# Equinix Reports Second Quarter 2011 Results

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- **Reported revenues of $394.9 million, a 9% increase over the previous quarter and a 33% increase over the same quarter last year**
- **Reported adjusted EBITDA of $181.3 million, an 8% increase over the previous quarter and a 37% increase over the same quarter last year**
- **Increased 2011 annual revenue guidance to greater than $1,590.0 million and increased 2011 adjusted EBITDA guidance to greater than $720.0 million**

REDWOOD CITY, Calif., Jul 27, 2011 (BUSINESS WIRE) -- Equinix, Inc. (Nasdaq:EQIX), a provider of global data center services, today reported quarterly results for the quarter ended June 30, 2011. This quarter included the results from the acquisition of an indirect, controlling equity interest in ALOG Data Centers do Brasil S.A. from April 25, 2011, which is referred to as the ALOG acquisition.

Revenues were $394.9 million for the second quarter, a 9% increase over the previous quarter and a 33% increase over the same quarter last year. This result included $11.7 million in revenues from ALOG for the quarter. Recurring revenues, consisting primarily of colocation, interconnection and managed services were $376.5 million for the second quarter, a 9% increase over the previous quarter and a 33% increase over the same quarter last year. Non-recurring revenues were $18.4 million in the quarter.

"With outstanding first-half results, Equinix is on target to surpass its original financial objectives for 2011. Solid market fundamentals such as the growth of IP, mobile, video, cloud and electronic trading combined with our global leadership position set us up well for the long term," said Steve Smith, president and CEO of Equinix. "Our investments are paying off and we will continue to carefully allocate capital to support our growth, while generating attractive returns for our shareholders."

Cost of revenues were $215.6 million for the second quarter, an 11% increase over the previous quarter and a 33% increase over the same quarter last year. Cost of revenues, excluding depreciation, amortization, accretion and stock-based compensation of $78.0 million, were $137.6 million for the second quarter, a 12% increase from the previous quarter and a 32% increase over the same quarter last year. Cash gross margins, defined as gross profit before depreciation, amortization, accretion and stock-based compensation, divided by revenues, for the quarter were 65%, down from 66% for the previous quarter and unchanged from the same quarter last year.

Selling, general and administrative expenses were $102.7 million for the second quarter, a 7% increase over the previous quarter and a 24% increase over the same quarter last year. Selling, general and administrative expenses, excluding depreciation, amortization and stock-based compensation of $26.7 million, were $76.0 million for the second quarter, a 4% increase over the previous quarter and a 27% increase over the same quarter last year.

Interest expense was $37.7 million for the second quarter, a 1% increase from the previous quarter and essentially flat over the same quarter last year. The Company recorded income tax expense of $8.1 million for the second quarter as compared to an income tax expense of $11.1 million in the prior quarter and income tax expense of $2.4 million in the same quarter last year.

Net income attributable to Equinix for the second quarter was $30.7 million. This represents a basic net income per share attributable to Equinix of $0.65 and diluted net income per share of $0.64 based on a weighted average share count of 46.9 million and 50.7 million, respectively, for the second quarter of 2011.

Adjusted EBITDA, defined as income or loss from operations before depreciation, amortization, accretion, stock-based compensation, restructuring charges and acquisition costs for the second quarter, was $181.3 million, an increase of 8% over the previous quarter and a 37% increase over the same quarter last year.

Capital expenditures, defined as gross capital expenditures less the net change in accrued property, plant and equipment in the second quarter, were $188.9 million, of which $160.9 million was attributed to expansion capital expenditures and $28.0 million was attributed to ongoing capital expenditures.

The Company generated cash from operating activities of $140.3 million for the second quarter as compared to $117.8 million in the previous quarter and $56.9 million for the same quarter last year. Cash used in investing activities was $209.7 million in the second quarter as compared to cash used in investing activities of $286.4 million in the previous quarter and cash used in investing activities of $327.5 million for the same quarter last year. Cash provided by financing activities was $61.8 million for the second quarter, which was primarily related to the proceeds from employee equity awards and draw downs of certain loans payable.

As of June 30, 2011, the Company's cash, cash equivalents and investments were $423.1 million, as compared to $456.7 million as of March 31, 2011. In July 2011, the Company received net proceeds from the 7.00% senior notes offering of approximately $735.6 million.

