Group has taken the decision to record fair value movements of such instruments in the statement of comprehensive income, rather than the income statement, where the conditions necessary for this have been met.

Disclosure of segmental information – IFRS 8 allows the aggregation of operating segments provided that certain criteria are met. The Group considers that the aggregation of operating segments into the UK and the Rest of Europe is appropriate.

Commencement of depreciation on new build data centres – when a new build data center is constructed in zones, then depreciation is calculated on a zone-by-zone basis and commences when a zone becomes operational.

#### 2.5 Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are made by management based on the best available evidence, due to events or actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property, plant and equipment depreciation – estimated remaining useful lives and residual values are reviewed annually. The carrying value of property, plant and equipment is also reviewed for impairment triggers and, where there has been a trigger event, the present value of estimated future cash flows from these assets through use against the net book value is assessed. The calculation of estimated future cash flows and residual values is based on the Directors' best estimates of future prices, output and costs and is therefore subjective.

Intangible assets amortisation – estimated remaining useful lives are reviewed annually. The carrying values of intangible assets are also reviewed for impairment where there has been a trigger event by assessing the present value of estimated future cash flows through use compared with net book value. The calculation of estimated future cash flows and residual values is based on the Directors' best estimates of future income from customer contracts and is therefore subjective.

Estimated impairment of goodwill – the Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 14. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 14), particularly around future cash flows, discount rate and long term growth assumptions. During the year an indicator of impairment was identified in the Turkish subsidiary. Subsequent testing identified that the carrying value of the Turkish cash generating unit exceeded its value in use resulting in goodwill being written down. The impairment charge was disclosed as an exceptional item.

Dilapidations provisions – due to the significant investment the Group makes in its data centres along with the long property leases it has in place, when assessing dilapidation provisions it is generally expected that the Group shall continue to operate its data centres for the foreseeable future. As such, there is a low probability that any dilapidation amounts will become due. A site by site review is performed every six months and if any site specific circumstances arise that changes this assessment, a dilapidations provision is accounted for.

## Telecity Group plc

### Notes to the consolidated financial statements (continued)

Onerous lease provisions – liabilities in respect of onerous leases are reviewed and updated, where necessary, to reflect current conditions and intentions. The actual cost of these may be different depending upon whether the Group is successful in terminating or assigning the lease.

Deferred taxation – full provision is made for deferred taxation at the rates of tax prevailing at the period end dates unless different future rates have been substantively enacted. Deferred tax assets are recognised where it is considered probable by the Directors that they will be recovered and, as such, are subjective.

Interest rate swap contracts – IAS 39 requires interest rate swap contracts to be recorded on the balance sheet at their fair value. The fair values of derivative instruments include estimates of future interest rates and therefore are subjective.

Share-based payments – the Group issues equity-settled share-based payments to certain employees under the terms of the long-term incentive plans. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value at the grant date is determined using either the Black Scholes or the Monte Carlo models and is expensed over the vesting period. The value of the expense is dependent upon certain key assumptions including the expected future volatility of the Group's share price at the date of grant.

#### 2.6 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are disclosed in the income statement.

The balance sheets of foreign subsidiaries are translated from their functional currency into Sterling at the closing rates of exchange. The results are translated at an average rate, recalculated for the year on a daily basis.

Foreign exchange differences arising from the translation of opening net investments in foreign subsidiaries at the closing rate, including long-term inter-company loans, are taken directly to reserves. In addition, foreign exchange differences arising from retranslation of the foreign subsidiaries' results from average rate to closing rate are also taken directly to the Group's cumulative translation reserve. Such translation differences are recognised in the income statement in the financial year in which the operations are disposed of.

The results and year-end balance sheets of the Group's foreign currency denominated companies have been translated into Sterling using the respective average and closing exchange rates for the year in the table below:

	2014		2013		2012	
	Average	Closing	Average	Closing	Average	Closing
Bulgarian Lev	2.427	2.499	2.325	2.342	—	—
Euros	1.241	1.278	1.178	1.198	1.233	1.223
Polish Zloty	5.193	5.495	4.991	4.968	—	—
Swedish Krona	11.293	12.120	10.193	10.685	10.739	10.525
Turkish Lira	3.602	3.608	3.088	3.528	—	—

A 2% movement in the foreign exchange rates above would have impacted the profit for the year ended 31 December 2014 and year end net assets by £0.9 million and £4.5 million respectively (2013:£0.8 million and £4.1 million respectively, 2012: £0.7 million and £3.4 million respectively).

#### 2.7 Basis of consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.



The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed on a business combination are measured initially at their fair values at the acquisition date.

On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes directly attributable costs of investments.

The excess of the consideration over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded in goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## **2.8 Revenue**

Revenue represents the value of goods and services supplied to customers during the year, excluding value added tax and other sales related taxes. Where invoices are raised in advance for contracted services, the revenue is spread over the period of the service and deferred income is recognised on the balance sheet.

Colocation revenues arise from the Group's infrastructure assets and are recognised on a straight-line basis over the period of the contract.

Generally, revenue from services, including engineering support, connectivity and other IT services, is recognised when the service is provided. When services are required before related colocation services can be provided, revenue from service contracts is bundled with the related colocation revenues and the entire amount recognised over the course of the contracts as the services are provided.

**3. Segmental information**

Reportable segments are presented in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the segments, has been identified as the Board of Directors.

The Group is organised on a geographical basis and derives its revenue from the provision of colocation and related services in Bulgaria, Finland, France, Germany, Ireland, Italy, the Netherlands, Poland, Sweden, Turkey and the United Kingdom. These geographical locations comprise the Group's segments.

Due to similarities in services, customers, regulatory environment and economic characteristics across the countries in which the Group operates, the Group aggregates these operating segments into the UK and the Rest of Europe.

The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The internal reporting principally analyses the performance of the UK and the Rest of Europe. When further detail is required the results of individual countries are reviewed. The Board has therefore determined the reportable segments to be the UK and the Rest of Europe.

Sales between segments are made at market rates and accounted for in the same way as external transactions.

The Group's income statement split by segment is shown below. Treasury and financing is managed on a Group-wide basis, as such it is not practical to allocate costs below operating profit to an individual reporting segment.

Telecity Group plc  
Notes to the consolidated financial statements (continued)

	Year ended 31 December 2014		
	UK £'000	Rest of Europe £'000	Total £'000
<b>Revenue</b>	<b>146,931</b>	<b>201,764</b>	<b>348,695</b>
Cost of sales	(64,339)	(82,265)	(146,604)
<b>Gross profit</b>	<b>82,592</b>	<b>119,499</b>	<b>202,091</b>
Depreciation charges	(18,203)	(31,773)	(49,976)
Amortisation charges	(2,108)	(3,126)	(5,234)
Operating expenses	(13,215)	(25,150)	(38,365)
Exceptional items (note 6)	(1,088)	(17,414)	(18,502)
Total operating costs	(34,614)	(77,463)	(112,077)
<b>Operating profit</b>	<b>47,978</b>	<b>42,036</b>	<b>90,014</b>
Finance income			86
Finance costs			(8,960)
Other financing items			(118)
<b>Profit before tax</b>			<b>81,022</b>
Income tax charge			(21,292)
<b>Profit for the year</b>			<b>59,730</b>

The above segmental results are shown after eliminating inter-segment trading of £1,972,000 for the year ended 31 December 2014. The Group had no customers from which greater than 10% of revenue was derived during 2014.

**Telecity Group plc**  
**Notes to the consolidated financial statements (continued)**

	<b>Year ended 31 December 2013</b>		
	UK £'000	Rest of Europe £'000	Total £'000
<b>Revenue</b>	143,901	181,649	325,550
Cost of sales	(63,710)	(75,189)	(138,899)
<b>Gross profit</b>	<b>80,191</b>	<b>106,460</b>	<b>186,651</b>
Depreciation charges	(17,243)	(28,518)	(45,761)
Amortisation charges	(2,107)	(2,843)	(4,950)
Operating expenses	(11,087)	(22,325)	(33,412)
Exceptional items (note 6)	(1,616)	(3,559)	(5,175)
Total operating costs	(32,053)	(57,245)	(89,298)
<b>Operating profit</b>	<b>48,138</b>	<b>49,215</b>	<b>97,353</b>
Finance income			106
Finance costs			(9,069)
Other financing items			50
<b>Profit before tax</b>			<b>88,440</b>
Income tax charge			(23,222)
<b>Profit for the year</b>			<b>65,218</b>

The above segmental results are shown after eliminating inter-segment trading of £1,932,000 for the year ended 31 December 2013. The Group had no customers from which greater than 10% of revenue was derived during 2013.

	Year ended 31 December 2012		
	UK £'000	Rest of Europe £'000	Total £'000
<b>Revenue</b>	137,487	145,463	282,950
Cost of sales	(61,682)	(58,517)	(120,199)
<b>Gross profit</b>	<b>75,805</b>	<b>86,946</b>	<b>162,751</b>
Depreciation charges	(15,806)	(22,610)	(38,416)
Amortisation charges	(2,108)	(1,638)	(3,746)
Operating expenses	(13,449)	(19,840)	(33,289)
Exceptional items (note 6)	—	(3,072)	(3,072)
Total operating costs	(31,363)	(47,160)	(78,523)
<b>Operating profit</b>	<b>44,442</b>	<b>39,786</b>	<b>84,228</b>
Finance income			128
Finance costs			(7,695)
Other financing items			(515)
<b>Profit before tax</b>			<b>76,146</b>
Income tax charge			(18,038)
<b>Profit for the year</b>			<b>58,108</b>

The above segmental results are shown after eliminating inter-segment trading of £1,628,000 for the year ended 31 December 2012. The Group had no customers from which greater than 10% of revenue was derived during 2012.

**Telecity Group plc**

**Notes to the consolidated financial statements (continued)**

The following table shows the Group's assets and liabilities by reporting segment. Segment assets consist primarily of property, plant and equipment, intangible assets, trade and other receivables, and cash and cash equivalents. Segment liabilities principally comprise trade and other payables, deferred income and provisions for other liabilities and charges. Certain assets and liabilities, for example Group treasury cash balances and bank borrowings, are managed on a central basis and as such have not been allocated to individual segments.

	<b>Year ended 31 December 2014</b>		
	<b>UK £'000</b>	<b>Rest of Europe £'000</b>	<b>Total £'000</b>
Segment assets	<b>354,838</b>	<b>560,348</b>	<b>915,186</b>
Unallocated assets			<b>19,498</b>
<b>Total assets</b>			<b>934,684</b>
Segment liabilities	<b>(110,194)</b>	<b>(56,295)</b>	<b>(166,489)</b>
Unallocated liabilities			<b>(340,552)</b>
<b>Total liabilities</b>			<b>(507,041)</b>
Additions to intangible assets	—	<b>637</b>	<b>637</b>
Additions to property, plant and equipment	<b>30,890</b>	<b>91,034</b>	<b>121,924</b>
<b>Additions to non-current assets</b>	<b>30,890</b>	<b>91,671</b>	<b>122,561</b>

  

	<b>Year ended 31 December 2013</b>		
	<b>UK £'000</b>	<b>Rest of Europe £'000</b>	<b>Total £'000</b>
Segment assets	342,382	547,370	889,752
Unallocated assets			19,159
<b>Total assets</b>			<b>908,911</b>
Segment liabilities	(107,508)	(65,115)	(172,623)
Unallocated liabilities			(327,025)
<b>Total liabilities</b>			<b>(499,648)</b>
Additions to intangible assets	—	35,969	35,969
Additions to property, plant and equipment	<b>30,566</b>	<b>85,026</b>	<b>115,592</b>
<b>Additions to non-current assets</b>	<b>30,566</b>	<b>120,995</b>	<b>151,561</b>

	Year ended 31 December 2012		
	UK £'000	Rest of Europe £'000	Total £'000
Segment assets	332,989	449,372	782,361
Unallocated assets			18,792
<b>Total assets</b>			<b>801,153</b>
Segment liabilities	(101,526)	(66,233)	(167,759)
Unallocated liabilities			(276,436)
<b>Total liabilities</b>			<b>(444,195)</b>
Additions to intangible assets		20,097	20,097
Additions to property, plant and equipment	89,334	102,520	191,854
<b>Additions to non-current assets</b>	<b>89,334</b>	<b>122,617</b>	<b>211,951</b>

4. Directors' emoluments and key management compensation

Key management compensation, which includes that of the executive and non-executive Directors, is as follows:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Salaries and other short-term employee benefits	1,567	2,160	2,438
Pension payments – defined contribution plans	85	182	172
Share-based payment charges (1)	283	805	777
Termination benefits	1,376	—	—
	<u>3,311</u>	<u>3,147</u>	<u>3,387</u>

(1) The share-based payment charge is measured in line with IFRS2 expense charged to the income statement during the year.

5. Employee information

The average monthly number of persons employed by the Group, including Directors with service contracts, during the year was:

	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2012
<b>By activity</b>			
Operations	531	503	458
Sales and marketing	95	86	72
Administration	124	102	82
	<u>750</u>	<u>691</u>	<u>612</u>
	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
<b>Remuneration costs for these persons</b>			
Wages and salaries	38,655	34,565	30,754
Social security costs	5,792	5,455	6,750
Pension payments – defined contribution plans	1,305	1,173	737
Other post-employment benefits	32	133	33
Share-based payments charges (note 27)	3,103	3,095	3,667
	<u>48,887</u>	<u>44,421</u>	<u>41,941</u>



6. Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

The exceptional items are summarized in the table below:

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Transaction-related expenses		—	3,157	2,641
Increase in onerous leases provision	24	3,113	1,204	431
Business review fees		1,838	—	—
Impairment of Turkish business and associated items		11,963	—	—
Departure of Chief Executive Officer		1,588	—	—
Departure of Group Finance Director		—	814	—
		<b>18,502</b>	<b>5,175</b>	<b>3,072</b>

Transaction-related expenses relate to the business combinations described in note 17, comprising professional fees, stamp duty and restructuring costs.

During 2014 the Group commissioned certain external advisors to assist with a detailed business review. The associated fees of £1.8 million were assessed to be exceptional on grounds of their size and non-recurring nature.

The impairment of Turkish business and associated items relates to SadeceHosting acquired in 2013 (note 17). The Group believes that potential exists within the Turkish colocation market. Turkey is a fast developing market, with the prospect of becoming a major internet hub, due to both its large and rapidly growing domestic digital economy and its strategic locations between Europe and Asia. The current business has yet to capture this demand and whilst progress has been made, the Group is focused on improving performance further. Following the production of a revised business plan, the discounted cash flows of this plan indicate the need for a reduction in the carrying value of this business, resulting in an impairment of goodwill of £9.6 million (note 14) and other associated costs of £2.4 million.

Exceptional items relating to the departure of the Chief Executive Officer and Group Finance Director include costs in excess of those that would have ordinarily been incurred during their employment, including any directly attributable incremental costs, for example, recruitment fees.

The above exceptional items resulted in a tax credit of £2,143,000 (2013: £619,000 credit), which is included within the tax charge on adjusting items.

In addition to the above operating exceptional items, in 2013 there was an exceptional tax charge of £1,663,000 (2012: £nil) relating to outstanding tax disputes.

**Telecity Group plc**  
**Notes to the consolidated financial statements (continued)**

**7. Auditors' remuneration**

Amounts paid and payable to the Auditors are shown below:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Audit of the Company and the consolidated financial statements	281	259	226
Audit of the Company's subsidiaries	48	44	64
<b>Total audit services</b>	<b>329</b>	<b>303</b>	<b>290</b>
Audit-related assurance services, including interim review	106	80	88
<b>Total audit and assurance services</b>	<b>435</b>	<b>383</b>	<b>378</b>
Tax advisory services	98	82	93
Other non-audit services	5	6	13
Total fees	538	471	484

**8. Expenses**

The Group classifies its expenses by nature into the following categories. Power costs represent the total cost of power to the Group including environmental taxes. Property costs include rent payments, service charge and taxes in addition to ancillary property costs such as insurance. Staff and staff-related costs include expenses such as training and recruitment in addition to the staff remuneration costs disclosed in note 4. Other costs comprise operational maintenance costs, sales and administrative costs and cost of sales of services.

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Power costs	50,581	47,162	40,517
Staff and staff-related costs	51,461	47,249	43,390
Property costs	44,362	41,500	37,335
Other costs	47,467	41,575	35,318
	193,871	177,486	156,560
Depreciation charges	49,976	45,761	38,416
Intangible asset charges	14,834	4,950	3,746
	258,681	228,197	198,722

9. Finance income

Finance income arising from bank deposits is recognized in the income statement on an accruals basis.

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Bank and other interest	86	106	128

10. Finance costs

Finance costs are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount. Finance costs which are directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditure for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete. The interest rate charged on the capitalised interest during the year was 3.5% (2013: 4.3%, 2012: 4.7%). Tax relief is available on capitalised interest.

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Interest payable on long-term loan	9,195	10,305	8,748
Interest payable on finance leases	747	760	512
Amortisation of loan arrangement costs	1,788	2,530	2,452
<b>Gross cost of borrowings</b>	<b>11,730</b>	<b>13,595</b>	<b>11,712</b>
Less interest capitalised (note 15)	(3,691)	(5,376)	(5,376)
<b>Net cost of borrowings</b>	<b>8,039</b>	<b>8,219</b>	<b>6,336</b>
Loan commitment fees	713	588	722
Unwinding of discounts in respect of onerous lease	54	72	168
Other	154	190	469
	<b>8,960</b>	<b>9,069</b>	<b>7,695</b>

**11. Other financing items**

Other financing items represent finance costs or income not directly related to the Group's trading activity or financing, but those that are triggered as a result of external factors – principally foreign exchange movements on financial assets and liabilities. As such, these financing items are disclosed separately in the financial statements to provide a clearer understanding of the Group's underlying financing costs.

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Net foreign exchange (losses)/gains on financing items	(118)	50	(515)

**12. Income tax charge**

The tax expense represents the sum of the tax currently payable and deferred tax. Tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also dealt with in equity.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method and at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
<b>Current tax</b>			
Current tax on profit for the year	18,653	18,078	15,054
Adjustments in respect of prior years	(751)	(1,548)	(644)
Total current tax	17,902	16,530	14,410
<b>Deferred tax</b>			
Origination and reversal of temporary differences	3,844	7,353	4,659
Adjustment in respect of prior years	647	942	70
Impact of change in UK tax rate	(1,101)	(1,603)	(1,101)
Total deferred tax	3,390	6,692	3,628
<b>Income tax charge</b>	21,292	23,222	18,038

The tax recorded in the income statement on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:

	Year ended 31 December 2014		
	Adjusted results £'000	Adjustments £'000	Statutory Total £'000
Profit before tax	104,876	(23,854)	81,022
Multiplied by weighted average local tax rates (2014: 23.7%)	24,908	(5,665)	19,243
Items not taken into account for tax purposes and other timing differences	986	2,268	3,254
Impact of change in vesting assumptions of share-based payments	—	—	—
Outstanding tax dispute	—	—	—
Adjustment in respect of prior years	(104)	—	(104)
Impact of change in tax rates	(578)	(523)	(1,101)
	25,212	(3,920)	21,292

	Year ended 31 December 2013		
	Adjusted results £'000	Adjustments £'000	Statutory Total £'000
Profit before tax	98,515	(10,075)	88,440
Multiplied by weighted average local tax rates (2013: 24.1%)	23,751	(2,444)	21,307
Items not taken into account for tax purposes and other timing differences	693	576	1,269
Impact of change in vesting assumptions of share-based payments	1,192	—	1,192
Outstanding tax dispute	—	1,663	1,663
Adjustment in respect of prior years	(606)	—	(606)
Impact of change in tax rates	(692)	(911)	(1,603)
	<u>24,338</u>	<u>(1,116)</u>	<u>23,222</u>

  

	Year ended 31 December 2012		
	Adjusted results £'000	Adjustments £'000	Statutory Total £'000
Profit before tax	83,479	(7,333)	76,146
Multiplied by weighted average local tax rates (2012: 24.8%)	20,712	(1,822)	18,890
Items not taken into account for tax purposes and other timing differences	356	467	823
Impact of change in vesting assumptions of share-based payments	—	—	—
Outstanding tax dispute	—	—	—
Adjustment in respect of prior years	(574)	—	(574)
Impact of change in tax rates	(319)	(782)	(1,101)
	<u>20,175</u>	<u>(2,137)</u>	<u>18,038</u>

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012, to 23% with effect from 1 April 2013 (change was substantially enacted on 26 June 2012) and to 21% with effect from 1 April 2014 (change was substantially enacted 2 July 2013). Accordingly, the Group's UK profits for 2014 were taxed at an effective rate of 21.5% (2013: 23.25%, 2012: 24.5%).

Furthermore a change in the UK corporation tax rate from 21% to 20% was substantively enacted on 2 July 2013 that will be effective from 1 April 2015.

**Telecity Group plc****Notes to the consolidated financial statements (continued)**

As a result of the substantively enacted UK corporation tax rate at the year-end date, deferred tax balances were measured at the following rates: 31 December 2014: 20%, 31 December 2013: 21% and 31 December 2012: 23%.

In addition to the amounts that have been charged to the income statement, the following amounts of tax have been credited/(charged) directly to equity:

	<b>Year ended 31 December 2014 £'000</b>	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
<b>Current tax</b>			
Share-based payment schemes	<b>24</b>	924	2,838
<b>Deferred tax</b>			
Share-based payment schemes	—	(810)	809
Tax effect of interest rate cash flow hedges	<b>378</b>	<b>(651)</b>	<b>560</b>
	<b>402</b>	<b>(537)</b>	<b>4,207</b>

The deferred tax credit/(charge) in respect of the share-based payment schemes relates to the expected future tax deduction the Group will receive when employees exercise options in excess of the IFRS 2 share-based payment charge at the standard corporation tax rate.

---

**Telecity Group plc****Notes to the consolidated financial statements (continued)**

## Deferred tax

At the year end the Group recognised a net deferred tax liability of £28,838,000 (2013: £26,509,000, 2012: £16,015,000) mainly in respect of accelerated tax depreciation and intangible customer contract assets, partially offset by tax losses.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Deferred tax assets:			
– deferred tax assets to be recovered after more than 12 months	223	613	1,525
– deferred tax assets to be recovered within 12 months	<u>1,054</u>	<u>2,272</u>	<u>3,602</u>
	<u>1,277</u>	<u>2,885</u>	<u>5,127</u>
Deferred tax liabilities:			
– deferred tax liabilities to be recovered after more than 12 months	<u>(30,115)</u>	<u>(29,394)</u>	<u>(21,142)</u>
	<u>(30,115)</u>	<u>(29,394)</u>	<u>(21,142)</u>
Deferred tax liabilities (net)	<u>(28,838)</u>	<u>(26,509)</u>	<u>(16,015)</u>



**Telecity Group plc**  
**Notes to the consolidated financial statements (continued)**

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	Accelerated tax depreciation £'000	Intangible customer contract valuation £'000	Onerous lease liability £'000	Other £'000	Total £'000
<b>At 1 January, 2012</b>	<b>10,135</b>	<b>(16,219)</b>	<b>(9,777)</b>	<b>1,973</b>	<b>1,795</b>	<b>(12,093)</b>
(Charged)/credited to income statement	(2,115)	(3,354)	1,642	(145)	344	(3,628)
Credited to other comprehensive income	—	—	—	—	560	560
Credited directly to equity	—	—	—	—	809	809
Acquisition of subsidiaries (note 17)	573	28	(2,370)	—	—	(1,769)
Foreign exchange movements	(202)	360	26	(48)	(30)	106
<b>At 31 December 2012</b>	<b>8,391</b>	<b>(19,185)</b>	<b>(10,479)</b>	<b>1,780</b>	<b>3,478</b>	<b>(16,015)</b>
(Charged)/credited to income statement	(1,623)	(5,533)	1,930	(99)	(1,367)	(6,692)
Credited to other comprehensive income	—	—	—	—	(651)	(651)
Credited directly to equity	—	—	—	—	(810)	(810)
Acquisition of subsidiaries (note 17)	—	(103)	(2,905)	—	—	(3,008)
Foreign exchange movements	170	(70)	474	42	51	667
<b>At 31 December 2013</b>	<b>6,938</b>	<b>(24,891)</b>	<b>(10,980)</b>	<b>1,723</b>	<b>701</b>	<b>(26,509)</b>
(Charged)/credited to income statement	(1,922)	(3,027)	1,565	488	(522)	(3,418)
Charged to other comprehensive income	—	—	—	—	378	378
Foreign exchange movements	(212)	542	418	(46)	9	711
<b>At 31 December 2014</b>	<b>4,804</b>	<b>(27,376)</b>	<b>(8,997)</b>	<b>2,165</b>	<b>566</b>	<b>(28,838)</b>

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 unrecognised deferred tax assets relating to tax losses of approximately £13,690,000 (2013: £14,604,000, 2012: £14,305,000) which relate to the Group's subsidiary companies.

**13. Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust.

Diluted earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year, adjusted for the weighted average effect of share options outstanding during the year.

	Basic			Diluted		
	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2012
Profit attributable to owners of the parent (£'000)	59,730	65,218	58,108	59,730	65,218	58,108
Weighted average number of shares in issue ('000)	202,698	202,249	199,981	203,438	203,052	204,086
Earnings per share (p)	29.5	32.2	29.1	29.4	32.1	28.5

**Telecity Group plc**  
**Notes to the consolidated financial statements (continued)**

The following table shows the reconciliation between the basic and diluted weighted average number of shares:

	<b>Year ended 31 December 2014 '000</b>	Year ended 31 December 2013 '000	Year ended 31 December 2012 '000
Weighted average basic number of shares in issue	202,698	202,249	199,981
Effect of share options	110	226	1,043
Effect of performance shares	630	577	3,062
Weighted average diluted number of shares in issue	<u>203,438</u>	<u>203,052</u>	<u>204,086</u>

**14. Intangible assets**

The Group's intangible assets comprise goodwill and customer contracts and are treated as assets of the entity to which they relate and are translated at the relevant closing foreign exchange rate.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, including intangible assets, of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets, other than goodwill, represent customer contracts acquired during business combinations. The customer contracts are initially recognised at fair value and amortised over estimated useful economic lives of between five and 20 years, with current remaining lives of between two and 19 years (2013: three and 20 years). The fair value is calculated by estimating the future cash flows expected to arise from the intangible asset and applying a suitable discount rate.

	Goodwill arising on consolidation £'000	Customer contracts £'000	Total £'000
<b>Cost</b>			
<b>As at 1 January 2013</b>	<b>105,468</b>	<b>57,907</b>	<b>163,375</b>
Acquired through business combinations (note 18)	23,384	12,585	35,969
Foreign exchange movements	(2,042)	(935)	(2,977)
<b>As at 31 December 2013</b>	<b>126,810</b>	<b>69,557</b>	<b>196,367</b>
Additions	—	637	637
Foreign exchange movements	(4,994)	(2,555)	(7,549)
<b>As at 31 December 2014</b>	<b>121,816</b>	<b>67,639</b>	<b>189,455</b>
<b>Accumulated amortisation and impairment</b>			
<b>As at 1 January 2013</b>	<b>—</b>	<b>12,346</b>	<b>12,346</b>
Amortisation charge for the year	—	4,950	4,950
Foreign exchange movements	—	(27)	(27)
<b>As at 31 December 2013</b>	<b>—</b>	<b>17,269</b>	<b>17,269</b>
Amortisation charge for the year	—	5,234	5,234
Impairment charge for the year	9,600	—	9,600
Foreign exchange movements	—	(467)	(467)
<b>As at 31 December 2014</b>	<b>9,600</b>	<b>22,036</b>	<b>31,636</b>
<b>Net book value</b>			
<b>As at 31 December 2014</b>	<b>112,216</b>	<b>45,603</b>	<b>157,819</b>
As at 31 December 2013	126,810	52,288	179,098
As at 1 January 2013	105,468	45,561	151,029

## Impairment testing

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units ('CGU') that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each country in which it has operations.

Goodwill is tested for impairment annually. The main assumptions used when performing the impairment test are set out below. Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires an estimation of future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value.

**Telecity Group plc****Notes to the consolidated financial statements (continued)**

These calculations use cash flow projections based on financial budgets for 2015 and forecasts for 2016 and 2017 approved by the Board. Cash flows beyond 2017 are extrapolated using estimated growth rates of 2.5% (2013: 2.5%) for all CGUs apart from Turkey which is discussed separately below. The growth rate does not exceed the long-term average growth rate for the operating segment in which the CGU operates. The pre-tax discount rate used was 10.5% (2013: 10.2%) for all CGUs apart from Turkey, as described below. The discount rates used are adjusted for estimated tax cash flows and reflect specific risks relating to the relevant segments.

For all CGUs apart from Turkey, goodwill impairment testing demonstrated that value in use comfortably exceeded the carrying value of the assets tested and that no reasonably possible change to the assumptions used would result in an indication of impairment.

The above methodology when applied to the Turkish CGU indicated impairment and therefore a more detailed calculation was performed. Due to the integration of the Turkish business taking longer than initially anticipated, the future cash flows have been revised accordingly. The value in use of the Turkish CGU was calculated by applying a pre-tax discount rate of 16.3% to these cash flows. The elevated discount rate reflects the heightened probability of future cash flows differing from the current forecast. A growth rate of 4.1% was applied to the cash flows beyond 2017, reflecting the long term macro-economic expectations in Turkey.

When the tailored assumptions were applied to the Turkish CGU, the carrying value was found to exceed the value in use by £9.6 million, resulting in an impairment charge of this amount which has been reported as an exceptional item, and relates to the RoE segment.

Following the impairment, goodwill of £3.0 million remains allocated to the Turkish CGU. An increase of 100bps to the discount rate would result in an increase of £1.1 million to the impairment charge, and an increase of 100bps to the growth rate would result in a reduction of £1.7 million to the charge.

A segment-level summary of goodwill allocation is presented below:

Goodwill	UK £'000	Rest of Europe £'000	Total £'000
<b>Year ended 31 December 2014</b>	<b>42,454</b>	<b>69,762</b>	<b>112,216</b>
Year ended 31 December 2013	42,454	84,356	126,810

The Group assesses at each reporting date whether its customer contracts intangible assets may be impaired. If any such indicator exists, the Group tests for impairment by estimating the recoverable amount. If the recoverable amount is less than the carrying value of an asset an impairment loss is recognised.

**15. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. The cost of property, plant and equipment comprises their purchase cost, together with the costs of installation and directly attributable external and internal costs, such as staff and property rentals, incurred during the construction or commissioning phase. Additions to property, plant and equipment also include capitalised finance costs. When property, plant and equipment is acquired as part of a business combination, the cost of such assets is deemed to be their fair value at the date of acquisition.

The principal periods over which assets are depreciated are:

Freehold land and buildings	Freehold land is not depreciated, freehold property is depreciated over 50 years
Leasehold improvements	7–30 years straight-line
Plant and machinery	5–20 years straight-line
Office equipment	3–5 years straight-line

Depreciation of the above assets is calculated from the date an asset becomes available for use, so as to write off the difference between the cost and the residual value over its expected useful economic life. The expected period of the property leases in which an asset is located is taken into account when determining the useful economic life of the asset.

Assets in the course of construction are not depreciated until they are operational. At this time such assets are transferred into the appropriate asset class and depreciated over the expected useful economic lives referred to above. The assets' residual values and useful lives are reviewed on an annual basis and, if appropriate, adjusted on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

**Telecity Group plc**  
**Notes to the consolidated financial statements (continued)**

	Assets in the course of construction £'000	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
<b>Cost</b>						
<b>At 1 January 2013</b>	<b>129,156</b>	<b>8,545</b>	<b>271,560</b>	<b>405,622</b>	<b>8,582</b>	<b>823,465</b>
Exchange differences	414	171	1,664	2,306	66	4,621
Acquisitions	37	1,212	381	4,179	150	5,959
Additions	65,711	—	7,743	35,227	952	109,633
Transfers	(63,935)	—	37,128	26,756	51	—
Disposals	—	—	(79)	(217)	(73)	(369)
<b>At 31 December 2013</b>	<b>131,383</b>	<b>9,928</b>	<b>318,397</b>	<b>473,873</b>	<b>9,728</b>	<b>943,309</b>
Exchange differences	(4,765)	(632)	(21,539)	(15,587)	(391)	(42,914)
Additions	66,581	—	10,173	43,706	1,464	121,924
Transfers	(59,460)	—	25,364	33,962	134	—
Disposals	(66)	—	(4,018)	(17,341)	(794)	(22,219)
<b>At 31 December 2014</b>	<b>133,673</b>	<b>9,296</b>	<b>328,377</b>	<b>518,613</b>	<b>10,141</b>	<b>1,000,100</b>
<b>Accumulated depreciation</b>						
<b>At 1 January 2013</b>	<b>—</b>	<b>28</b>	<b>83,968</b>	<b>144,050</b>	<b>6,331</b>	<b>234,377</b>
Exchange differences	—	3	591	919	63	1,576
Charge for year	—	55	16,437	28,533	736	45,761
Disposals	—	—	(40)	(221)	(61)	(322)
<b>At 31 December 2013</b>	<b>—</b>	<b>86</b>	<b>100,956</b>	<b>173,281</b>	<b>7,069</b>	<b>281,392</b>
Exchange differences	—	(22)	(5,871)	(7,087)	(298)	(13,278)
Charge for year	—	59	15,259	33,778	880	49,976
Disposals	—	—	(4,013)	(17,141)	(791)	(21,945)
<b>At 31 December 2014</b>	<b>—</b>	<b>123</b>	<b>106,331</b>	<b>182,831</b>	<b>6,860</b>	<b>296,145</b>
<b>Net book value</b>						
<b>At 31 December 2014</b>	<b>133,673</b>	<b>9,173</b>	<b>222,046</b>	<b>335,782</b>	<b>3,281</b>	<b>703,955</b>
At 31 December 2013	131,383	9,842	217,441	300,592	2,659	661,917
At 1 January 2012	129,156	8,517	187,592	261,572	2,251	589,088

---

**Telecity Group plc****Notes to the consolidated financial statements (continued)**

The net book value of assets held under finance leases at 31 December 2014 is £25,786,000 (2013: £24,599,000). Such assets are categorised as plant and machinery in the above table.

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 £3,691,000 and £3,622,000 respectively (2013: £5,376,000 and £3,892,000). The interest rate charged on the capitalised interest is disclosed in note 10.

Freehold land and buildings with a carrying amount of £4,669,000 (2013: £3,598,000) have been pledged to secure borrowings for the Group. The Group is not allowed to pledge these assets as security for other borrowings or sell them to another entity.



16. Investments

Investments in subsidiary undertakings are stated at cost plus the value of share options and performance shares granted to employees of these subsidiaries.

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of shares held %	Principal activity
Data Electronics Group Limited	Ireland	Ordinary	100	Intermediate holding company
TeleCity UK Limited	Great Britain ('GB')	Ordinary	100	Intermediate holding company
TelecityGroup Holdings Limited	GB	Ordinary	100	Intermediate holding company
TelecityGroup Investments Limited		'A' and 'B'		
	GB	ordinary	100	Intermediate holding company
TelecityGroup International Limited	GB	Ordinary	100	Intermediate holding company
TelecityGroup Bulgaria EAD	Bulgaria	Ordinary	100	Internet infrastructure
TelecityGroup Finland Oy	Finland	Ordinary	100	Internet infrastructure
Data Electronics Services Limited	Ireland	Ordinary	100	Internet infrastructure
TelecityGroup Poland Sp. z o.o.	Poland	Ordinary	100	Internet infrastructure
Hosting İnternet Hizmetleri Sanayi ve Ticaret Anonim Şirketi	Turkey	Ordinary	100	Internet infrastructure
TelecityGroup France S.A.	France	Ordinary	100	Internet infrastructure
TelecityGroup Germany GmbH	Germany	Ordinary	100	Internet infrastructure
TelecityGroup Ireland Limited	Ireland	Ordinary	100	Internet infrastructure
TelecityGroup Italia S.p.A.	Italy	Ordinary	100	Internet infrastructure
TelecityGroup Italia S.r.l.	Italy	Ordinary	100	Internet infrastructure
TelecityGroup Netherlands B.V.	The Netherlands	Ordinary	100	Internet infrastructure
TelecityGroup Scandinavia A.B.	Sweden	Ordinary	100	Internet infrastructure
TelecityGroup UK Limited	GB	Ordinary	100	Internet infrastructure
TelecityGroup Europe (1) Cooperatief W.A.	The Netherlands	Ordinary	100	Financing company
TelecityGroup Europe (2) B.V.	The Netherlands	Ordinary	100	Financing company

Other than TelecityGroup Investments Limited, which is owned directly by Telecity Group plc, these companies are owned by intermediate holding companies. The Group also contains a number of non-trading subsidiaries, a full list of which is contained in the financial statements of TelecityGroup Investments Limited.

**17. Business combinations**

On 10 September 2013, the Group acquired 100% of the share capital of 3DC EAD ('3DC') and on 2 December 2013, the group acquired 100% of the share capital of PLIX Sp. z.o.o. ('PLIX'). Both of these acquisitions were disclosed on a provisional basis at 31 December 2013 because the Group had not completed its detailed appraisal of the acquired assets and liabilities at the date of those financial statements. The appraisals for both of these acquisitions were completed in the first half of 2014, resulting in an increase of £0.1m to the fair value of net assets acquired. There have been no business combinations in the year to December 2014.

**18. Trade and other receivables**

Trade and other receivables are recognised at historical cost less any impairment, which approximates to fair value.

	31 December 2014 £'000	31 December 2013 £'000
<b>Current</b>		
Trade receivables – gross	26,137	26,502
Bad debt provision (note 36)	(1,100)	(1,027)
Trade receivables – net	25,037	25,475
Other receivables	5,787	1,453
Prepayments	11,012	12,294
Accrued income	1,792	1,382
	<u>43,628</u>	<u>40,604</u>
<b>Non-current</b>		
Rental deposits	699	1,085
Other receivables	78	78
	<u>777</u>	<u>1,163</u>

The credit quality of trade receivables is included in note 36.