**Company Metricsand Q2 Results Presentation**

- A presentation to accompany Equinix's Q2 Results conference call, as well as the Company's Non-Financial Metrics tracking sheet, have been posted on the Investors section of Equinix's web site at http://www.equinix.com/investors

**Business Outlook**

For the third quarter of 2011, the Company expects revenues to be in the range of $412.0 to $417.0 million. Cash gross margins are expected to be approximately 65%. Cash selling, general and administrative expenses are expected to be approximately $86.0 million. Adjusted EBITDA is expected to be between $180.0 and $185.0 million. Capital expenditures are expected to be approximately $160.0 and $180.0 million, comprised of approximately $30.0 million of ongoing capital expenditures and $130.0 to $150.0 million of expansion capital expenditures.

For the full year of 2011, total revenues are expected to be greater than $1,590.0 million. Total year cash gross margins are expected to range between 65% and 66%. Cash selling, general and administrative expenses are expected to approximate $320.0 million. Adjusted EBITDA for the year is expected to be greater than $720.0 million. Capital expenditures for 2011 are expected to be in the range of $645.0 to $665.0 million, comprised of approximately $115.0 million of ongoing capital expenditures and $530.0 to $550.0 million for expansion capital expenditures.

The Company will discuss its results and guidance on its quarterly conference call on Wednesday, July 27, 2011, at 5:30 p.m. ET (2:30 p.m. PT). A presentation to accompany the call will be available on the Company's website at http://www.equinix.com/investors. To hear the conference call live, please dial 210-234-8004 (domestic and international) and reference the passcode (EQIX). A simultaneous live Webcast of the call will also be available at http://www.equinix.com/investors.

A replay of the call will be available beginning on Wednesday, July 27, 2011, at 7:30 p.m. (ET) through August 28, 2011, by dialing 203-369-1470. In addition, the webcast will be available on the company's web site at http://www.equinix.com/investors over the same time period. No password is required for the replay or the webcast.

**About Equinix**

Equinix, Inc. (Nasdaq: EQIX) connects businesses with partners and customers around the world through a global platform of high performance data centers, containing dynamic ecosystems and the broadest choice of networks. Platform Equinix connects more than 4,000 enterprises, cloud, digital content and financial companies including more than 675 network service providers to help them grow their businesses, improve application performance and protect their vital digital assets. Equinix operates in 38 strategic markets across the Americas, EMEA and Asia-Pacific and continually invests in expanding its platform to power customer growth. http://www.equinix.com.

**Non-GAAP Financial Measures**

Equinix provides all information required in accordance with generally accepted accounting principles (GAAP), but it believes that evaluating its ongoing operating results may be difficult if limited to reviewing only GAAP financial measures. Accordingly, Equinix uses non-GAAP financial measures, such as adjusted EBITDA, cash cost of revenues, cash gross margins, cash operating expenses (also known as cash selling, general and administrative expenses or cash SG&A), adjusted EBITDA margins, free cash flow and adjusted free cash flow to evaluate its operations. In presenting these non-GAAP financial measures, Equinix excludes certain items that it believes are not good indicators of the Company's current or future operating performance. These items are depreciation, amortization, accretion of asset retirement obligations and accrued restructuring charges, stock-based compensation, restructuring charges and acquisition costs. Legislative and regulatory requirements encourage use of and emphasis on GAAP financial metrics and require companies to explain why non-GAAP financial metrics are relevant to management and investors. Equinix excludes these items in order for Equinix's lenders, investors, and industry analysts who review and report on the Company, to better evaluate the Company's operating performance and cash spending levels relative to its industry sector and competitors.

Equinix excludes depreciation expense as these charges primarily relate to the initial construction costs of our IBX centers and do not reflect our current or future cash spending levels to support our business. Our IBX centers are long-lived assets, and have an economic life greater than 10 years. The construction costs of our IBX centers do not recur and future capital expenditures remain minor relative to our initial investment. This is a trend we expect to continue. In addition, depreciation is also based on the estimated useful lives of our IBX centers. These estimates could vary from actual performance of the asset, are based on historic costs incurred to build out our IBX centers, and are not indicative of current or expected future capital expenditures. Therefore, Equinix excludes depreciation from its operating results when evaluating its operations.