The carrying amount of the Group's trade and other receivables is denominated in the following currencies:

	31 December 2014 £'000	31 December 2013 £'000
Sterling	14,812	13,345
Euro	22,158	23,470
Swedish Krona	4,026	3,384
Other	3,409	1,568
	<u>44,405</u>	<u>41,767</u>

**19. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly-liquid investments with original maturities of three months or less.

The carrying amount of the Group's cash and cash equivalents is denominated in the following currencies:

	<b>31 December 2014 £'000</b>	31 December 2013 £'000
Sterling	13,790	6,457
Euro	8,739	12,059
Swedish Krona	3,380	3,953
Other	1,319	775
	<u>27,228</u>	<u>23,244</u>

The Directors consider the carrying values of the cash balances to approximate to their fair value due to their short maturity period and the interest rate that they bear. The Directors consider the banks with which the Group holds deposits to be of sound credit quality.

**20. Trade and other payables**

Trade and other payables are measured at historical cost, which approximates to their fair values due to their short maturity period.

	<b>31 December 2014 £'000</b>	31 December 2013 £'000
Trade payables	8,840	8,592
Capital expenditure payables	5,500	14,199
Other payables	3,603	4,782
Taxation and social security	2,843	4,864
Accruals	30,112	29,053
	<u>50,898</u>	<u>61,490</u>

**Telecity Group plc**  
**Notes to the consolidated financial statements (continued)**

The carrying amount of the Group's trade and other payables is denominated in the following currencies:

	31 December 2014 £'000	31 December 2013 £'000
Sterling	27,595	28,801
Euro	19,562	26,829
Swedish Krona	2,496	4,972
Other	1,245	888
	<u>50,898</u>	<u>61,490</u>

**21. Deferred income**

Deferred income is initially recorded at the value of cash received and then amortised over the period to which the payment relates.

	31 December 2014 £'000	31 December 2013 £'000
<b>Current</b>		
Deferred revenue	42,939	44,873
Deferred lease incentive	500	500
	<u>43,439</u>	<u>45,373</u>
<b>Non-current</b>		
Deferred revenue	6,437	5,379
Deferred lease incentive	12,833	13,333
	<u>19,270</u>	<u>18,712</u>
Total deferred income	<u>62,709</u>	<u>64,085</u>

The deferred lease incentive relates to a cash amount that was received from the landlord on signing of a lease and is being recognised in the income statement over the period of the lease.

The carrying amount of the Group's deferred income is denominated in the following currencies:

	31 December 2014 £'000	31 December 2013 £'000
Sterling	36,847	39,110
Euro	22,706	21,595
Swedish Krona	2,969	3,172
Other	187	208
	<u>62,709</u>	<u>64,085</u>

## 22. Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Leasing agreements that transfer to the Group substantially all the benefits and risks of ownership of an asset are classified as a finance lease and treated as if the asset had been purchased outright. The assets are included in property, plant and equipment and the capital element of the leasing commitments is shown within obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income statement in proportion to the reducing capital element outstanding.

	31 December 2014 £'000	31 December 2013 £'000
<b>Current</b>		
Obligations under finance leases	5,027	4,637
<b>Non-current</b>		
Bank borrowings	325,743	307,089
Obligations under finance leases	13,284	15,769
	339,027	322,858
<b>Total borrowings</b>	344,054	327,495

Bank borrowings relate to the Group's senior debt facility and comprise a term loan of £100,000,000 (2013: £100,000,000) and amounts drawn under the revolving credit facility. The bank borrowings attract interest at LIBOR, or equivalent based on the currency of the borrowing (herein referred to as LIBOR), plus a margin. The margin is variable and calculated with reference to the ratio of the Group's last twelve months' EBITDA to net debt. The margin is recalculated based on interest periods set by the Group, typically between one and three months. The borrowings are secured by a debenture over all the assets of the Company, including shares in, and assets of, certain subsidiary undertakings. The Directors consider the carrying value of the borrowings to approximate to their fair values as they attract a market rate of interest.

The Group has three principal banking covenants under its senior debt facility which are outlined below:

- Total leverage: the Group's net debt to EBITDA ratio is covenanted to not breach certain levels.
- Fixed charge cover: the Group's interest and rent expenses ('fixed charge') must be covered by a multiple of pre-rent and interest earnings.
- Total cash cover: the Group's interest cost must be covered by a multiple of cash flows, excluding certain permitted capital expenditure.

At the year end, the Group is in full compliance with these covenants and expects to remain so for the foreseeable future.

**Telecity Group plc****Notes to the consolidated financial statements (continued)**

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The maturity profile of borrowings is set out below:

	<b>31 December 2014 £'000</b>	31 December 2013 £'000
Within one year	5,650	5,223
In one to two years	9,443	5,207
In two to three years	21,439	8,983
In three to four years	310,358	20,974
In four to five years	473	292,900
After five years	433	—
Gross borrowings	347,796	333,287
Less future interest and unamortised debt issue costs	(3,742)	(5,792)
Net borrowings	344,054	327,495

Amounts drawn under the revolving credit facility are included in the above analysis with reference to the term for which the Group can continue to roll such amounts.

The carrying amount of the Group's borrowings is denominated in the following currencies:

	<b>31 December 2014 £'000</b>	31 December 2013 £'000
Sterling	168,658	152,672
Euro	128,513	130,621
Swedish Krona	42,657	44,080
Other	4,226	122
	344,054	327,495

**Telecity Group plc**  
**Notes to the consolidated financial statements (continued)**

The Group uses interest rate swaps to fix the LIBOR rate it pays on its borrowings. The split of borrowings between fixed and variable is shown below:

	<b>31 December 2014 £'000</b>	31 December 2013 £'000
Fixed rate borrowings	<b>279,990</b>	294,042
Variable rate borrowings	<b>67,806</b>	39,245
	<b>347,796</b>	333,287
Percentage of borrowings at fixed rate (%)	<b>80.5</b>	88.2

The Group has undrawn committed loan facilities at the year-end as shown below:

	<b>31 December 2014 £'000</b>	31 December 2013 £'000
Senior debt facility	<b>400,000</b>	400,000
Senior debt facility drawn	<b>(328,167)</b>	(311,298)
Rental guarantees issued under senior debt facility	<b>(2,444)</b>	(2,617)
Undrawn committed loan facility	<b>69,389</b>	86,085

A commitment fee is payable on the undrawn committed facilities at a rate of 45% (2013: 45%) of the applicable margin.

**23. Derivative financial instruments**

Interest rate derivatives are recognised initially at fair value and subsequent to initial recognition are revalued at each reporting date. The fair value is based on the market values of equivalent instruments at the relevant date. Amounts payable and receivable on interest rate derivatives are recognised in the period to which they relate. Where the instrument meets the definition for hedge accounting, movements in fair value of the interest rate swap are taken to reserves. In all other cases movements are charged or credited to the income statement.

In order to manage the Group's exposure to movements in LIBOR, or equivalent based on the currency of the borrowing (herein referred to as LIBOR), the Group uses interest rate swaps. Under these arrangements the Group pays interest at a fixed rate and receives interest at LIBOR. The amounts of interest paid and received are calculated on the nominal value of the interest rate swap.

After taking account of the effect of the interest rate swaps, the average interest rate in respect of drawn borrowings was 3.0% (2013: 3.5%).

At the year end the Group had the following contracts outstanding:

As at 31 December 2014 Nominal value ('000)	Currency	Maturity date	Fixed rate
92,000	Sterling	13 February 2015	1.355%
24,000	Sterling	13 May 2016	0.745%
50,000(1)	Sterling	13 February 2018	1.380%
44,000	Euro	13 February 2015	1.225%
60,000	Euro	13 May 2016	0.634%
40,000	Euro	5 October 2017	1.145%
400,000	Swedish Krona	28 February 2015	2.180%
200,000(2)	Swedish Krona	28 February 2018	2.420%

(1) This instrument has a start date of 13 February 2015.

(2) This instrument has a start date of 27 February 2015.



**Telecity Group plc**

**Notes to the consolidated financial statements (continued)**

As at 31 December 2013				
Nominal value ('000)	Currency	Maturity date	Fixed rate	
92,000	Sterling	13 February 2015	1.355%	
24,000	Sterling	13 May 2016	0.745%	
50,000 <sup>(1)</sup>	Sterling	13 February 2018	1.380%	
40,000	Euro	5 October 2014	1.505%	
44,000	Euro	13 February 2015	1.225%	
60,000	Euro	13 May 2016	0.634%	
40,000 <sup>(2)</sup>	Euro	5 October 2017	1.145%	
400,000	Swedish Krona	28 February 2015	2.180%	
200,000 <sup>(3)</sup>	Swedish Krona	28 February 2018	2.420%	

(1) This instrument has a start date of 13 February 2015.

(2) This instrument has a start date of 6 October 2014.

(3) This instrument has a start date of 27 February 2015.

The fair value of interest rate swaps is shown below:

	31 December 2014 £'000	31 December 2013 £'000
Current	(1,419)	(1,122)
Non-current	(1,647)	—
	<b>(3,066)</b>	<b>(1,122)</b>

**Telecity Group plc**  
**Notes to the consolidated financial statements (continued)**

The non-current element of interest rate swaps and the related cash flows are expected to occur in approximately equal annual instalments over the remaining life of the instruments.

A reconciliation of the movement in the fair value of the Group's financial derivatives is shown below:

	<b>31 December 2014 £'000</b>	31 December 2013 £'000
Opening fair value	<b>(1,122)</b>	(3,858)
(Charged)/credited to reserves	<b>(1,944)</b>	2,736
<b>Closing fair value</b>	<b><u>(3,066)</u></b>	<u>(1,122)</u>

The interest rate swaps were entirely effective during the year and therefore £nil (2013: £nil) was recorded in the income statement.

**24. Provisions for other liabilities and charges**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

After initial measurement, any subsequent adjustments to dilapidations provisions are normally recorded against the original amount included in leasehold improvements with a corresponding adjustment to future depreciation charges.

	Dilapidations £'000	Onerous leases £'000	Total £'000
<b>At 1 January 2013</b>	<b>1,557</b>	<b>5,579</b>	<b>7,136</b>
Exchange differences	—	134	134
Increase	—	1,204	1,204
Unwinding of discount	—	72	72
Utilised	—	(1,088)	(1,088)
<b>At 1 January 2014</b>	<b>1,557</b>	<b>5,901</b>	<b>7,458</b>
Exchange differences	—	(264)	(264)
Increase	—	3,461	3,461
Released unused	(333)	(348)	(681)
Unwinding of discount	—	54	54
Utilised	(1,224)	(1,978)	(3,202)
<b>At 31 December 2014</b>	<b><u>—</u></b>	<b><u>6,826</u></b>	<b><u>6,826</u></b>

**Telecity Group plc****Notes to the consolidated financial statements (continued)**

The provision for onerous leases relates to the estimated discounted future costs of a property lease with a remaining term of seven years. The dilapidations provision related to the estimated costs of returning one of the Group's properties to its original condition at the expiry of the lease, during 2014. The Directors consider the carrying values of the provisions to approximate to their fair values as they have been discounted at the risk free rate.

The maturity profile of provisions is set out below:

	31 December 2014 £'000	31 December 2013 £'000
Provisions – current	879	3,699
Provisions – non-current	5,947	3,759
	<u>6,826</u>	<u>7,458</u>

**25. Share capital**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Shares held in the Employee Benefit Trust ('EBT') over which the Group has direct or indirect control are deducted from the reserves of the Group.

Ordinary shares of £0.002 each	Number '000	Value £'000
<b>Allotted</b>		
<b>At 1 January 2012</b>	<b>198,892</b>	<b>398</b>
Shares issued under share option schemes	2,538	5
<b>At 31 December 2012</b>	<b>201,430</b>	<b>403</b>
Shares issued under share option schemes	1,217	2
<b>At 31 December 2013</b>	<b>202,647</b>	<b>405</b>
Shares issued under share option schemes	225	1
<b>At 31 December 2014</b>	<b>202,872</b>	<b>406</b>

Each share carries one vote at general meetings.

During 2014, 154,000 new shares were issued under the Group's share option schemes for total consideration of £561,000 and 71,000 new shares were issued to the Employee Benefit Trust ('EBT') for total consideration of £142. In addition the EBT purchased from the open market 17,000 shares for a consideration of £113,000. These shares were purchased for the settlement of deferred bonus share awards.

In addition to the issue of new shares during 2014, 200,000 shares were issued from the EBT under the Group's share options schemes for total consideration of £18,000.

All shares are fully paid with the exception of those held by the EBT. At 31 December 2014 the EBT owed an amount of £53,000 (2013: £419,000) in respect of such shares.

26. Dividends

	31 December 2014 £'000	31 December 2013 £'000	31 December 2012 £'000
2012 final dividend paid – 2.5 pence per share	—	—	5,007
2012 final dividend paid – 5 pence per share	—	10,080	—
2013 interim dividend paid – 3.5 pence per share	—	7,088	—
2013 final dividend paid – 7.0 pence per share	14,178	—	—
2014 interim dividend paid – 4.5 pence per share	9,124	—	—
Total dividends	23,302	17,168	5,007

A final dividend in respect of the year ended 31 December 2014 of 9.0 pence per ordinary share is to be proposed at the annual general meeting. These financial statements do not reflect this final dividend.

27. Share plans

Under the Group's long-term equity-settled incentive plans, performance shares and share options are granted to senior management. In addition, the Group operates a sharesave scheme which is available to all staff.

*Long term incentive plans*

The award of options is conditional upon continued employment, certain market vesting conditions and subject to a relative Total Shareholder Return (TSR) performance condition measured over three financial years with Telecity's TSR assessed against the constituents, as at grant, of the FTSE 250 (excluding investment trusts) using the average TSR over the 60 dealing days prior to the start and end of the performance period.

The performance period is measured over complete financial years, the vesting period is measured from the date of award. The term of options is 10 years.

*Sharesave scheme*

The Group operates an all-employee Sharesave scheme, under which employees may be granted an option to acquire ordinary shares at a fixed exercise price under certain conditions. Conditions include continued employment, and continuing to save each month into a savings account for a period of either three or four years, the proceeds of which they may use to exercise the option or have repaid if they prefer.

Sharesave shares are classified as equity settled share based payments and the fair value at the date of grant and is expensed over the vesting period. The term of options granted under the Sharesave scheme is four years.

The release of these shares is conditional upon continued employment, certain market vesting conditions and, in the case of enhanced awards, three-year target EPS compound annual growth rates. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined, using the Black Scholes or Monte Carlo models, at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will ultimately vest.

Non-market vesting conditions, which for the Group mainly relate to the continual employment of the employee during the vesting period, and in the case of the enhanced awards the achievement of EPS growth targets, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Any market vesting conditions are factored into the fair value of the options granted.

To the extent that share options are granted to employees of the Group's subsidiaries without charge, the share option charge is capitalised as part of the cost of investment in subsidiaries.

**Telecity Group plc**  
**Notes to the consolidated financial statements (continued)**

The following share options and performance shares, including those in respect of the sharesave scheme, were outstanding at the year-end:

As at 31 December 2014

	Exercise price £	Expiry date	Vested ('000)	Not vested ('000)	Total outstanding ('000)
October 2007 share option plan	2.2	Oct-17	16	—	16
2008 share option plan	2.12	Mar-18	56	—	56
2009 performance share plan	N/A	Feb-19	66	—	66
2010 performance share plan	N/A	Mar-20	54	—	54
2011 sharesave scheme	3.74	Oct-15	45	—	45
2012 performance share plan	N/A	Feb-22	—	671	671
2012 enhanced performance share plan	N/A	Apr-22	—	487	487
2012 sharesave scheme	7.09	Apr-16	—	144	144
2013 long term incentive plan	N/A	Feb-23	—	638	638
2013 sharesave scheme	6.94	Apr-17	—	123	123
2014 long term incentive plan	N/A	Feb-24	—	1,086	1,086
2014 sharesave scheme	5.93	Mar-18	—	378	378
Total			237	3,527	3,764

As at 31 December 2013

	Exercise price £	Expiry date	Vested ('000)	Not vested ('000)	Total outstanding ('000)
October 2007 share option plan	2.2	Oct-17	24	—	24
2008 share option plan	2.12	Mar-18	66	—	66
2009 performance share plan	N/A	Feb-19	90	—	90
2010 performance share plan	N/A	Mar-20	88	—	88
2011 performance share plan	N/A	Feb-21	—	789	789
2011 sharesave scheme	3.74	Oct-15	—	188	188
2012 performance share plan	N/A	Feb-22	—	709	709
2012 enhanced performance share plan	N/A	Apr-22	—	503	503
2012 Directors' bonus shares	N/A	Feb-14	—	56	56
2012 sharesave scheme	7.09	Apr-16	—	145	145
2013 long term incentive plan	N/A	Feb-23	—	702	702
2013 Directors' bonus shares	N/A	Feb-15	—	43	43
2013 sharesave scheme	6.94	Apr-17	—	123	123
Total			268	3,258	3,526

**Teleticity Group plc**  
**Notes to the consolidated financial statements (continued)**

As at 31 December 2012

	Exercise price £	Expiry date	Vested ('000)	Not vested ('000)	Total outstanding ('000)
October 2007 share option plan	2.2	Oct-17	89	—	89
2008 share option plan	2.12	Mar-18	238	—	238
2009 performance share plan	N/A	Feb-19	248	—	248
2009 sharesave scheme	1.44	Jan-2017	35	—	35
2010 performance share plan	N/A	Mar-20	—	940	940
2011 performance share plan	N/A	Feb-21	—	872	872
2011 sharesave scheme	3.74	Oct-15	—	188	188
2011 Directors' bonus shares	N/A	Feb-13	—	69	69
2012 performance share plan	N/A	Feb-22	—	764	764
2012 enhanced performance share plan	N/A	Apr-22	—	565	565
2012 Directors' bonus shares	N/A	Feb-14	—	56	56
2012 sharesave scheme	7.09	Apr-16	—	145	145
<b>Total</b>			<b>610</b>	<b>3,599</b>	<b>4,209</b>

The weighted average exercise price of vested share options and performance shares was £1.36 (2013: £0.79, 2012: £1.23).

The movement in share options during the year is shown below:

	2014		2013		2012	
	Weighted average exercise price per share £	Number of share options '000	Weighted average exercise price per share £	Number of share options '000	Weighted average exercise price per share £	Number of share options '000
At 1 January	<b>5.08</b>	<b>545</b>	3.57	694	2.12	2,562
Granted	<b>5.93</b>	<b>378</b>	6.94	123	7.09	145
Forfeited	—	—	—	—	1.71	(34)
Exercised	<b>3.58</b>	<b>(162)</b>	2.05	(272)	1.99	(1,979)
At 31 December	<b>5.82</b>	<b>761</b>	5.08	545	3.57	694

**Telecity Group plc**  
**Notes to the consolidated financial statements (continued)**

In addition to the above options, the movement in nil-cost performance shares from the Performance Share Plan, including Directors' bonus shares, was as follows:

	2014 Number of performance shares '000	2013 Number of performance shares '000	2012 Number of performance shares '000
At 1 January	<b>2,981</b>	3,515	3,614
Granted	<b>1,264</b>	795	1,439
Forfeited	<b>(1,063)</b>	(250)	(37)
Exercised	<b>(179)</b>	(1,079)	(1,501)
At 31 December	<b>3,003</b>	2,981	3,515

The average share price during the year was £7.33 (2013: £8.58, 2012:£7.97).

Performance shares granted during the current and previous year were valued using the Monte Carlo option-pricing model. The grants under the sharesave scheme during the year were valued using the Black Scholes option-pricing model. The fair value per option granted and the assumptions used in these calculations are as follows:

Grant date	November 2014 Sharesave	February 2014 Performance shares	November 2013 Sharesave	February 2013 Performance shares	November 2012 Sharesave	April 2012 Enhance Performance shares	February 2012 Performance shares
Share price (£)	<b>7.40</b>	<b>6.53</b>	8.54	8.89	8.82	7.45	6.83
Exercise price (£)	<b>5.93</b>	<b>nil</b>	6.94	nil	7.09	nil	nil
Expected volatility (%)	<b>27.2</b>	<b>31.5</b>	27.8	28.5	32.1	31.6	32.6
Expected life (years)	<b>3.0</b>	<b>3.0</b>	3.0	3.0	3.0	3.0	3.0
Risk free rate (%)	<b>0.97</b>	<b>1.05</b>	0.97	0.41	0.42	0.59	0.57
Expected dividend yield (%)	<b>1.6</b>	<b>1.8</b>	1.0	1.0	1.0	1.0	1.0
Fair value per option (£)	<b>1.69</b>	<b>2.78</b>	2.02	4.22	2.35	5.59	4.03

Market condition features were incorporated into the Monte Carlo models for the total shareholder return elements of the long-term incentive plan in determining the fair value at grant date. Assumptions used in these models were as follows:

	February 2014 Performance shares	February 2013 Performance shares	April 2012 Enhance Performance shares	February 2012 Performance shares
Average share price volatility FTSE 250 comparator group (%)	<b>31</b>	33	29	27
Average correlation FTSE 250 comparator group (%)	<b>32</b>	33	37	28

The expected Telecity Group plc share price volatility was determined taking into account daily share price movements over a three-year period.



The risk free return has been determined from market yield curves of UK government gilts with outstanding expected terms for each relevant grant.

The charge arising from share-based payments is disclosed in note 4.

## 28. Reserves

The Statements of Changes in Equity is disclosed as a primary statement. Below is a description of the nature and purpose of the individual reserves:

- share capital represents the nominal value of shares issued, including those issued to the EBT (note 25);
- share premium account includes the amounts paid over nominal value in respect of share issues, net of related costs;
- retained profits include the accumulated realized and certain unrealized gains and losses made by the Group;
- own shares held by the Group represent 21,000 (2013: 132,000, 2012: 222,000) shares in Telecity Group plc. All shares are held by the EBT. These shares are listed on a recognised stock exchange and their market value and nominal value at 31 December 2014 was £164,000 (2013: £960,000, 2012: £1,742,000) and £41 (2013: £265, 2012: £443) respectively. The EBT is a discretionary trust for the benefit of employees and the shares held are used to satisfy some of the Group's obligations to employees for share options and other long-term incentive plans;
- currency translation differences on foreign currency net investments arise from the re-translation of the net investments in overseas subsidiaries, including long-term inter-company loans that are considered part of the Group's investment in its subsidiaries; and

**29. Cash inflow from operations**

The reconciliation of profit on ordinary activities before taxation to net cash inflow from operating activities is as follows:

	<b>31 December 2014 £'000</b>	31 December 2013 £'000	31 December 2012 £'000
Profit on ordinary activities before taxation	<b>81,022</b>	88,440	76,146
Add finance costs	<b>8,960</b>	9,069	7,695
Less finance income	<b>(86)</b>	(106)	(128)
Add/(less) other financing items	<b>118</b>	(50)	515
Add intangible asset amortisation	<b>5,234</b>	4,950	3,746
Add exceptional items	<b>18,502</b>	5,175	3,072
Depreciation charge	<b>49,976</b>	45,761	38,416
Loss/(profit) on disposal of property, plant and equipment	<b>200</b>	(28)	3
Share-based payment charges	<b>3,103</b>	3,095	3,667
Movement in trade and other receivables	<b>(2,911)</b>	(8,068)	(6,845)
Movement in trade and other payables	<b>(5,956)</b>	(5,995)	7,335
Movement in deferred income	<b>993</b>	6,721	2,144
Movement in provisions	<b>(3,695)</b>	(999)	(959)
Exchange movement	<b>(6,472)</b>	(2,061)	731
<b>Net cash inflow from operating activities</b>	<b>148,988</b>	145,904	135,538

### 30. Financial commitments

The Group's future undiscounted minimum lease payments under non-cancellable operating leases are as follows:

	Land and Buildings			Other		
	31 December 2014	31 December 2013	31 December 2012	31 December 2014	31 December 2013	31 December 2012
	£'000	£'000	£'000	£'000	£'000	£'000
Falling due:						
– within one year	31,970	32,448	29,961	415	172	137
– between two and five years	124,049	115,553	110,018	376	247	188
– in more than five years	425,669	434,284	417,980	—	—	—
	<b>581,688</b>	<b>582,285</b>	<b>557,959</b>	<b>791</b>	<b>419</b>	<b>325</b>

The table above represents minimum lease payments, however some operating leases are subject to inflationary increases. Costs in respect of operating leases are charged on a straight-line basis over the term of the lease. Benefits received by the Group as an incentive to sign the lease are spread on a straight-line basis over the lease term, or to the first break clause, is sooner. During the construction phase of a data centre, operating lease costs are capitalised as part of the cost of the asset.

	31 December 2014 £'000	31 December 2013 £'000	31 December 2012 £'000
Operating lease payments incurred during the year:			
– property	37,124	34,290	28,842
– plant and machinery	502	72	29
– other	422	420	361
	<b>38,048</b>	<b>34,782</b>	<b>29,232</b>

### 31. Capital commitments

Capital expenditure in respect of property, plant and equipment that had been contracted for but not provided for in the financial statements at 31 December 2014 amounted to £30,918,000 (2013: £22,680,000, 2012: £28,913,000).

**32. Contingent liabilities**

Financial guarantees granted by the Group's banks, primarily in respect of operating leases, amount to £2,444,000 at 31 December 2014 (2013: £2,617,000, 2012:£5,493,000).

At the inception of a property lease and annually thereafter, the Directors assess the cost of restoring leasehold premises to their original condition at the end of the lease and the likelihood of such costs actually being incurred. If the likelihood of this liability arising is judged to be possible, rather than probable, it is disclosed as a contingent liability. When assessing the likelihood of this liability arising, the Directors take into account the terms of the lease. If the likelihood of this liability arising is judged to be probable and can be reliably estimated, the discounted cost of the liability is included in leasehold improvements and is depreciated over the duration of the lease.

At 31 December 2014 the net present value of the cost of reinstating leasehold properties at the end of leases in accordance with the lease contracts was estimated to be up to £7,990,000 (2013: £7,810,000, 2012:£9,180,000). In addition to this, £nil (2013: £1,557,000, 2012:£1,557,000) is recorded within provisions (note 25). The leases expire over a period of up to 27 years (2013 and 2012: up to 30 years).

The Group has future expected commitments of £8,765,000 (2013: £5,260,000, 2012:£8,650,000) relating to the phased delivery of infrastructure to provide the currently available customer power.

**33. Related party transactions**

The Directors have not identified any related parties and transactions other than the remuneration of key management which is disclosed in note 4.

**34. Post balance sheet events**

On 10 February, 2015 Telecity Group plc entered into a non-binding agreement for an all-share merger with Interxion Holding N.V. ('Interxion'). Interxion is a provider of carrier-neutral colocation data center services. This agreement became binding on 9 March 2015.

On 29 May 2015, following an approach from Equinix, Inc, the boards of Telecity Group plc and Equinix, Inc. reached agreement on a recommended cash and share offer for the entire issued and to-be-issued share capital of Telecity Group plc. The merger and implementation agreement entered into with Interxion was terminated, and a £15.0m break fee was paid by Telecity Group plc to Interxion.

On 25 September 2015, Equinix, Inc notified its proposed acquisition of Telecity Group plc to the European Commission for merger control approval. On 13 November 2015 Equinix, Inc. received Phase I clearance from the European Commission for its proposed acquisition. Equinix, Inc. and Telecity Group plc proposed commitments to the European Commission to facilitate obtaining the Phase 1 clearance. The proposed transaction has now received the necessary regulatory approvals to satisfy the pre-conditions to the offer and the relevant shareholder approval can be sought from the shareholders of Telecity Group plc.

The Directors have reviewed events occurring after the balance sheet and, other than noted above, determined that no such events require adjustment to, or disclosure in, the financial statements.

**35. Financial instruments**

IFRS 7 requires certain disclosures in respect of financial instruments. Due to the Group's relatively straightforward financing structure, the key disclosures in respect of debt maturity and interest rate exposure are dealt with in notes 22 and 23. The further disclosures required by IFRS 7 are given below.

**Financial risk management**

The Group is subject to the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

*Interest rate risk*

The group is exposed to interest rate risk. The actions taken by the Group to mitigate this risk are disclosed in notes 23 and 24.

*Foreign exchange risk*

The group is exposed to foreign exchange risk. Each country's revenue and costs are predominately incurred in the local currency, significant capital projects are financed in the currency of the relevant country. Reporting risk due to foreign currency fluctuations are not hedged.

*Credit risk*

The Group is subject to the risk of not being paid by its customers. The Group uses a number of measures to reduce this risk including up front billing and credit checks. A discussion of trade receivable impairment is included in note 33.

*Commodity risk*

The Group is a significant user of electricity and is exposed to the volatility of prices in the energy markets. The Group engages specialist consultants to assist in the purchasing of power.

*Liquidity risk*

The Group manages its liquidity risk by forecasting short, medium and long term cash requirements to ensure adequate headroom.

## Financial risk management disclosures

The table below analyses the Group's undiscounted financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year	Between one and two years	More than two years
<b>At 31 December 2014</b>			
Trade and other payables excluding taxation and social security (note 20)	48,055	—	—
Borrowings (note 22)	5,650	9,443	332,703
Derivative financial instruments (note 23)	1,419	1,647	—
	<u>55,124</u>	<u>11,090</u>	<u>332,703</u>
	Less than one year	Between one and two years	More than two years
<b>At 31 December 2013</b>			
Trade and other payables excluding taxation and social security (note 20)	56,626	—	—
Borrowings (note 22)	5,223	5,207	322,857
Derivative financial instruments (note 23)	1,122	—	—
	<u>62,971</u>	<u>5,207</u>	<u>322,857</u>

---

**Telecity Group plc****Notes to the consolidated financial statements (continued)**

IFRS 7 requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial instruments that are measured at fair value at 31 December 2014.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Liabilities</b>				
Derivative financial instruments (note 23)	—	3,066	—	3,066

The following table presents the Group's financial instruments that are measured at fair value at 31 December 2013.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Liabilities</b>				
Derivative financial instruments (note 23)	—	1,122	—	1,122

The book value of the Group's financial instruments at the year-end is shown below:

	Notes	31 December 2014 £'000	31 December 2013 £'000
<b>Financial assets</b>			
Loans and receivables:			
– trade receivables	18	25,037	25,475
– other receivables	18	5,865	1,531
– accrued income	18	1,792	1,382
– cash and cash equivalents	19	27,228	23,244
Total financial assets		<u>59,922</u>	<u>51,632</u>
<b>Financial liabilities</b>			
Amortised cost:			
– trade and capital expenditure payables	20	14,340	22,791
– other payables	20	3,603	4,782
– accruals	20	30,112	29,053
– borrowings	22	344,054	327,495
– provisions for other liabilities and charges	24	6,826	7,458
Derivative financial instruments	23	3,066	1,122
Total financial liabilities		<u>402,001</u>	<u>392,701</u>

### 36. Trade receivables impairment disclosures

Due to effective credit control procedures, the Group mitigates its exposure to the risk of bad debt. In addition the Group's up-front billing cycle means that customers are generally due to pay in advance of receiving the service. The following disclosures are in respect of trade receivables that are either impaired or past due. The credit quality of the remaining trade receivables is considered good.



**Telecity Group plc****Notes to the consolidated financial statements (continued)**

Included within trade receivables is an amount of £8,691,000 (2013: £5,710,000, 2012:£7,998,000) in respect of amounts which are past their due date. These relate to a number of independent customers for whom there is considered to be little risk of default and therefore such amounts have not been impaired. The ageing analysis of these amounts is shown below:

	31 December 2014 £'000	31 December 2013 £'000
Up to three months	8,312	4,734
Three to six months	275	687
More than six months	104	289
	<u>8,691</u>	<u>5,710</u>

In addition to the above amounts, the Group has a number of trade receivables that are impaired. The impairment balance relates to receivables with a gross value of £1,114,000 (2013: £1,036,000, 2012:£947,000). The ageing analysis of these amounts is shown below:

	31 December 2014 £'000	31 December 2013 £'000
Up to three months	634	786
Three to six months	42	54
More than six months	438	196
	<u>1,114</u>	<u>1,036</u>

Movements on the Group provision for impairment of trade receivables are as follows. All amounts recorded in the Consolidated Income Statement are included within administrative expenses:

	31 December 2014 £'000	31 December 2013 £'000
At 1 January	1,027	900
Acquired provision	—	42
Increase in provision for receivables impairment	424	366
Receivables written off during the year as uncollectable	(299)	(236)
Unused amounts reversed	(7)	(55)
Foreign exchange movement	(45)	10
At 31 December	<u>1,100</u>	<u>1,027</u>

The Group holds cash deposits of £379,000 (2013: £351,000) as security against the trade receivables.

**Unaudited consolidated statements of income**

	Notes	Six months ended 30 June 2015 (Unaudited) £'000	Six months ended 30 June 2014 (Unaudited) £'000
<b>Revenue</b>	5	<b>173,456</b>	174,088
Cost of sales		<u>(71,694)</u>	<u>(73,383)</u>
Gross profit		<b>101,762</b>	100,705
Sales and marketing costs		<u>(7,255)</u>	<u>(7,060)</u>
Administrative costs analysed:			
Depreciation charges		<b>(27,005)</b>	(24,159)
Amortisation charges		<b>(2,509)</b>	(2,630)
Operating exceptional items	6	<b>(30,711)</b>	—
Other administrative costs		<u>(13,231)</u>	<u>(12,024)</u>
Administrative costs		<u>(73,456)</u>	<u>(38,813)</u>
<b>Operating profit</b>	5	<b>21,051</b>	54,832
Finance income		<b>49</b>	35
Finance costs	8	<b>(4,251)</b>	(4,894)
Other financing items		<u>(2,008)</u>	—
<b>Profit on ordinary activities before taxation</b>		<b>14,841</b>	49,973
Income tax charge	9	<u>(10,889)</u>	<u>(11,895)</u>
<b>Profit for the period</b>		<u><b>3,952</b></u>	<u>38,078</u>
<b>Earnings per share:</b>			
<b>basic (p)</b>	10	<b>1.9</b>	18.8
<b>diluted (p)</b>	10	<b>1.9</b>	18.7

The accompanying notes form an integral part of these unaudited condensed financial statements.

---

**Unaudited consolidated statements of comprehensive income**

	<b>Six months ended 30 June 2015 (Unaudited) £'000</b>	<b>Six months ended 30 June 2014 (Unaudited) £'000</b>
Profit for the period	<b>3,952</b>	<b>38,078</b>
<b>Other comprehensive income:</b>		
Currency translation differences on foreign currency net investments	<b>(27,103)</b>	<b>(12,722)</b>
Fair value movement on cash flow hedges	<b>841</b>	<b>(708)</b>
Tax on fair value movement on cash flow hedges	<b>(171)</b>	<b>148</b>
<b>Other comprehensive expense for the period net of tax</b>	<b>(26,433)</b>	<b>(13,282)</b>
<b>Total comprehensive (expense)/income recognised in the period attributable to owners of the parent</b>	<b>(22,481)</b>	<b>24,796</b>

The components of other comprehensive income may subsequently be reclassified to the income statement.

The accompanying notes form an integral part of these unaudited condensed financial statements.

**Unaudited consolidated statements of changes in equity**

	Share capital (Unaudited) £'000	Share premium account (Unaudited) £'000	Retained profits (Unaudited) £'000	Own shares (Unaudited) £'000	Cumulative translation reserve (Unaudited) £'000	Total (Unaudited) £'000
<b>At 1 January 2014</b>	<b>405</b>	<b>78,453</b>	<b>333,191</b>	<b>(419)</b>	<b>(2,367)</b>	<b>409,263</b>
Profit for the period	—	—	38,078	—	—	38,078
Other comprehensive income:						
Currency translation differences on foreign currency net investments	—	—	—	—	(12,722)	(12,722)
Fair value movement on cash flow hedges	—	—	(708)	—	—	(708)
Tax on fair value movement on cash flow hedges	—	—	148	—	—	148
<b>Total comprehensive income/(expense) for the period ended 30 June 2014</b>	<b>—</b>	<b>—</b>	<b>37,518</b>	<b>—</b>	<b>(12,722)</b>	<b>24,796</b>
Transactions with owners:						
Credit to equity for share-based payments	—	—	1,676	—	—	1,676
Tax on share-based payments	—	—	10	—	—	10
Purchase of own shares	—	—	—	(99)	—	(99)
Issue of shares	1	428	(272)	290	—	447
Dividends paid to owners of the parent	—	—	(14,178)	—	—	(14,178)
	<b>1</b>	<b>428</b>	<b>(12,764)</b>	<b>191</b>	<b>—</b>	<b>(12,144)</b>
<b>At 30 June 2014</b>	<b>406</b>	<b>78,881</b>	<b>357,945</b>	<b>(228)</b>	<b>(15,089)</b>	<b>421,915</b>
<b>At 1 January 2015</b>	<b>406</b>	<b>79,013</b>	<b>370,724</b>	<b>(51)</b>	<b>(22,449)</b>	<b>427,643</b>
Profit for the period	—	—	3,952	—	—	3,952
Other comprehensive income:						
Currency translation differences on foreign currency net investments	—	—	—	—	(27,103)	(27,103)
Fair value movement on cash flow hedges	—	—	841	—	—	841
Tax on fair value movement on cash flow hedges	—	—	(171)	—	—	(171)
<b>Total comprehensive income/(expense) for the period ended 30 June 2015</b>	<b>—</b>	<b>—</b>	<b>4,622</b>	<b>—</b>	<b>(27,103)</b>	<b>(22,481)</b>
Transactions with owners:						
Credit to equity for share-based payments	—	—	1,172	—	—	1,172
Tax on share-based payments	—	—	172	—	—	172
Purchase of own shares (note 13)	—	—	—	(60)	—	(60)
Issue of shares (note 13)	—	130	—	—	—	130
Dividends paid to owners of the parent (note 14)	—	—	(18,263)	—	—	(18,263)
	<b>—</b>	<b>130</b>	<b>(16,919)</b>	<b>(60)</b>	<b>—</b>	<b>(16,849)</b>
<b>At 30 June 2015</b>	<b>406</b>	<b>79,143</b>	<b>358,427</b>	<b>(111)</b>	<b>(49,552)</b>	<b>388,313</b>

The accompanying notes form an integral part of these unaudited condensed financial statements.