In addition, in presenting the non-GAAP financial measures, Equinix excludes amortization expense related to certain intangible assets, as it represents a cost that may not recur and is not a good indicator of the Company's current or future operating performance. Equinix excludes accretion expense, both as it relates to its asset retirement obligations as well as its accrued restructuring charges, as these expenses represent costs which Equinix believes are not meaningful in evaluating the Company's current operations. Equinix excludes non-cash stock-based compensation expense as it represents expense attributed to equity awards that have no current or future cash obligations. As such, we, and many investors and analysts, exclude this stock-based compensation expense when assessing the cash generating performance of our operations. Equinix excludes restructuring charges from its non-GAAP financial measures. The restructuring charges relate to the Company's decision to exit leases for excess space adjacent to several of our IBX centers, which we did not intend to build out, or our decision to reverse such restructuring charges or severance charges related to the Switch and Data acquisition. Equinix excludes acquisition costs from its non-GAAP financial measures. The acquisition costs relate to costs the Company incurs in connection with business combinations. Management believes such items as restructuring charges and acquisition costs are non-core transactions; however, these types of costs will or may occur in future periods.

Our management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. However, we have presented such non-GAAP financial measures to provide investors with an additional tool to evaluate our operating results in a manner that focuses on what management believes to be our core, ongoing business operations. Management believes that the inclusion of these non-GAAP financial measures provides consistency and comparability with past reports and provides a better understanding of the overall performance of the business and its ability to perform in subsequent periods. Equinix believes that if it did not provide such non-GAAP financial information, investors would not have all the necessary data to analyze Equinix effectively.

Investors should note, however, that the non-GAAP financial measures used by Equinix may not be the same non-GAAP financial measures, and may not be calculated in the same manner, as that of other companies. In addition, whenever

Equinix uses such non-GAAP financial measures, it provides a reconciliation of non-GAAP financial measures to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure.

Equinix does not provide forward-looking guidance for certain financial data, such as depreciation, amortization, accretion, stock-based compensation, net income (loss) from operations, cash generated from operating activities and cash used in investing activities, and as a result, is not able to provide a reconciliation of GAAP to non-GAAP financial measures for forward-looking data. Equinix intends to calculate the various non-GAAP financial measures in future periods consistent with how it was calculated for the periods presented within this press release.

**Forward Looking Statements**

*This press release contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements. Factors that might cause such differences include, but are not limited to, the challenges of acquiring, operating and constructing IBX centers and developing, deploying and delivering Equinix services; unanticipated costs or difficulties relating to the integration of companies we have acquired or will acquire into Equinix; a failure to receive significant revenue from customers in recently built out or acquired data centers; failure to complete any financing arrangements contemplated from time to time; competition from existing and new competitors; the ability to generate sufficient cash flow or otherwise obtain funds to repay new or outstanding indebtedness; the loss or decline in business from our key customers; and other risks described from time to time in Equinix's filings with the Securities and Exchange Commission. In particular, see Equinix's recent quarterly and annual reports filed with the Securities and Exchange Commission, copies of which are available upon request from Equinix. Equinix does not assume any obligation to update the forward-looking information contained in this press release.*

*Equinix and IBX are registered trademarks of Equinix, Inc. International Business Exchange is a trademark of Equinix, Inc.*

**EQUINIX, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - GAAP PRESENTATION**
**(in thousands, except per share data)**
**(unaudited)**

| | **Three Months Ended** | | | **Six Months Ended** | |
|---|---|---|---|---|---|
| | **June 30, 2011** | **March 31, 2011** | **June 30, 2010** | **June 30, 2011** | **June 30, 2010** |
| Recurring revenues | $376,528 | $343,909 | $282,117 | $720,437 | $519,353 |
| Non-recurring revenues | 18,372 | 19,120 | 13,977 | 37,492 | 25,390 |
| **Revenues** | **394,900** | **363,029** | **296,094** | **757,929** | **544,743** |
| Cost of revenues | 215,572 | 194,576 | 162,582 | 410,148 | 295,632 |
| **Gross profit** | **179,328** | **168,453** | **133,512** | **347,781** | **249,111** |
| Operating expenses: | | | | | |
| Sales and marketing | 37,063 | 33,636 | 28,913 | 70,699 | 48,381 |
| General and administrative | 65,681 | 62,601 | 54,166 | 128,282 | 97,321 |
| Restructuring charges | 103 | 496 | 4,357 | 599 | 4,357 |
| Acquisition costs | 1,615 | 415 | 5,849 | 2,030 | 10,843 |
| **Total operating expenses** | **104,462** | **97,148** | **93,285** | **201,610** | **160,902** |
| **Income from operations** | **74,866** | **71,305** | **40,227** | **146,171** | **88,209** |
| Interest and other income (expense): | | | | | |
| Interest income | 632 | 215 | 491 | 847 | 997 |