**Unaudited consolidated balance sheets**

	Notes	30 June 2015 (Unaudited) £'000	31 December 2014 (Unaudited) £'000	30 June 2014 (Unaudited) £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		145,886	157,819	171,817
Property, plant and equipment	11	691,155	703,955	664,009
Deferred income taxes		712	1,277	2,224
Derivative financial instruments		—	—	665
Trade and other receivables		334	777	720
		<u>838,087</u>	<u>863,828</u>	<u>839,435</u>
<b>Current assets</b>				
Trade and other receivables		39,683	43,628	40,216
Cash and cash equivalents		22,444	27,228	20,476
		<u>62,127</u>	<u>70,856</u>	<u>60,692</u>
<b>Total assets</b>		<u><b>900,214</b></u>	<u><b>934,684</b></u>	<u><b>900,127</b></u>
<b>Equity</b>				
Share capital	13	406	406	406
Share premium account		79,143	79,013	78,881
Retained profits		358,427	370,724	357,945
Own shares		(111)	(51)	(228)
Cumulative translation reserve		(49,552)	(22,449)	(15,089)
<b>Total equity</b>		<u><b>388,313</b></u>	<u><b>427,643</b></u>	<u><b>421,915</b></u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred income		18,543	19,270	19,443
Borrowings	12	324,198	339,027	311,730
Derivative financial instruments		1,026	1,647	1,196
Provisions for other liabilities and charges		—	5,947	3,077
Deferred income taxes		26,375	30,115	25,783
		<u>370,142</u>	<u>396,006</u>	<u>361,229</u>
<b>Current liabilities</b>				
Trade and other payables		77,366	50,898	52,175
Deferred income		44,050	43,439	44,461
Current income tax liabilities		13,911	9,373	12,865
Borrowings	12	5,088	5,027	4,935
Derivative financial instruments		1,199	1,419	1,299
Provisions for other liabilities and charges		145	879	1,248
		<u>141,759</u>	<u>111,035</u>	<u>116,983</u>
<b>Total liabilities</b>		<u><b>511,901</b></u>	<u><b>507,041</b></u>	<u><b>478,212</b></u>
<b>Total equity and liabilities</b>		<u><b>900,214</b></u>	<u><b>934,684</b></u>	<u><b>900,127</b></u>

The accompanying notes form an integral part of these unaudited condensed financial statements.

**Unaudited statements of cash flows**

	Notes	Six months ended 30 June 2015 (Unaudited) £'000	Six months ended 30 June 2014 (Unaudited) £'000
<b>Cash inflow from operating activities</b>	15	<b>86,026</b>	75,925
Interest received		29	35
Interest paid		(2,998)	(3,813)
Interest element of finance lease payments		(312)	(313)
Taxation paid		(8,058)	(9,791)
Purchase of operational property, plant and equipment		(8,870)	(14,269)
<b>Cash flows from operating activities</b>		<b>65,817</b>	47,774
<b>Cash flows from investing activities</b>			
Transaction-related expenses paid		(16,141)	—
Purchase of investment related property, plant and equipment		(35,002)	(34,488)
<b>Net cash used in investing activities</b>		<b>(51,143)</b>	(34,488)
<b>Cash flows from financing activities</b>			
Net proceeds from/(repayments of) borrowings		4,219	(3,920)
Proceeds from sale and leaseback arrangements		—	2,898
Repayment of finance leases		(2,434)	(2,344)
Costs related to refinancing		(2,777)	—
Net proceeds on issue of ordinary share capital		70	348
Dividends paid to owners of the parent	14	(18,263)	(14,178)
<b>Net cash outflow from financing activities</b>		<b>(19,185)</b>	(17,196)
<b>Net decrease in cash and cash equivalents</b>		<b>(4,511)</b>	(3,910)
Effects of foreign exchange rate change		(273)	1,142
Cash and cash equivalents at beginning of period		27,228	23,244
<b>Cash and cash equivalents at end of period</b>		<b>22,444</b>	20,476

The accompanying notes form an integral part of these unaudited condensed financial statements.

---

**Telecity Group plc**  
**Notes to the condensed financial statements (unaudited)**

**1. General information**

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is Masters House, 107 Hammersmith Road, London W14 0QH.

The Company is listed on the London Stock Exchange.

These half year financial statements, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement, the consolidated net debt statement and notes 1 to 18 to the condensed financial statements, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 were approved by the Board of Directors on 10 February 2015 and have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498(2) or (3) of the Companies Act 2006.

This half year financial report has been reviewed, not audited.

The Directors of Telecity Group plc in office at 31 December 2014 are listed in the Telecity Group plc Annual Report for that year. A list of current Directors is maintained on the Telecity Group plc website: [www.telecitygroup.com](http://www.telecitygroup.com).

**2. Basis of preparation and Directors' Responsibility Statement**

The unaudited condensed consolidated financial statements as at 30 June 2015 and for the six months ended 30 June 2015 and 2014 have been prepared in accordance with IAS34 'Interim Financial Reporting'. They should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations, collectively 'IFRS'. These unaudited condensed consolidated financial statements include a fair review of important events that have occurred, any material related party transactions during the period, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Having reassessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

These unaudited condensed consolidated financial statements were approved on behalf of the Board by John Hughes, CBE and Eric Hageman on 28 July 2015.

**3. Accounting policies**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual earnings.

A number of new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2015. To the extent they are not relevant to the Group they are not disclosed below:

- IFRS 9, 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption.
- IFRS 15, 'Revenue from contracts with customers' establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty about revenue and cash flows arising from an entity's contracts with customers. The standard is not applicable until 1 January 2017 but is available for early adoption.

The potential impact of the above standards is currently being assessed. When adopted, they are not expected to have a material impact on the Group's results other than disclosure and presentation.

**4. Estimates**

The preparation of the half year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.



**5. Segmental information**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The Group is organised on a geographical basis and derives its revenue from the provision of colocation and related services in Bulgaria, Finland, France, Germany, Ireland, Italy, the Netherlands, Poland, Sweden, Turkey and the UK. These geographical locations comprise the Group's operating segments.

Due to similarities in services, customers, regulatory environment and economic characteristics across the countries in which the Group operates, the Group aggregates these operating segments into the UK and the Rest of Europe for reporting purposes.

The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The internal reporting principally analyses the performance of the UK and the Regions of Western Europe, Nordics and Emerging Markets. When further detail is required, the results of individual countries are reviewed. The Board has therefore determined the reportable segments to be the UK and the Rest of Europe.

In aggregating Bulgaria, Finland, France, Germany, Ireland, Italy, the Netherlands, Poland, Sweden and Turkey into a single reportable segment the Board have considered the following:

- the Group operates consistent standards across all the countries in respect of data-centre specification
- the countries deliver a similar product and in a similar method
- all countries target a similar level of return on investment in the country
- Bulgaria, Finland, France, Germany, Ireland, Italy and the Netherlands have a single currency (the Euro) or a currency linked to the Euro
- the markets of Finland, France, Germany, Ireland, Italy, the Netherlands and Sweden show similar levels of maturity and demand for the Group's services

The Board recognises that its businesses in Poland, Turkey and Bulgaria are less mature than the other countries within the Rest of Europe segment. However as these three businesses comprise approximately 3% of the total revenue of the Group the Board considers it reasonable to include these businesses within the Rest of Europe reporting segment for completeness.

The Group's income statement, split by segment, is shown below. Treasury is managed on a Group-wide basis; as such, it is not practical to allocate costs below operating profit to an individual reporting segment.

	Six months ended 30 June 2015			Six months ended 30 June 2014		
	UK £'000	Rest of Europe £'000	Total £'000	UK £'000	Rest of Europe £'000	Total £'000
<b>Revenue</b>	<b>73,869</b>	<b>99,587</b>	<b>173,456</b>	73,470	100,618	174,088
Cost of sales	(32,455)	(39,239)	(71,694)	(31,930)	(41,453)	(73,383)
<b>Gross profit</b>	<b>41,414</b>	<b>60,348</b>	<b>101,762</b>	41,540	59,165	100,705
Depreciation charges	(10,290)	(16,715)	(27,005)	(8,586)	(15,573)	(24,159)
Amortisation charges	(1,054)	(1,455)	(2,509)	(1,054)	(1,576)	(2,630)
Operating expenses	(8,405)	(12,081)	(20,486)	(6,519)	(12,565)	(19,084)
Total operating costs	(19,749)	(30,251)	(50,000)	(16,159)	(29,714)	(45,873)
<b>Operating profit before exceptional items</b>	<b>21,665</b>	<b>30,097</b>	<b>51,762</b>	25,381	29,451	54,832
Operating exceptional items (note 6)			(30,711)			—
<b>Operating profit</b>			<b>21,051</b>			54,832
Finance income			49			35
Finance costs			(4,251)			(4,894)
Other financing items			(2,008)			—
<b>Profit before tax</b>			<b>14,841</b>			49,973
Income tax charge			(10,889)			(11,895)
<b>Profit for the period</b>			<b>3,952</b>			38,078

Telecity Group plc  
Notes to the condensed financial statements (unaudited)

5. Segmental information continued

**Summary assets and liabilities**

Segment assets	356,400	519,497	875,897	346,659	530,266	876,925
Unallocated assets			24,317			23,202
<b>Total assets</b>			<b>900,214</b>			<b>900,127</b>
Segment liabilities	(83,548)	(62,551)	(146,099)	(108,839)	(67,584)	(176,423)
Unallocated liabilities			(365,802)			(301,789)
<b>Total liabilities</b>			<b>(511,901)</b>			<b>(478,212)</b>
<b>Additions to property, plant and equipment</b>	<b>11,563</b>	<b>38,832</b>	<b>50,395</b>	<b>11,040</b>	<b>33,378</b>	<b>44,418</b>

The above segmental results are shown after eliminating inter-segment trading of £1,188,000 (H1 2014: £803,000). The Group had no customers from which greater than 10% of revenue was derived during the period.

## 6. Exceptional items

During the period the Group incurred exceptional transaction-related expenses totalling £31.7m modestly off-set by a gain of £1.0m in respect of exiting an onerous lease which had been fully provided against. On 10 February 2015 the group entered into a non-binding agreement for an all-share merger with Interxion Holding N.V. ('Interxion'). This agreement became binding on 9 March 2015. This merger agreement was terminated when TelecityGroup and Equinix entered into the recommended transaction on 29 May 2015.

Transaction-related expenses relate to both the aborted merger with Interxion and the on going acquisition of the Group by Equinix, Inc. These transaction- related expenses comprised legal, financial and corporate advisor fees of £16.7m and a £15.0m break fee that was payable to Interxion following the termination of that transaction.

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000
Transaction-related expenses	31,707	—
Release of onerous lease provision	(996)	—
	<u>30,711</u>	<u>—</u>

## 7. Expenses by nature

The Group classifies its expenses by nature into the categories shown in the table below. Power costs represent the total cost of power to the Group, including related taxes. Property costs include rent, service charges, property-related taxes and ancillary property costs such as insurance. Staff and staff-related costs include expenses such as training and recruitment in addition to staff remuneration costs. Other costs comprise operational maintenance costs, sales and administrative costs and cost of sales of services.

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000
Power costs	22,286	24,536
Property costs	20,420	20,508
Staff and staff-related costs	26,978	25,306
Other costs	53,207	22,117
	122,891	92,467
Depreciation charges	27,005	24,159
Amortisation charges	2,509	2,630
	<u>152,405</u>	<u>119,256</u>

## 8. Finance costs

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000
Interest payable on long-term loans	3,767	4,862
Interest payable on finance leases	312	385
Amortisation of loan arrangement costs	989	956
<b>Gross cost of borrowings</b>	<b>5,068</b>	<b>6,203</b>
Less interest capitalised	(1,673)	(1,753)
<b>Net cost of borrowings</b>	<b>3,395</b>	<b>4,450</b>
Loan commitment fees	761	338
Unwinding of discounts in respect of onerous leases	45	26
Other	50	80
	<u>4,251</u>	<u>4,894</u>

**9. Income taxes**

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual adjusted tax rate for the period ended 30 June 2015 is approximately 24%. In accordance with IAS 34, the tax effect of exceptional or one-off items has not been included in the calculation of the estimated average annual tax rate.

**10. Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, profit for the period as disclosed in the income statement, by the weighted average number of ordinary shares in issue during the period, excluding those held by the Employee Benefit Trust ('EBT').

Diluted earnings per share is calculated by dividing the profit for the period 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.

	<b>Six months ended 30 June 2015 basic</b>	Six months ended 30 June 2014 basic	<b>Six months ended 30 June 2015 diluted</b>	Six months ended 30 June 2014 diluted
Profit for the period (£'000)	<u>3,952</u>	<u>38,078</u>	<u>3,952</u>	<u>38,078</u>
Weighted average number of shares in issue ('000)	<u>202,912</u>	<u>202,607</u>	<u>204,109</u>	<u>203,181</u>
Earnings per share (p)	<u>1.9</u>	<u>18.8</u>	<u>1.9</u>	<u>18.7</u>

11. Property, plant and equipment

	Assets in the course of construction £'000	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
<b>Cost</b>						
<b>At 1 January 2014</b>	<b>131,383</b>	<b>9,928</b>	<b>318,397</b>	<b>473,873</b>	<b>9,728</b>	<b>943,309</b>
Exchange differences	(2,187)	(412)	(13,557)	(9,834)	(244)	(26,234)
Additions	20,869	—	4,049	19,200	300	44,418
Transfers	(51,952)	—	22,773	28,927	252	—
Disposals	—	—	(28)	(940)	(279)	(1,247)
<b>At 30 June 2014</b>	<b>98,113</b>	<b>9,516</b>	<b>331,634</b>	<b>511,226</b>	<b>9,757</b>	<b>960,246</b>
<b>At 1 January 2015</b>	<b>133,673</b>	<b>9,296</b>	<b>328,377</b>	<b>518,613</b>	<b>10,141</b>	<b>1,000,100</b>
Exchange differences	(6,148)	(861)	(23,965)	(21,693)	(548)	(53,215)
Additions	33,944	—	1,425	14,979	47	50,395
Transfers	(34,647)	—	11,579	23,068	—	—
Disposals	(17)	—	(566)	(2,031)	(156)	(2,770)
<b>At 30 June 2015</b>	<b>126,805</b>	<b>8,435</b>	<b>316,850</b>	<b>532,936</b>	<b>9,484</b>	<b>994,510</b>
<b>Accumulated depreciation</b>						
<b>At 1 January 2014</b>	<b>—</b>	<b>86</b>	<b>100,956</b>	<b>173,281</b>	<b>7,069</b>	<b>281,392</b>
Exchange differences	—	(14)	(3,572)	(4,449)	(187)	(8,222)
Charge for the period	—	30	7,385	16,204	540	24,159
Disposals	—	—	(28)	(785)	(279)	(1,092)
<b>At 30 June 2014</b>	<b>—</b>	<b>102</b>	<b>104,741</b>	<b>184,251</b>	<b>7,143</b>	<b>296,237</b>
<b>At 1 January 2015</b>	<b>—</b>	<b>123</b>	<b>106,331</b>	<b>182,831</b>	<b>6,860</b>	<b>296,145</b>
Exchange differences	—	(34)	(6,834)	(9,819)	(405)	(17,092)
Charge for the period	—	27	7,775	18,714	489	27,005
Disposals	—	—	(561)	(1,992)	(150)	(2,703)
<b>At 30 June 2015</b>	<b>—</b>	<b>116</b>	<b>106,711</b>	<b>189,734</b>	<b>6,794</b>	<b>303,355</b>
<b>Net book value</b>						
<b>At 30 June 2015</b>	<b>126,805</b>	<b>8,319</b>	<b>210,139</b>	<b>343,202</b>	<b>2,690</b>	<b>691,155</b>
At 31 December 2014	133,673	9,173	222,046	335,782	3,281	703,955
At 30 June 2014	98,113	9,414	226,893	326,975	2,614	664,009

The net book value of assets held under finance leases at 30 June 2015 was £25,174,000 (31 December 2014: £25,786,000; 30 June 2014: £26,541,000). Such assets are categorised as plant and machinery in the above table.

Included within additions to assets in the course of construction for the period 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 £1,673,000 and £2,170,000 respectively (31 December 2014: £3,691,000 and £3,622,000; 30 June 2014: £1,753,000 and £1,978,000).

## 12. Borrowings

Borrowings represent bank borrowings and obligations under finance leases. Bank borrowings relate to the Group's senior debt facility and comprise a term loan of £100,000,000 and amounts drawn under a revolving credit facility.

	30 June 2015 £'000	31 December 2014 £'000	30 June 2014 £'000
<b>Current</b>			
Obligations under finance leases	5,088	5,027	4,935
<b>Non-current</b>			
Bank borrowings	313,434	325,743	295,738
Obligations under finance leases	10,764	13,284	15,992
	324,198	339,027	311,730
<b>Total borrowings</b>	<b>329,286</b>	<b>344,054</b>	<b>316,665</b>

The maturity profile of borrowings is set out below:

	30 June 2015 £'000	31 December 2014 £'000	30 June 2014 £'000
Within one year	5,607	5,650	5,708
In one to two years	5,443	9,443	5,637
In two to three years	9,556	21,439	17,454
In three to four years	20,473	310,358	20,553
In four to five years	293,118	473	271,468
After five years	315	433	788
Gross borrowings	334,512	347,796	321,608
Less future interest and unamortised debt issue costs	(5,226)	(3,742)	(4,943)
Net borrowings	<b>329,286</b>	<b>344,054</b>	<b>316,665</b>

The weighted average maturity of the borrowings is 4.3 years (31 December 2014: 3.7 years, 30 June 2014: 4.2 years).

The Group pays LIBOR (or equivalent based on currency) plus a margin on its borrowings. The Group uses interest rate swaps to fix the LIBOR, or equivalent, rate it pays on its borrowings. The split of borrowings between fixed and variable is shown below:

	30 June 2015 £'000	31 December 2014 £'000	30 June 2014 £'000
Fixed rate borrowings	307,420	279,990	287,060
Variable rate borrowings	27,092	67,806	34,548
	334,512	347,796	321,608
Percentage of bank borrowings at fixed rate (%)	<b>91.9</b>	<b>80.5</b>	<b>89.3</b>

The Group has undrawn committed loan facilities at the period end as shown below:

	30 June 2015 £'000	31 December 2014 £'000	30 June 2014 £'000
Senior debt facility	600,000	400,000	400,000
Senior debt facility drawn	(317,646)	(328,167)	(298,995)
Rental guarantees issued under senior debt facility	(2,049)	(2,444)	(2,896)
Undrawn committed loan facility	<b>280,305</b>	<b>69,389</b>	<b>98,109</b>

### 13. Share capital

The allotted share capital of the Company is shown below:

Ordinary shares of £0.002 each	Number '000	Value £'000
At 30 June 2014	202,800	406
Shares issued under share option schemes	72	—
At 31 December 2014	202,872	406
Shares issued under share option schemes	83	—
<b>At 30 June 2015</b>	<b>202,955</b>	<b>406</b>

Each ordinary share carries one vote at general meetings.

During the period, 57,000 new shares were issued under the Group's share option schemes for a total consideration of £130,000 and 26,000 new shares were issued to the EBT for a total consideration of £52.

In addition to the new shares, during the period 26,000 shares were issued from the EBT under the Group's share option schemes for a total consideration of £52.

The EBT made purchases of shares from the market of 6,000 shares for a consideration of £60,000.

### 14. Dividends

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000
2013 final dividend paid – 7.0 pence per share	—	14,178
2014 final dividend paid – 9.0 pence per share	18,263	—
<b>Total dividends</b>	<b>18,263</b>	<b>14,178</b>

An interim dividend in respect of the period ended 30 June 2015 of 5.0 pence per ordinary share has been declared by the Board of Directors, which is payable on 18 September 2015 to shareholders on the register at 7 August 2015. The estimated amount to be paid is £10.1m (30 June 2014: £9.1m) and has not been recognised in these accounts. An interim dividend of 4.5 pence per share in respect of the year ended 31 December 2014, totalling £9.1m, was paid on 19 September 2014.

### 15. Cash flows from operations

A reconciliation of profit on ordinary activities before taxation to cash flows from operations is shown below:

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000
Profit on ordinary activities before taxation	14,841	49,973
Add finance costs	4,251	4,894
Less finance income	(49)	(35)
Add other financing items	2,008	—
Add intangible asset amortisation	2,509	2,630
Add exceptional items	30,711	—
Depreciation charge	27,005	24,159
Loss on disposal of property, plant and equipment	126	155
Share-based payment charges	1,172	1,676
Movement in trade and other receivables	67	(2,041)
Movement in trade and other payables	3,425	(2,786)
Movement in deferred income	2,168	1,481
Movement in provisions	(544)	(2,630)
Exchange movement	(1,664)	(1,551)
<b>Cash inflow from operating activities</b>	<b>86,026</b>	<b>75,925</b>

### 16. Contingent liabilities

Financial guarantees granted by the Group's banks, primarily in respect of operating leases, are disclosed in note 13.

At the inception of a property lease and annually thereafter, the Directors assess the cost of restoring leasehold premises to their original condition at the end of the lease and the likelihood of such costs actually being incurred. If the likelihood of this liability arising is judged to be possible, rather than probable, it is disclosed as a contingent liability. When assessing the likely duration of the lease and the likelihood of this liability arising, the Directors take into account the terms of the lease. If the likelihood of this liability arising is judged to be probable and can be reliably estimated, the discounted cost of the liability is included in leasehold improvements and is depreciated over the duration of the lease.

At 30 June 2015, the estimated discounted cost of reinstating leasehold properties at the end of leases in accordance with the lease contracts was not materially different from the balance disclosed in the 2014 Annual Report (31 December 2014: £7,990,000; 30 June 2014: £7,610,000). In addition, £nil (31 December 2014: £nil; 30 June 2014: £354,000) is recorded within provisions. The leases expire over a range of up to 26 years.

The Group has contractual capital commitments of £26,726,000 (30 June 2014: £14,912,000) and future expected commitments of £8,795,000 (30 June 2014: £7,610,000) relating to the phased delivery of infrastructure to provide the currently available customer power.

### 17. Related party transactions

There were no related party transactions, other than remuneration to key management, during the period.

### 18. Post balance sheet events

On 25 September 2015, Equinix, Inc notified its proposed acquisition of Telecity Group plc to the European Commission for merger control approval. On 13 November 2015 Equinix, Inc. received Phase I clearance from the European Commission for its proposed acquisition. Equinix, Inc. and Telecity Group plc proposed commitments to the European Commission to facilitate obtaining the Phase 1 clearance. The proposed transaction has now received the necessary regulatory approvals to satisfy the pre-conditions to the offer and the relevant shareholder approval can be sought from the shareholders of Telecity Group plc.



**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The following unaudited pro forma condensed combined financial statements of Equinix, Inc. (“Equinix” or the “Company”) are presented to illustrate the estimated effects of (i) the pending acquisition of Telecity Group plc (“TelecityGroup”) (the “Telecity Acquisition”); (ii) the incurrence of \$1,700,000,000 aggregate principal amount of additional indebtedness, consisting of a term loan facility in the aggregate principal amount of \$700,000,000 and one or more series of unsecured senior notes in the aggregate principal amount of \$1,000,000,000; and (iii) the issuance of \$750,000,000 of the Company’s shares in a public offering (clauses (ii) and (iii) referred to as the “Financings”). The pro forma financial information is based in part on certain assumptions regarding the foregoing transactions that we believe are factually supportable and are expected to have a continuing impact on our consolidated results. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2014, and for the nine months ended September 30, 2015, combine the historical consolidated statements of operations of the Company and TelecityGroup, giving effect to the Telecity Acquisition and Financings as if they had been completed on January 1, 2014. The unaudited pro forma condensed combined balance sheet as of September 30, 2015, combines the historical consolidated balance sheets of Equinix and TelecityGroup, giving effect to the Telecity Acquisition and Financings as if they had occurred on September 30, 2015. The historical consolidated financial information for TelecityGroup has been adjusted to comply with generally accepted accounting principles in the United States (“U.S. GAAP”). Certain statements of operations and certain balance sheet reclassifications have also been reflected in order to conform TelecityGroup’s statements of operations and balance sheet to the Company’s statements of operations and balance sheet. The unaudited pro forma condensed combined financial statements should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements. In addition, the unaudited pro forma condensed combined financial information was based on, and should be read in conjunction with, the following historical consolidated financial statements and accompanying notes:

- Equinix’s Current Report on Form 8-K filed on May 29, 2015, including exhibits thereto, which describes the proposed acquisition of TelecityGroup;
- Audited consolidated financial statements of Equinix as of and for the year ended December 31, 2014, which are included in Equinix’s Annual Report on Form 10-K for the year ended December 31, 2014;
- The section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Equinix’s Annual Report on Form 10-K for the year ended December 31, 2014;
- Unaudited consolidated financial statements of Equinix as of and for the nine months ended September 30, 2015, which are included in Equinix’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2015;
- The section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Equinix’s Quarterly Report on Form 10-Q for the nine months ended September 30, 2015;

- 
- Audited consolidated financial statements of TeleciteyGroup as of and for the year ended December 31, 2014, which are included elsewhere in this Current Report on Form 8-K/A; and
  - Unaudited consolidated financial statements of TeleciteyGroup as of and for the six months ended June 30, 2015, which are included elsewhere in this Current Report on Form 8-K/A.

The unaudited pro forma condensed combined financial statements have been prepared by Equinix, as the acquirer, using the acquisition method of accounting in accordance with U.S. GAAP. The acquisition method of accounting is dependent upon certain valuation and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Before the Telecitey Acquisition is completed, there are limitations regarding what Equinix can learn about TeleciteyGroup. The assets and liabilities of TeleciteyGroup have been measured based on various preliminary estimates using assumptions that Equinix believes are reasonable based on information that is currently available. The preliminary purchase price allocation for TeleciteyGroup is subject to revision as a more detailed analysis is completed and additional information on the fair value of TeleciteyGroup's assets and liabilities becomes available. The final allocation of the purchase price, which will be based upon actual tangible and intangible assets acquired as well as liabilities assumed, will be determined after the completion of the Telecitey Acquisition, and could differ materially from the unaudited pro forma condensed combined financial statements presented here. Any change in the fair value of the net assets of TeleciteyGroup will change the amount of the purchase price allocable to goodwill. Additionally, changes in TeleciteyGroup's working capital, including the results of operations from September 30, 2015 through the date the Telecitey Acquisition is completed, will change the amount of goodwill recorded. The pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial statements prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC").

The unaudited pro forma condensed combined financial statements make certain assumptions regarding the amount and terms, including assumed pricing of common stock and interest rates for debt, of the financing to be put into place in connection with the Telecitey Acquisition. None of such financing has been put into place or obtained as of the date of this current report on Form 8-K/A, and therefore the actual amounts and terms of such financings may differ from that reflected herein.

The unaudited pro forma condensed combined financial information has been presented for information purposes only. The unaudited pro forma condensed combined financial information does not purport to represent the actual results of operations that Equinix and TeleciteyGroup would have achieved had the companies been combined during the periods presented in the unaudited pro forma condensed combined financial statements and is not intended to project the future results of operations that the combined company may achieve after the Telecitey Acquisition. The unaudited pro forma condensed combined financial information does not reflect any potential cost savings that may be realized as a result of the Telecitey Acquisition and also

---

does not reflect any restructuring or integration-related costs to achieve those potential cost savings. No historical transactions between Equinix and TelecityGroup during the periods presented in the unaudited pro forma condensed combined financial statements have been identified at this time.

**UNAUDITED PRO FORMA CONDENSED COMBINED  
BALANCE SHEET  
AS OF SEPTEMBER 30, 2015  
(In thousands)**

	Historical		Pro Forma	
	Equinix	TelecityGroup (Note 2)	Pro Forma Adjustments (Note 6)	Combined
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 335,469	\$ 34,514	\$ 465,867 (a)	\$ 835,850
Accounts receivable, net	293,125	41,203	(11,775) (b)	322,553
Current portion of restricted cash	493,425	—	(490,379) (c)	3,046
Other current assets	120,004	25,074	(15,889) (d)	129,189
Assets held for sale	—	—	982,021 (e)	982,021
Total current assets	1,242,023	100,791	929,845	2,272,659
Long-term investments	4,077	—	—	4,077
Property, plant and equipment, net	5,218,595	1,257,429	(133,101) (f)	6,342,923
Goodwill	983,530	163,880	2,047,638 (g)	3,195,048
Intangible assets, net	123,454	59,760	566,559 (h)	749,773
Restricted cash, less current portion	10,464	—	—	10,464
Other assets	123,523	28,792	(7,533) (i)	144,782
Total assets	<u>\$7,705,666</u>	<u>\$ 1,610,652</u>	<u>\$3,403,408</u>	<u>\$12,719,726</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 340,366	\$ 98,229	\$ (10,568) (j)	\$ 428,027
Accrued property, plant and equipment	131,607	18,370	(4,163) (k)	145,814
Current portion of capital lease and other financing obligations	26,775	9,082	(837) (l)	35,020
Current portion of mortgage and loans payable	55,024	—	—	55,024
Current portion of convertible debt	151,535	—	—	151,535
Dividends payable	640,063	—	—	640,063
Other current liabilities	118,744	94,638	(43,355) (m)	170,027
Liabilities held for sale	—	—	119,869 (n)	119,869
Total current liabilities	1,464,114	220,319	60,946	1,745,379
Capital lease and other financing obligations, less current portion	1,198,581	246,637	(32,950) (o)	1,412,268
Mortgage and loans payable, less current portion	484,049	497,916	191,651 (p)	1,173,616
Senior notes	2,720,448	—	984,870 (q)	3,705,318
Other liabilities	349,821	106,577	108,692 (r)	565,090
Total liabilities	<u>6,217,013</u>	<u>1,071,449</u>	<u>1,313,209</u>	<u>8,601,671</u>
Stockholders' equity:				
Total stockholders' equity	<u>1,488,653</u>	<u>539,203</u>	<u>2,090,199</u> (s)	<u>4,118,055</u>
Total liabilities and stockholders' equity	<u>\$7,705,666</u>	<u>\$ 1,610,652</u>	<u>\$3,403,408</u>	<u>\$12,719,726</u>

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(In thousands, except for per share data)

	Historical		Pro Forma		
	Equinix	TelecityGroup (Note 3)	Pro Forma Adjustments (Note 6)	Combined	
Revenues	\$2,443,776	\$ 574,642	\$(160,580) (t)		\$2,857,838
Costs and operating expenses:					
Cost of revenues	1,197,885	313,861	(81,127) (u)		1,430,619
Sales and marketing	296,103	30,817	38,367 (v)		365,287
General and administrative	438,016	46,662	9,818 (w)		494,496
Acquisition costs	2,506	—	—		2,506
Restructuring charges	—	5,129	—		5,129
Impairment charges	—	19,710	—		19,710
Total costs and operating expenses	<u>1,934,510</u>	<u>416,179</u>	<u>(32,942)</u>		<u>2,317,747</u>
Income (loss) from operations	509,266	158,463	(127,638)		540,091
Interest income	2,891	142	—		3,033
Interest expense	(270,553)	(31,258)	(74,796) (y)		(376,607)
Other income (expense)	119	(194)	—		(75)
Loss on debt extinguishment	(156,990)	—	—		(156,990)
Income tax (expense) benefit	<u>(345,459)</u>	<u>(35,443)</u>	<u>58,417</u> (aa)		<u>(322,485)</u>
Net income (loss)	(260,726)	91,710	(144,017)		(313,033)
Net loss attributable to redeemable non-controlling interests	1,179	—	—		1,179
Net income (loss) attributable to Equinix	<u>\$ (259,547)</u>	<u>\$ 91,710</u>	<u>\$ (144,017)</u>		<u>\$ (311,854)</u>
Earnings per share ("EPS") attributable to Equinix:					
Basic EPS	<u>\$ (4.96)</u>				<u>\$ (5.05)</u>
Weighted-average shares -basic	<u>52,359</u>		<u>9,450</u> (bb)		<u>61,809</u>
Diluted EPS	<u>\$ (4.96)</u>				<u>\$ (5.05)</u>
Weighted-average shares -diluted	<u>52,359</u>		<u>9,450</u> (bb)		<u>61,809</u>

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**  
(In thousands, except for per share data)

	Historical		Pro Forma		
	Equinix	TelecityGroup (Note 3)	Pro Forma Adjustments (Note 6)	Combined	
Revenues	\$1,995,405	\$ 398,257	\$(104,288)	(t)	\$2,289,374
Costs and operating expenses:					
Cost of revenues	939,538	220,853	(57,474)	(u)	1,102,917
Sales and marketing	243,573	23,630	26,902	(v)	294,105
General and administrative	356,455	28,841	6,900	(w)	392,196
Acquisition costs	24,374	52,588	(52,761)	(x)	24,201
Restructuring reversal	—	(1,641)	—		(1,641)
Total costs and operating expenses	<u>1,563,940</u>	<u>324,271</u>	<u>(76,433)</u>		<u>1,811,778</u>
Income (loss) from operations	431,465	73,986	(27,855)		477,596
Interest income	2,375	94	—		2,469
Interest expense	(219,556)	(21,591)	(52,117)	(y)	(293,264)
Other income (expense)	(11,964)	(2,956)	11,636	(z)	(3,284)
Loss on debt extinguishment	—	(3,128)	—		(3,128)
Income tax expense (benefit)	<u>(25,277)</u>	<u>(21,979)</u>	<u>14,557</u>	(aa)	<u>(32,699)</u>
Net income (loss)	<u>\$ 177,043</u>	<u>\$ 24,426</u>	<u>\$ (53,779)</u>		<u>\$ 147,690</u>
Earnings per share ("EPS")					
Basic EPS	<u>\$ 3.11</u>				<u>\$ 2.23</u>
Weighted-average shares -basic	<u>56,894</u>		<u>9,450</u>	(bb)	<u>66,344</u>
Diluted EPS	<u>\$ 3.08</u>				<u>\$ 2.21</u>
Weighted-average shares -diluted	<u>57,521</u>		<u>9,450</u>	(bb)	<u>66,971</u>

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

**1. Description of the transaction and basis of pro forma presentation**

In May 2015, the Company announced an offer to purchase all of the issued and to be issued share capital of TelectyGroup (“the TelectyGroup Acquisition”). Under the original terms of the TelectyGroup Acquisition, TelectyGroup shareholders will receive 572.5 British pence in cash for each TelectyGroup share and 0.0327 new shares of Equinix common stock. At the time of the acquisition, the TelectyGroup Acquisition valued each TelectyGroup share at approximately 1,145.0 pence per TelectyGroup share. In September 2015, the Company’s Board of Directors declared a special distribution to its common stockholders in the form of common stock and cash. As a result of the special distribution, the common stock conversion ratio was adjusted from 0.0327 to 0.0336 new shares of Equinix common stock. The TelectyGroup Acquisition is equal to a total value of approximately £2,515,998,000 or approximately \$3,821,549,000 for TelectyGroup’s entire issued and to be issued capital based on the share price of \$294.74 per Equinix share on November 12, 2015 and an exchange rate of 1.5189 as of September 30, 2015. Based on these assumptions, \$1,786,179,000 will be paid in cash to TelectyGroup shareholders and 6,905,645 new shares will be issued to TelectyGroup shareholders on the acquisition date.

TelectyGroup operates data centers in Bulgaria, Finland, France, Germany, Ireland, Italy, the Netherlands, Poland, Sweden, Turkey and the United Kingdom. The Company anticipates completing the TelectyGroup Acquisition in the first half of 2016, subject to satisfaction of closing conditions.

The unaudited pro forma condensed combined balance sheet as of September 30, 2015, was prepared by combining the historical unaudited condensed consolidated balance sheet data as of September 30, 2015 for Equinix and TelectyGroup, as adjusted to comply with U.S. GAAP, as if the TelectyGroup Acquisition and the Financings (see Note 5) had been consummated on that date. In addition to certain U.S. GAAP adjustments, certain balance sheet reclassifications have also been reflected in order to conform TelectyGroup’s balance sheet to the Company’s balance sheet presentation. Refer to Note 2 for a discussion of these U.S. GAAP and reclassification adjustments.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2014 and for the nine months ended September 30, 2015 combines the results of operations of Equinix and TelectyGroup, as adjusted to comply with U.S. GAAP, as if the TelectyGroup Acquisition and the Financings (see Note 5) had been consummated on January 1, 2014. In addition to certain U.S. GAAP adjustments, certain statements of operations reclassifications have also been reflected in order to conform to the Company’s statements of operations presentation. Refer to Note 3 for a discussion of these U.S. GAAP and reclassification adjustments.

---

The historical consolidated financial information has been adjusted in the accompanying unaudited pro forma condensed combined financial information to give effect to pro forma events that are (i) directly attributable to the acquisition, (ii) factually supportable, and (iii) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the consolidated results.

The acquisition method of accounting, based on ASC 805, uses the fair value concepts defined in ASC 820, "Fair Value Measurement" (ASC 820). Fair value is defined in ASC 820 as the "price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". This is an exit price concept for the valuation of an asset or liability. Market participants are assumed to be buyers or sellers in the most advantageous market for the asset or liability. Fair value measurement for an asset assumes the highest and best use by these market participants, and as a result, assets may be required to be recorded which are not intended to be used or sold and/or to value assets at a fair value measurement that do not reflect management's intended use for those assets. Fair value measurements can be highly subjective and it is possible the application of reasonable judgment could develop different assumptions resulting in a range of alternative estimates using the same facts and circumstances.