| | | | | | |
|---|---|---|---|---|---|
| Interest expense | (37,677 ) | (37,361 ) | (37,615 ) | (75,038 ) | (63,290 ) |
| Other-than-temporary impairment recovery on investments | - | - | - | - | 3,420 |
| Loss on debt extinguishment and interest rate swaps, net | - | - | (1,454 ) | - | (4,831 ) |
| Other income (expense) | 1,021 | 2,111 | (1,481 ) | 3,132 | (1,461 ) |
| **Total interest and other, net** | **(36,024 )** | **(35,035 )** | **(40,059 )** | **(71,059 )** | **(65,165 )** |
| **Income before income taxes** | **38,842** | **36,270** | **168** | **75,112** | **23,044** |
| Income tax expense | (8,109 ) | (11,125 ) | (2,442 ) | (19,234 ) | (11,119 ) |
| **Net income (loss)** | **30,733** | **25,145** | **(2,274 )** | **55,878** | **11,925** |
| Net (income) loss attributable to redeemable non-controlling interests | (3 ) | - | - | (3 ) | - |
| **Net income (loss) attributable to Equinix** | **$ 30,730** | **$ 25,145** | **$ (2,274 )** | **$ 55,875** | **$ 11,925** |
| **Net income (loss) per share attributable to Equinix:** | | | | | |
| Basic net income (loss) per share | $ 0.65 | $ 0.54 | $ (0.05 ) | $ 1.20 | $ 0.29 |
| Diluted net income (loss) per share | $ 0.64 | $ 0.53 | $ (0.05 ) | $ 1.18 | $ 0.28 |
| Shares used in computing basic net income (loss) per share | 46,924 | 46,451 | 43,507 | 46,688 | 41,546 |
| Shares used in computing diluted net income (loss) per share | 50,664 | 47,219 | 43,507 | 50,454 | 42,694 |

**EQUINIX, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - NON-GAAP PRESENTATION**

**(in thousands)**

**(unaudited)**

| | **Three Months Ended** | | | **Six Months Ended** | |
|---|---|---|---|---|---|
| | **June 30, 2011** | **March 31, 2011** | **June 30, 2010** | **June 30, 2011** | **June 30, 2010** |
| Recurring revenues | $ 376,528 | $ 343,909 | $ 282,117 | $ 720,437 | $ 519,353 |
| Non-recurring revenues | 18,372 | 19,120 | 13,977 | 37,492 | 25,390 |
| **Revenues (1)** | **394,900** | **363,029** | **296,094** | **757,929** | **544,743** |
| Cash cost of revenues (2) | 137,558 | 122,631 | 103,892 | 260,189 | 188,976 |
| **Cash gross profit (3)** | **257,342** | **240,398** | **192,202** | **497,740** | **355,767** |
| Cash operating expenses (4): | | | | | |
| Cash sales and marketing expenses (5) | 29,261 | 27,104 | 22,158 | 56,365 | 37,343 |
| Cash general and administrative expenses (6) | 46,753 | 46,018 | 37,889 | 92,771 | 68,997 |
| **Total cash operating expenses (7)** | **76,014** | **73,122** | **60,047** | **149,136** | **106,340** |
| **Adjusted EBITDA (8)** | **$ 181,328** | **$ 167,276** | **$ 132,155** | **$ 348,604** | **$ 249,427** |
| **Cash gross margins (9)** | **65 %** | **66 %** | **65 %** | **66 %** | **65 %** |
| **Adjusted EBITDA margins (10)** | **46 %** | **46 %** | **45 %** | **46 %** | **46 %** |
| **Adjusted EBITDA flow-through rate (11)** | **44 %** | **103 %** | **31 %** | **65 %** | **43 %** |

(1) The geographic split of our revenues on a services basis is presented below:

| | | | | | |
|---|---|---|---|---|---|
| *Americas Revenues:* | | | | | |
| Colocation | $ 187,840 | $ 176,196 | $ 148,569 | $ 364,036 | 267,501 |
| Interconnection | 49,886 | 45,922 | 35,072 | 95,808 | 58,836 |
| Managed infrastructure | 6,984 | 767 | 746 | 7,751 | 1,285 |