ASC 820 requires, among other things, that assets acquired and liabilities assumed in a business combination be recognized at fair value as of the acquisition date. As of the date of this filing the accompanying unaudited pro forma purchase price allocation is preliminary and is subject to further adjustments as additional information becomes available and as additional analyses are performed.

In order to obtain the approval of the European Commission for the acquisition of TelecityGroup, the Company and TelecityGroup have agreed to divest certain data centers (the "Disposal Group"). There is no definitive agreement to date with any buyer or buyers and any such agreement will be subject to the approval of the European Commission. The unaudited pro forma condensed combined financial statements reflect the Disposal Group as held for sale in the accompanying unaudited pro forma condensed combined balance sheet as of September 30, 2015 and the results of operations related to revenue, costs of revenues and selling, marketing and administrative costs from the Disposal Group are removed from the accompanying unaudited pro forma condensed combined statements of operations for the year ended December 31, 2014 and the nine months ended September 30, 2015. There can be no assurance as to the timing or amount of proceeds to be received in connection with the sale of all or any part of the Disposal Group. No gain or loss on the disposition of Disposal Group assets and liabilities has been recognized in the pro forma financial statements.

## **2. TelecityGroup Balance Sheet**

TelecityGroup's condensed combined consolidated financial statements were prepared in accordance with international financial reporting standards as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, collectively "IFRS", which differ in certain material



respects from U.S. GAAP. TelecityGroup also classified certain amounts differently than Equinix in its condensed consolidated balance sheet. The following schedule summarizes the necessary material adjustments to conform the TelecityGroup's condensed consolidated balance sheet as of September 30, 2015 to U.S. GAAP and to reclassify certain amounts to conform to Equinix's basis of presentation (in thousands):

	Local Currency - GBP				USD	
	IFRS TelecityGroup	Reclassification Adjustments	U.S. GAAP Adjustments	U.S. GAAP TelecityGroup	U.S. GAAP TelecityGroup	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	£ 22,723	£ —	£ —	£ 22,723	\$ 34,514	
Accounts receivable, net	43,635	(16,508) (i)(a)	—	27,127	41,203	
Other current assets	—	16,508 (i)(a)	—	16,508	25,074	
Total current assets	66,358	—	—	66,358	100,791	
Property, plant and equipment, net	720,042	—	107,813 (ii)	827,855	1,257,429	
Goodwill	—	107,894 (i)(b)	—	107,894	163,880	
Intangible assets, net	147,238	(107,894) (i)(b)	—	39,344	59,760	
Deferred income taxes	484	(484) (i)(c)	—	—	—	
Trade and other receivables	376	(376) (i)(c)	—	—	—	
Other assets	—	860 (i)(c)	18,096 (iii)	18,956	28,792	
Total assets	£ 934,498	£ —	£ 125,909	£ 1,060,407	\$ 1,610,652	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current liabilities:						
Accounts payable and accrued expenses	£ 76,765	£ (12,094) (i)(d)	£ —	£ 64,671	\$ 98,229	
Accrued property, plant and equipment	—	12,094 (i)(d)	—	12,094	18,370	
Current portion of capital lease and other financing obligations	5,137	—	842 (iv)	5,979	9,082	
Deferred income	44,402	(44,402) (i)(e)	—	—	—	
Current income taxes payable	11,439	(11,439) (i)(e)	—	—	—	
Derivative financial instruments	2,264	(2,264) (i)(e)	—	—	—	
Other current liabilities	463	58,105 (i)(e)	3,739 (v)	62,307	94,638	
Total current liabilities	140,470	—	4,581	145,051	220,319	
Capital lease and other financing obligations, less current portion	—	9,475 (i)(f)	152,904 (vi)	162,379	246,637	
Mortgage and loans payable, less current portion	337,289	(9,475) (i)(f)	—	327,814	497,916	
Deferred income	18,307	(18,307) (i)(g)	—	—	—	
Derivative financial instruments	285	(285) (i)(g)	—	—	—	
Deferred income taxes	32,799	(32,799) (i)(g)	—	—	—	
Other liabilities	—	51,391 (i)(g)	18,776 (vii)	70,167	106,577	
Total liabilities	529,150	—	176,261	705,411	1,071,449	
Stockholders' equity:						
Total stockholders' equity	405,348	—	(50,352) (viii)	354,996	539,203	
Total liabilities and stockholders' equity	£ 934,498	£ —	£ 125,909	£ 1,060,407	\$ 1,610,652	

TelecityGroup's balance sheet has been translated into U.S. dollars at the September 30, 2015 exchange rate of GBP 1.00=USD 1.5189.

The adjustments presented above to TelecityGroup's balance sheet are as follows:

- (i) Reflects certain reclassifications to conform to the Company's financial statement presentation.
  - (a) Other receivables and prepaid expenses of £16,508,000 were reclassified to other current assets to conform to the Company's financial statement presentation.
  - (b) Goodwill of £107,894,000 was reclassified from intangible assets to goodwill to conform to the Company's financial statement presentation.

- (c) Deferred income taxes of £484,000 and trade and other receivables of £376,000 were reclassified to other assets to conform to the Company's financial statement presentation.
- (d) Accrued property, plant and equipment of £12,094,000 was reclassified from trade and other payables to accrued property, plant and equipment to conform to the Company's financial statement presentation.
- (e) Deferred income of £44,402,000, current income tax liabilities of £11,439,000 and derivative financial instruments of £2,264,000 were reclassified to other current liabilities to conform to the Company's financial statement presentation.
- (f) Capital lease obligations of £9,475,000 were reclassified from mortgages and loans payable to capital lease and other financing obligations to conform to the Company's financial statement presentation.
- (g) Deferred income of £18,307,000, derivative financial instruments of £285,000 and deferred income taxes of £32,799,000 were reclassified to other liabilities to conform to the Company's financial statement presentation.
- (ii) Reflects the following U.S. GAAP adjustments in property, plant and equipment, net (in thousands):

Asset retirement cost adjustments	£ 14,111	(a)
Lease accounting adjustments	102,014	(b)
Construction in progress adjustments	10,806	(c)
Capitalized rent adjustment	<u>(19,118)</u>	(d)
Total property, plant and equipment adjustments	<u>£107,813</u>	

- (a) Reflects asset retirement cost of £14,111,000 to conform to U.S. GAAP and the Company's accounting policy.
- (b) Reflects the adjustment to account for certain build-to-suit and capital leases. Build-to-suit leases are treated as financing transactions under U.S. GAAP, as a result of the involvement of TeleciteyGroup during the construction of such real estate assets. TeleciteyGroup had significant continuing involvement in relation to such buildings upon completion of their construction activities and, accordingly, these leased buildings failed the sale and leaseback test. Under U.S. GAAP these leases are treated as financing of owned assets. Under IFRS, these leases were treated as operating leases. This results in the recognition of the real estate assets at their net book value amounting to £102,014,000 with a corresponding short-term finance liability of £842,000, long-term finance liability of £142,098,000, a decrease in short-term deferred rent incentive of £239,000, a decrease in long-term deferred rent incentive of £5,963,000 and a corresponding equity adjustment of £34,724,000 under U.S. GAAP, which represents the net impact of additional depreciation and interest expense relating to the build-to-suit leases and a reversal of deferred rent incentive and rent expenses.

- (c) Reflects an adjustment of £10,806,000 relating to certain build-to-suit lease assets that are under construction.
- (d) Reflects an adjustment of £19,118,000 of rent that was capitalized during the construction period under IFRS, net of subsequent depreciation, which is expensed under U.S. GAAP.
- (iii) Reflects the income tax impact of £18,096,000 related to IFRS to U.S. GAAP adjustments as well as U.S. GAAP adjustments to deferred tax balances.
- (iv) Reflects the short-term financing obligations of £842,000 resulting from certain build-to suit leases referenced in item (ii)(b) above.
- (v) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

Deferred installation revenue adjustment	£3,978	(a)
Deferred rent adjustment	(239)	(b)
Other current liabilities adjustments	<u>£3,739</u>	

- (a) Reflects an adjustment of £3,978,000 related to methodology changes to account for deferred installation revenue in accordance with U.S. GAAP and the Company's accounting policy.
- (b) Reflects a reduction of short-term deferred rent incentive of £239,000 resulting from certain build-to-suit and capital leases referenced in item (ii)(b) above.
- (vi) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

Lease accounting adjustments	£142,098	(a)
Construction in progress adjustment	<u>10,806</u>	(b)
Capital lease and other financing obligations, less current portion adjustments	<u>£152,904</u>	

- (a) Reflects the long-term financing obligations totaling £142,098,000 resulting from certain build-to-suit and capital leases referenced in item (ii)(b) above.
- (b) Reflects an adjustment of £10,806,000 relating to certain build-to-suit lease assets that are under construction.
- (vii) Reflects the following U.S. GAAP and reclassification adjustments that are discussed above (in thousands):

Asset retirement obligation adjustments	£19,490	(a)
Deferred installation revenue adjustment	5,249	(b)
Deferred rent adjustment	<u>(5,963)</u>	(c)
Other liabilities adjustments	<u>£18,776</u>	

- (a) Reflects an asset retirement obligation of £19,490,000 to conform to U.S. GAAP and the Company's accounting policy.

- (b) Reflects adjustments of £5,249,000 in other liabilities related to methodology changes to account for deferred installation revenue in accordance with U.S. GAAP and the Company's accounting policy.
- (c) Reflects a reduction of long-term deferred rent incentive of £5,963,000 resulting from certain build-to-suit and capital leases referenced in item (ii)(b) above.
- (viii) Reflects the following U.S. GAAP adjustments in total stockholders' equity (in thousands):

Lease accounting adjustments	£(34,724)	(a)
Deferred installation revenues adjustment	(9,227)	(b)
Asset retirement obligations adjustment	(5,379)	(c)
Deferred tax expense adjustment	18,096	(d)
Capitalized rent adjustment	<u>(19,118)</u>	(e)
	<u>£(50,352)</u>	

- (a) Reflects adjustments related to lease accounting described in items (ii)(b), (iv), (v)(b), (vi)(a) and (vii)(c) above.
- (b) Reflects adjustments related to deferred installation revenues described in items (v)(a) and (vii)(b) above.
- (c) Reflects adjustments related to asset retirement obligations described in items (ii)(a) and (vii)(a) above.
- (d) Reflects adjustments related to deferred tax expense described in item (iii) above.
- (e) Reflects adjustments related to capitalized rent described in item (ii)(d) above.

### 3. TeletyGroup Statements of Operations

TeletyGroup's condensed consolidated financial statements were prepared in accordance with IFRS, which differs in certain material respects from U.S. GAAP. TeletyGroup also classified certain amounts differently than Equinix in its condensed consolidated statements of operations. The following schedule summarizes the necessary material adjustments to the TeletyGroup condensed consolidated statements of operations for the year ended December 31, 2014 and the nine months ended September 30, 2015 to conform to U.S. GAAP and to reclassify certain amounts to conform to Equinix's basis of presentation (in thousands):

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2014	Local Currency - GBP				USD
	IFRS	Reclassification	Total GAAP	US GAAP	US GAAP
	TeletyGroup	Adjustments	Adjustments	TeletyGroup	TeletyGroup
Revenues	£ 348,695	£ —	£ 80 (ii)	£ 348,775	\$ 574,642
Costs and operating expenses:					
Cost of revenues	(146,604)	(49,976) (i)(a)	6,084 (iii)	(190,496)	(313,861)
Sales and marketing	(13,470)	(5,234) (i)(b)	—	(18,704)	(30,817)
General and administrative	(24,895)	(3,426) (i)(c)	—	(28,321)	(46,662)
Depreciation charges	(49,976)	49,976 (i)(a)	—	—	—
Amortisation charges	(5,234)	5,234 (i)(b)	—	—	—
Other exceptional items	(18,502)	18,502 (i)(c)	—	—	—
Restructuring charges	—	(3,113) (i)(c)	—	(3,113)	(5,129)
Impairment charges	—	(11,963) (i)(c)	—	(11,963)	(19,710)
Total costs and operating expenses	(258,681)	—	6,084	(252,597)	(416,179)
Income from operations	90,014	—	6,164	96,178	158,463
Interest income	86	—	—	86	142
Interest expense	(8,960)	—	(10,012) (iv)	(18,972)	(31,258)
Other expense	(118)	—	—	(118)	(194)
Income before income taxes	81,022	—	(3,848)	77,174	127,153
Income tax expense	(21,292)	—	(220) (vi)	(21,512)	(35,443)
Net income	£ 59,730	£ —	£ (4,068)	£ 55,662	\$ 91,710

STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015	Local Currency - GBP				USD
	IFRS	Reclassification	Total GAAP	US GAAP	US GAAP
	TeletyGroup	Adjustments	Adjustments	Telety	TeletyGroup
Revenues	£ 261,586	£ —	£ (2,220) (ii)	£ 259,366	\$ 398,257
Costs and operating expenses:					
Cost of revenues	(107,215)	(40,309) (i)(a)	3,693 (iii)	(143,831)	(220,853)
Sales and marketing	(11,657)	(3,732) (i)(b)	—	(15,389)	(23,630)
General and administrative	(20,098)	1,315 (i)(c)	—	(18,783)	(28,841)
Depreciation charges	(40,309)	40,309 (i)(a)	—	—	—
Amortisation charges	(3,732)	3,732 (i)(b)	—	—	—
Other exceptional items	(31,864)	31,864 (i)(c)	—	—	—
Acquisition costs	—	(34,248) (i)(c)	—	(34,248)	(52,588)
Restructuring reversals	—	1,069 (i)(c)	—	1,069	1,641
Total costs and operating expenses	(214,875)	—	3,693	(211,182)	(324,271)
Income from operations	46,711	—	1,473	48,184	73,986
Interest income	61	—	—	61	94
Interest expense	(6,312)	—	(7,749) (iv)	(14,061)	(21,591)
Other expense	(1,925)	—	—	(1,925)	(2,956)
Loss on debt extinguishment	—	—	(2,037) (v)	(2,037)	(3,128)
Income before income taxes	38,535	—	(8,313)	30,222	46,405
Income tax expense	(17,279)	—	2,965 (vi)	(14,314)	(21,979)
Net income	£ 21,256	£ —	£ (5,348)	£ 15,908	\$ 24,426

TeletyGroup's condensed consolidated statement of operations for the year ended December 31, 2014 has been translated into U.S. dollars at a rate of GBP 1.00= USD 1.6476, the average exchange rate for the year ended December 31, 2014.

TeletyGroup's condensed consolidated statement of operations for the nine months ended September 30, 2015 has been translated into U.S. dollars at a rate of GBP 1.00= USD 1.5355, the average exchange rate for the nine months ended September 30, 2015.

The adjustments presented above to TeleticityGroup's condensed consolidated statements of operations are as follows:

- (i) Reclassification adjustments to reclassify operating expenses to conform to the Company's presentation:
  - (a) To reclassify TeleticityGroup's depreciation expense of £49,976,000 for the year ended December 31, 2014 and £40,309,000 for the nine months ended September 31, 2015 to the Company's cost of revenues.
  - (b) To reclassify TeleticityGroup's amortization charges of £5,234,000 for the year ended December 31, 2014 and £3,732,000 for the nine months ended September 30, 2015 to the Company's selling and marketing expenses.
  - (c) To reclassify TeleticityGroup's other exceptional items of £18,502,000 for the year ended December 31, 2014 to impairment charges of £11,963,000, restructuring charges of £3,113,000 and general and administrative of £3,426,000 and to reclassify other exceptional items of £31,864,000 for the nine months ended September 30, 2015 to acquisition costs of £34,248,000, a credit to restructuring charges of £1,069,000 and a credit to general and administrative of £1,315,000.
- (ii) Reflects installation revenue adjustments of £80,000 reflecting an increase in revenues for the year ended December 31, 2014 and £2,220,000 decrease in revenues for the nine months ended September 30, 2015 due to methodology changes to account for deferred installation revenue in accordance with U.S. GAAP and the Company's accounting policy.
- (iii) Reflects the following U.S. GAAP adjustments in cost of revenues (in thousands):

	<u>Year ended December 31, 2014</u>	<u>Nine months ended September 30, 2015</u>
Rent and depreciation expense relating to lease accounting adjustments	£ 5,788	£ 4,044 (a)
Capitalized rent adjustment	(2,341)	(2,276) (b)
Accretion expense relating to asset retirement costs	(319)	(292) (c)
Depreciation expense relating to componentization and alignment of useful lives	2,956	2,217 (d)
	<u>£ 6,084</u>	<u>£ 3,693</u>

- (a) Reflects the net impact of lease accounting adjustments including decreased rent expense as a result of fewer operating leases, partially offset by increased depreciation expense associated with build-to-suit leases.
- (b) Reflects an adjustment of rent that was capitalized during the construction period under IFRS which is expensed under U.S. GAAP.
- (c) Reflects depreciation expense and accretion expense associated with asset retirement obligations.

- (d) Reflects the adjustment of depreciation expense to conform to U.S. GAAP and the Company's accounting policy.
- (iv) Reflects an interest expense adjustment of £10,012,000 for the year ended December 31, 2014 and £7,749,000 for the nine months ended September 30, 2015 to account for capital leases and build-to-suit leases, which should be accounted as financing transactions under U.S. GAAP as a result of the involvement of TelecityGroup during the construction of such real estate assets and its significant continuing involvement in relation to such real estate assets upon completion of their construction activities. These leases were accounted as operating leases under IFRS.
- (v) Reflects the amendment of a build-to-suit lease during the nine months ended September 30, 2015, resulting in a loss on debt extinguishment of £2,037,000.
- (vi) Represents the income tax effects of the various U.S. GAAP adjustments of £220,000 expense for the year ended December 31, 2014 and £2,965,000 benefit for the nine months ended September 31, 2015.

#### 4. Purchase Price - TelecityGroup

The transaction represents a total value of approximately £2,515,998,000 or approximately \$3,821,549,000 for TelecityGroup's entire issued and to be issued share capital based on the Equinix' closing share price of \$294.74 on November 12, 2015 and an exchange rate of 1.5189 at September 30, 2015. Approximately 50% of this estimated purchase price will be paid in cash to the TelecityGroup shareholders and approximately 50% will be paid through the issuance to them of shares of the Company's common stock.

The preliminary estimate of cash consideration expected to be transferred to effect the acquisition of the TelecityGroup is approximately £1,175,969,000 or approximately \$1,786,179,000. Estimated cash consideration is based on the preliminary estimate of the number of shares outstanding on the acquisition date. These estimated amounts do not purport to represent what the actual cash consideration transferred will be when the acquisition closes (in thousands, except for share price):

##### *Acquisition Consideration:*

Estimated number of Equinix shares issued	6,906
Equinix share price as of November 12, 2015	\$ 294.74
Estimated fair value of Equinix shares issued to TelecityGroup shareholders	\$2,035,370
Cash distribution to TelecityGroup shareholders	<u>1,786,179</u>
Total preliminary estimated acquisition consideration	<u>\$3,821,549</u>

The sensitivity table below shows a range of acquisition consideration amounts based on hypothetical Equinix share prices on the acquisition date.