| | | | | | |
|---|---|---|---|---|---|
| Rental | 489 | 504 | 407 | 993 | 589 |
| Recurring revenues | 245,199 | 223,389 | 184,794 | 468,588 | 328,211 |
| Non-recurring revenues | 8,690 | 9,138 | 6,852 | 17,828 | 11,991 |
| Revenues | 253,889 | 232,527 | 191,646 | 486,416 | 340,202 |
| *EMEA Revenues:* | | | | | |
| Colocation | 74,645 | 68,200 | 55,898 | 142,845 | 110,340 |
| Interconnection | 3,203 | 2,812 | 2,010 | 6,015 | 3,949 |
| Managed infrastructure | 3,481 | 3,198 | 2,603 | 6,679 | 5,504 |
| Rental | 177 | 118 | 153 | 295 | 316 |
| Recurring revenues | 81,506 | 74,328 | 60,664 | 155,834 | 120,109 |
| Non-recurring revenues | 7,105 | 7,711 | 5,420 | 14,816 | 10,139 |
| Revenues | 88,611 | 82,039 | 66,084 | 170,650 | 130,248 |
| *Asia-Pacific Revenues:* | | | | | |
| Colocation | 39,101 | 36,339 | 28,853 | 75,440 | 55,838 |
| Interconnection | 5,818 | 5,341 | 3,860 | 11,159 | 7,389 |
| Managed infrastructure | 4,904 | 4,512 | 3,946 | 9,416 | 7,806 |
| Recurring revenues | 49,823 | 46,192 | 36,659 | 96,015 | 71,033 |
| Non-recurring revenues | 2,577 | 2,271 | 1,705 | 4,848 | 3,260 |
| Revenues | 52,400 | 48,463 | 38,364 | 100,863 | 74,293 |
| *Worldwide Revenues:* | | | | | |
| Colocation | 301,586 | 280,735 | 233,320 | 582,321 | 433,679 |
| Interconnection | 58,907 | 54,075 | 40,942 | 112,982 | 70,174 |
| Managed infrastructure | 15,369 | 8,477 | 7,295 | 23,846 | 14,595 |
| Rental | 666 | 622 | 560 | 1,288 | 905 |
| Recurring revenues | 376,528 | 343,909 | 282,117 | 720,437 | 519,353 |
| Non-recurring revenues | 18,372 | 19,120 | 13,977 | 37,492 | 25,390 |
| Revenues | $ 394,900 | $ 363,029 | $ 296,094 | $ 757,929 | $ 544,743 |

(2) We define cash cost of revenues as cost of revenues less depreciation, amortization, accretion and stock-based compensation as presented below:

| | | | | | |
|---|---|---|---|---|---|
| Cost of revenues | $ 215,572 | $ 194,576 | $ 162,582 | $ 410,148 | $ 295,632 |
| Depreciation, amortization and accretion expense | (76,515) | (70,600) | (56,946) | (147,115) | (103,318) |
| Stock-based compensation expense | (1,499) | (1,345) | (1,744) | (2,844) | (3,338) |
| Cash cost of revenues | $ 137,558 | $ 122,631 | $ 103,892 | $ 260,189 | $ 188,976 |

The geographic split of our cash cost of revenues is presented below:

| | | | | | |
|---|---|---|---|---|---|
| Americas cash cost of revenues | $ 81,886 | $ 70,210 | $ 61,220 | $ 152,096 | $ 105,368 |
| EMEA cash cost of revenues | 36,217 | 34,491 | 29,060 | 70,708 | 57,596 |
| Asia-Pacific cash cost of revenues | 19,455 | 17,930 | 13,612 | 37,385 | 26,012 |
| Cash cost of revenues | $ 137,558 | $ 122,631 | $ 103,892 | $ 260,189 | $ 188,976 |

(3) We define cash gross profit as revenues less cash cost of revenues (as defined above).

(4) We define cash operating expenses as operating expenses less depreciation, amortization, stock-based compensation, restructuring charges and acquisition costs. We also refer to cash operating expenses as cash selling, general and administrative expenses or "cash SG&A".

(5) We define cash sales and marketing expenses as sales and marketing expenses less depreciation, amortization and stock-based compensation as presented below:

| | | | | | |
|---|---|---|---|---|---|
| Sales and marketing expenses | $ 37,063 | $ 33,636 | $ 28,913 | $ 70,699 | $ 48,381 |
| Depreciation and amortization expense | (4,192) | (3,666) | (2,997) | (7,858) | (4,349) |
| Stock-based compensation expense | (3,610) | (2,866) | (3,758) | (6,476) | (6,689) |
| Cash sales and marketing expenses | $ 29,261 | $ 27,104 | $ 22,158 | $ 56,365 | $ 37,343 |