<u>(Unaudited, in thousands, except for the estimated share price)</u>	<u>% increase /decrease</u>	<u>Estimated Share Price</u>	<u>Estimated Purchase Consideration</u>	<u>Estimated Purchase Consideration</u>
As presented in the pro forma combined results		\$ 294.74	£ 2,515,998	\$ 3,821,549
20% decrease in the estimated share price	-20%	235.79	2,247,992	3,414,475
10% decrease in the estimated share price	-10%	265.27	2,381,995	3,618,012
10% increase in the estimated share price	10%	324.21	2,650,001	4,025,086
20% increase in the estimated share price	20%	353.69	2,784,004	4,228,623

Under the acquisition method of accounting, the total estimated purchase price is allocated to TelecityGroup's assets and liabilities based upon their estimated fair value as of the date of completion of the acquisition. Based upon the estimated purchase price and the preliminary valuation, the preliminary purchase price allocation, which is subject to change based on Equinix's final analysis, is as follows (in thousands):

*TelecityGroup purchase price allocation (in thousands):*

Cash and cash equivalents	\$ 34,514
Accounts receivable	41,203
Other current assets	25,074
Property, plant and equipment	1,334,050
Goodwill	2,665,039
Intangible assets:	
Customer relationships	653,127 (a)
Trade names	91,893 (b)
Favorable leasehold interests	11,392 (c)
Acquired technology	608 (d)
Other assets	28,792
Total assets acquired	4,885,692
Accounts payable and accrued expenses	(98,229)
Accrued property and equipment	(18,370)
Current portion of capital lease and other financing obligations	(9,443)
Other current liabilities	(84,006)
Capital lease and other financing obligations, less current portion	(244,742)
Mortgage and loans payable, less current portion	(497,916)
Other liabilities	(111,437)
Net assets acquired	<u>\$3,821,549</u>

- (a) A preliminary estimate of \$653,127,000 has been allocated to customer relationships, an intangible asset with a weighted average estimated useful life of 14 years.
- (b) A preliminary estimate of \$91,893,000 has been allocated to several acquired trade names, intangible assets with a weighted average estimated useful life of 10 years.



- 
- (c) A preliminary estimate of \$11,392,000 has been allocated to favorable leasehold interests, intangible assets with a weighted average estimated useful life of 7 years.
  - (d) A preliminary estimate of \$608,000 has been allocated to acquired technology, an intangible asset with a weighted average estimated useful life of 5 years.

A preliminary estimate of \$2,665,039,000 has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. It is attributable to planned growth in the existing and new markets and synergies expected to be achieved from the combined operations of Equinix and Teledyne Group. The preliminary purchase price allocation for Teledyne Group is subject to revision as more detailed analysis is completed and additional information on the fair values of Teledyne Group's assets and liabilities becomes available. Any changes in the fair value of the net assets of Teledyne Group will change the amount of the purchase price allocable to goodwill. Additionally, changes in Teledyne Group's working capital, including the results of operations from September 30, 2015 through the date the transaction is completed, will also change the amount of goodwill recorded. Final purchase accounting adjustments may, therefore, differ materially from the pro forma adjustments presented here.

#### **5. Teledyne Group Acquisition Financings**

Concurrently, and in connection with entering into the acquisition agreement with Teledyne Group, Equinix entered into a Bridge Credit Agreement with J.P. Morgan Chase Bank, N.A. as administrative agent and lender, for a principal amount of \$1.3 billion (the "Bridge Loan"). The Company intends to obtain permanent financing prior to the closing of the Teledyne Group acquisition to replace and terminate the Bridge Loan. Notwithstanding its entry into the Bridge Credit Agreement, for purposes of the pro forma financial statements, Equinix has assumed the permanent Teledyne Group Acquisition Financings will consist of:

- An assumed \$500,000,000 aggregate principal amount of 8-year fixed rate senior notes with an assumed interest rate of 5.50% and \$500,000,000 aggregate principal amount of 10-year fixed rate senior notes with an assumed interest rate of 6.00%. For the purpose of these unaudited pro forma condensed combined financial statements, the debt issuance costs related to the senior notes are assumed to be approximately \$15,130,000 and will be amortized to interest expense using the effective interest method over the 8- and 10-year terms of the notes.
- An assumed \$700,000,000 aggregate principal amount of 7-year floating rate term loan, with an assumed interest rate of LIBOR plus 325 basis points. For the purpose of these unaudited pro forma condensed combined financial statements, the interest rate under the term loan is assumed to be 4.00% for the nine months ended September 30, 2015 and for the year ended December 31, 2014. For the purpose of these unaudited pro forma

---

condensed combined financial statements, the debt issuance costs related to the term loan are assumed to be approximately \$10,433,000 and will be amortized to interest expense using the effective interest method over the 7 years.

- The sale of 2,544,616 shares of Equinix common stock at a price of \$294.74 per share resulting in estimated proceeds of \$750,000,000 before deducting estimated discounts and commissions, and excluding any shares that may be issued if the underwriters exercise their option to purchase additional shares of common stock. For the purpose of these unaudited pro forma condensed combined financial statements, transaction costs are assumed to be \$28,785,000. If the underwriters exercise their option to purchase an additional 15% of the equity offering in full, the Company would issue an additional 381,692 shares of Equinix common stock at a price of \$294.74 and receive additional estimated proceeds of \$112,500,000 before transaction costs of approximately \$4,219,000. If the common stock offering increases by 25%, the Company would issue an additional 636,154 shares of Equinix common stock at a price of \$294.74 and receive additional estimated proceeds of \$187,500,000 before transaction costs of approximately \$7,031,000. If the equity offering increases by 35%, the Company would issue an additional 890,615 shares of Equinix common stock at a price of \$294.74 and receive additional estimated proceeds of \$262,500,000 before transaction costs of approximately \$9,844,000. These additional proceeds and equity issuance would impact the cash and cash equivalents and stockholders' equity in the unaudited pro forma condensed combined Balance Sheet.

The final structure and terms of the Financings will be subject to market conditions and may change materially from the assumptions described above. Changes in the assumptions described above would result in changes to various components of the unaudited pro forma condensed combined balance sheet, including cash and cash equivalents, long-term debt and additional paid-in capital, and various components of the unaudited pro forma condensed combined statements of income, including interest expense, earnings per share and weighted-average shares outstanding. Depending upon the nature of the changes, the impact on the pro forma condensed combined financial statements could be material.

## **6. Pro Forma Adjustments**

The accompanying unaudited pro forma condensed combined financial statements have been prepared as if the transactions described above were completed on September 30, 2015 for balance sheet purposes and as of January 1, 2014 for statement of operations purposes.

The unaudited pro forma condensed combined balance sheet gives effect to the following pro forma adjustments:

(a) Represents the following adjustments to cash and cash equivalents (in thousands):

Purchase price for TelecityGroup to be paid in cash	\$ (1,786,179)
Proceeds from senior notes, net of offering costs	984,870
Proceeds from term loan, net of offering costs	689,567
Repayment of TelecityGroup existing debt and accrued interest	(504,757)
Transfer restricted cash pledged for TelecityGroup acquisition to cash	490,379
Proceeds from equity offering, net of offering costs	721,215
Estimated transaction costs	(125,356)
Settlement of TelecityGroup's interest rate swap derivative liabilities	(3,872)
<b>Total cash and cash equivalent adjustments</b>	<b><u>\$ 465,867</u></b>

(b) Represents the reclassification of \$11,775,000 of accounts receivable of the Disposal Group as assets held for sale.

(c) Represents the transfer of restricted cash of \$490,379,000 pledged for the TelecityGroup Acquisition to cash.

(d) Represents the settlement of Equinix acquisition price foreign currency derivatives instruments of \$15,889,000.

(e) Represents the following adjustments to assets held for sale related to the Disposal Group (in thousands):

Accounts receivable	\$ 11,775
Property, plant and equipment	209,722
Goodwill	628,789
Intangible assets	130,701
Other assets	1,034
<b>Total assets held for sale</b>	<b><u>\$982,021</u></b>

(f) Represents the following adjustments to property, plant and equipment, net (in thousands):

Fair value adjustment to TelecityGroup's property, plant and equipment	\$ 76,621
Reclassification of disposal group property, plant and equipment as assets held for sale	(209,722)
<b>Total property, plant and equipment, net adjustments</b>	<b><u>\$(133,101)</u></b>

(g) Represents the following adjustments to goodwill (in thousands):

Goodwill from the acquisition of TelecityGroup	\$ 2,665,039
Write-off of TelecityGroup goodwill	(163,880)
Deferred tax liability adjustments	175,268
Reclassification of disposal group goodwill to assets held for sale	(628,789)
<b>Total goodwill adjustments</b>	<b><u>\$ 2,047,638</u></b>

- (h) Represents a fair value of \$757,020,000 of TelecityGroup's intangible assets, less write-off of TelecityGroup's intangible assets carrying value of \$59,760,000 and reclassification of \$130,701,000 of intangible assets related to the Disposal Group to assets held for sale, comprised of the following (in thousands, except years):

	Fair Value	Write-off of TelecityGroup Intangible Assets	Disposal Group	Net Adjustment	Estimated Useful Lives (Years)
Customer relationships	\$653,127	\$ (59,760)	\$(110,486)	\$ 482,881	14
Trade names	91,893	—	(17,743)	74,150	10
Favorable leasehold interests	11,392	—	(2,370)	9,022	7
Acquired technology	608	—	(102)	506	5
	<u>\$757,020</u>	<u>\$ (59,760)</u>	<u>\$(130,701)</u>	<u>\$ 566,559</u>	

- (i) Represents the following adjustments to other assets (in thousands):

Reclassification of noncurrent deferred tax assets	\$(6,499)
Reclassification of disposal group other assets to assets held for sale	(1,034)
Total other assets adjustments	<u>\$(7,533)</u>

- (j) Represents the following adjustments to accounts payable and accrued expenses (in thousands):

Prepayment of accrued interest on TelecityGroup's existing debts	\$ (1,075)
Reversal of bridge loan commitment fees	(4,970)
Reclassification of disposal group accounts payable and accrued expenses to liabilities held for sale	(4,523)
Total accounts payable and accrued expenses adjustments	<u>\$(10,568)</u>

- (k) Represents the reclassification of accrued property, plant and equipment related to the Disposal Group of \$4,163,000 to liabilities held for sale.

- (l) Represents the following adjustments to capital lease and other financing obligations, current portion (in thousands):

Fair value adjustment relating to capital lease and other financing obligations, current	\$ 361
Reclassification of disposal group capital lease and other financing obligations, current to liabilities held for sale	(1,198)
Total current portion of capital lease and other financing obligations adjustments	<u>\$(837)</u>

(m) Represents the following adjustments to other current liabilities (in thousands):

Fair value adjustment relating to other current liabilities	\$(10,632)
Reclassification of deferred tax liabilities	2,556
Settlement of TelecityGroup's interest rate swap derivative liabilities	(3,439)
Settlement of Equinix acquisition price derivative instruments	(14,858)
Reclassification of disposal group other current liabilities to liabilities held for sale	<u>(16,982)</u>
Total other current liability adjustments	<u>\$(43,355)</u>

The fair value adjustment relating to other current liabilities is primarily driven by write-off of deferred installation revenues.

(n) Represents the following adjustments to liabilities held for sale related to the Disposal Group (in thousands):

Accounts payable and accrued expenses	\$ 4,523
Accrued property, plant and equipment	4,163
Capital lease and other financing obligations	32,253
Deferred tax liabilities	36,668
Other liabilities	<u>42,262</u>
Total liabilities held for sale adjustments	<u>\$119,869</u>

(o) Represents the following adjustments to capital lease and other financing obligations (in thousands):

Fair value adjustment relating to capital lease and other financing obligations	\$ (1,895)
Reclassification of disposal group capital lease and other financing obligations to liabilities held for sale	<u>(31,055)</u>
Total capital lease and other financing obligations adjustments	<u>\$(32,950)</u>

(p) Represents the following adjustments to mortgage and loans payable, less current portion (in thousands): See Note 5.

Proceeds from term loan, net of issuance costs	\$ 689,567
Repayment of TelecityGroup's existing debt	(503,682)
Write-off of TelecityGroup debt issuance costs	<u>5,766</u>
	<u>\$ 191,651</u>

(q) Represents the net proceeds from the senior notes of \$984,870,000. See Note 5.

(r) Represents the following adjustments in TelecityGroup's other liabilities (in thousands).

Fair value adjustments relating to other liabilities	\$ 4,860
Settlement of Telecity Group's interest rate swap derivative liabilities	(433)
Deferred tax liabilities as a result of purchase price allocation	175,268
Reclassification of deferred tax liabilities	(45,723)
Reclassification of disposal group asset retirement obligations	(5,426)
Reclassification of disposal group other liabilities	(19,854)
<b>Total other liabilities adjustments</b>	<b><u>\$108,692</u></b>

(s) Represents the following adjustments in shareholders' equity (in thousands).

Estimated fair value of Equinix shares issued	\$2,035,370
Elimination of old TelecityGroup's stockholders' equity	(539,203)
Proceeds from equity offering, net of offering costs	721,215
Acquisition transaction costs	(125,356)
Write-off of TelecityGroup's existing debt issuance costs	(5,766)
Reversal of acquisition purchase price derivative instruments	(1,031)
Reversal of bridge loan commitment fees	4,970
<b>Total shareholders' equity adjustments</b>	<b><u>\$2,090,199</u></b>

The unaudited pro forma condensed combined statements of operations give effect to the following pro forma adjustments:

(t) Represents revenues related to the Disposal Group (in thousands).

	<b>Year ended December 31, 2014</b>	<b>Nine months ended September 30, 2015</b>
Revenues of disposal group	<u>\$ (160,580)</u>	<u>\$ (104,288)</u>

(u) Represents the following adjustments to cost of revenues (in thousands):

	<b>Year ended December 31, 2014</b>	<b>Nine months ended September 30, 2015</b>
Depreciation adjustment in connection with the fair value of property, plant and equipment	\$ (2,095)	\$ (5,805)
Amortization adjustment in connection with the fair value of intangible assets	132	92
Cost of revenues of disposal group	<u>(79,164)</u>	<u>(51,761)</u>
<b>Total cost of revenues adjustments</b>	<b><u>\$ (81,127)</u></b>	<b><u>\$ (57,474)</u></b>

The net adjustment of depreciation and amortization expense in connection with the fair value adjustment to TelecityGroup's property, plant and equipment and intangible assets. The property, plant and equipment are depreciated based on an estimated weighted average useful life of 15 years. Intangible assets are amortized based on estimated useful lives of 5 to 14 years.

- (v) The following adjustments to sales and marketing (in thousands):

	Year ended December 31, 2014	Nine months ended September 30, 2015
Amortization adjustment in connection with the fair value of intangible assets	\$ 41,981	\$ 29,641
Sales and marketing of disposal group	(3,614)	(2,739)
<b>Total sales and marketing adjustments</b>	<b>\$ 38,367</b>	<b>\$ 26,902</b>

- (w) The following adjustments to general and administrative (in thousands):

	Year ended December 31, 2014	Nine months ended September 30, 2015
Amortization adjustment in connection with the fair value of intangible assets	\$ 9,968	\$ 6,967
General and administrative of disposal group	(150)	(67)
<b>Total general and administrative adjustments</b>	<b>\$ 9,818</b>	<b>\$ 6,900</b>

- (x) Reflects the elimination of non-recurring transaction costs incurred during the nine months ended September 30, 2015 of \$52,761,000 that are directly related to the TelecityGroup Acquisition.
- (y) Represents the additional interest expense associated with the senior notes and term loan offering, the commitment fees relating to the bridge loan, offset by the reversal of interest expense associated with TelecityGroup's existing debts to be repaid and interest expense adjustments relating to capital lease and financing obligations (in thousands). See Note 5.

	Year ended December 31, 2014	Nine months ended September 30, 2015
Interest expense and amortization of debt issuance costs associated with senior notes and the term loan, as if they were issued on January 1, 2014	\$ (88,036)	\$ (65,921)
Reversal of interest expense associated with TelecityGroup's existing debts	13,189	8,806
Commitment fees relating to the bridge loan	—	4,970
Interest expense of disposal group	51	28
<b>Total interest expense adjustments</b>	<b>\$ (74,796)</b>	<b>\$ (52,117)</b>

A 1/8% increase or decrease in interest rates would result in a change in interest expense of approximately \$1,578,000 for the nine months ended September 30, 2015 and approximately \$2,110,000 for the year ended December 31, 2014.

- (z) Represents the reversal of a foreign currency loss of \$11,636,000 recognized due to hedging TelecityGroup acquisition purchase price.
- (aa) The Company assumed a blended income tax rate of 22.9% for the year ended December 31, 2014 and 22.4% for the nine months ended September 30, 2015 when estimating the tax impact of the acquisition, representing the federal, state

and foreign statutory rates. The effective tax rate of the combined company could be significantly different depending upon post-acquisition activities of the combined company.

The following adjustments to income taxes (in thousands):

	Year ended December 31, 2014	Nine months ended September 30, 2015
Tax impact of pro forma adjustments	\$ 43,828	\$ 4,161
Income taxes of disposal group	14,589	10,396
<b>Total income taxes adjustments</b>	<b>\$ 58,417</b>	<b>\$ 14,557</b>

- (bb) Reflects adjustment to the weighted-average shares outstanding for purposes of calculating basic and diluted earnings per share (EPS). Reflects the issuance of 6,905,645 shares of common stock as partial consideration for the acquisition of TelecityGroup (see Note 4) and the issuance of 2,544,616 shares of Equinix common stock at a price of \$294.74 per share in connection with the TelecityGroup Acquisition Financings (see Note 5). If the common stock offering discussed in Note 5 increases by 15%, 25% or 35%, the Company would issue an additional 381,692 shares, 636,154 shares or 890,615 shares, respectively, and the Company's pro forma basic and diluted earnings per share would be adjusted as follows:

(shares in thousands)

	% Increase	Year ended December 31, 2014		Nine months ended September 30, 2015	
		Basic	Diluted	Basic	Diluted
Weighted-average shares	As presented	61,809	61,809	66,344	66,971
Earnings per share	As presented	\$ (5.05)	\$ (5.05)	\$ 2.23	\$ 2.21
Weighted-average shares	15%	62,191	62,191	66,726	67,353
Earnings per share	15%	\$ (5.01)	\$ (5.01)	\$ 2.21	\$ 2.19
Weighted-average shares	25%	62,445	62,445	66,980	67,607
Earnings per share	25%	\$ (4.99)	\$ (4.99)	\$ 2.20	\$ 2.18
Weighted-average shares	35%	62,700	62,700	67,235	67,862
Earnings per share	35%	\$ (4.97)	\$ (4.97)	\$ 2.20	\$ 2.18