(6) We define cash general and administrative expenses as general and administrative expenses less depreciation, amortization and stock-based compensation as presented below:

| | | | | | |
|---|---|---|---|---|---|
| General and administrative expenses | $ 65,681 | $ 62,601 | $ 54,166 | $ 128,282 | $ 97,321 |
| Depreciation and amortization expense | (5,719) | (5,259) | (3,683) | (10,978) | (5,281) |
| Stock-based compensation expense | (13,209) | (11,324) | (12,594) | (24,533) | (23,043) |
| Cash general and administrative expenses | $ 46,753 | $ 46,018 | $ 37,889 | $ 92,771 | $ 68,997 |

(7) Our cash operating expenses, or cash SG&A, as defined above, is presented below:

| | | | | | |
|---|---|---|---|---|---|
| Cash sales and marketing expenses | $ 29,261 | $ 27,104 | $ 22,158 | $ 56,365 | $ 37,343 |
| Cash general and administrative expenses | 46,753 | 46,018 | 37,889 | 92,771 | 68,997 |
| Cash SG&A | $ 76,014 | $ 73,122 | $ 60,047 | $ 149,136 | $ 106,340 |

The geographic split of our cash operating expenses, or cash SG&A, is presented below:

| | | | | | |
|---|---|---|---|---|---|
| Americas cash SG&A | $ 49,499 | $ 48,812 | $ 40,960 | $ 98,311 | $ 71,586 |
| EMEA cash SG&A | 17,545 | 16,936 | 13,084 | 34,481 | 23,757 |
| Asia-Pacific cash SG&A | 8,970 | 7,374 | 6,003 | 16,344 | 10,997 |
| Cash SG&A | $ 76,014 | $ 73,122 | $ 60,047 | $ 149,136 | $ 106,340 |

(8) We define adjusted EBITDA as income from operations plus depreciation, amortization, accretion, stock-based compensation expense, restructuring charges and acquisition costs as presented below:

| | | | | | |
|---|---|---|---|---|---|
| Income from operations | $ 74,866 | $ 71,305 | $ 40,227 | $ 146,171 | $ 88,209 |
| Depreciation, amortization and accretion expense | 86,426 | 79,525 | 63,626 | 165,951 | 112,948 |
| Stock-based compensation expense | 18,318 | 15,535 | 18,096 | 33,853 | 33,070 |
| Restructuring charges | 103 | 496 | 4,357 | 599 | 4,357 |
| Acquisition costs | 1,615 | 415 | 5,849 | 2,030 | 10,843 |
| Adjusted EBITDA | $ 181,328 | $ 167,276 | $ 132,155 | $ 348,604 | $ 249,427 |

The geographic split of our adjusted EBITDA is presented below:

| | | | | | |
|---|---|---|---|---|---|
| Americas income from operations | $ 49,072 | $ 47,319 | $ 22,529 | $ 96,391 | $ 52,130 |
| Americas depreciation, amortization and accretion expense | 57,246 | 53,482 | 43,081 | 110,728 | 71,255 |
| Americas stock-based compensation expense | 14,527 | 11,842 | 13,650 | 26,369 | 24,663 |
| Americas restructuring charges | 103 | 496 | 4,357 | 599 | 4,357 |
| Americas acquisition costs | 1,556 | 366 | 5,849 | 1,922 | 10,843 |
| Americas adjusted EBITDA | 122,504 | 113,505 | 89,466 | 236,009 | 163,248 |
| EMEA income from operations | 14,178 | 11,471 | 7,672 | 25,649 | 15,993 |
| EMEA depreciation, amortization and accretion expense | 18,512 | 16,844 | 13,737 | 35,356 | 28,221 |

| | | | | | |
|---|---|---|---|---|---|
| EMEA stock-based compensation expense | 2,147 | 2,295 | 2,531 | 4,442 | 4,681 |
| EMEA acquisition costs | 12 | 2 | - | 14 | - |
| EMEA adjusted EBITDA | 34,849 | 30,612 | 23,940 | 65,461 | 48,895 |
| Asia-Pacific income from operations | 11,616 | 12,515 | 10,026 | 24,131 | 20,086 |
| Asia-Pacific depreciation, amortization and accretion expense | 10,668 | 9,199 | 6,808 | 19,867 | 13,472 |
| Asia-Pacific stock-based compensation expense | 1,644 | 1,398 | 1,915 | 3,042 | 3,726 |
| Asia-Pacific acquisition costs | 47 | 47 | - | 94 | - |
| Asia-Pacific adjusted EBITDA | 23,975 | 23,159 | 18,749 | 47,134 | 37,284 |
| Adjusted EBITDA | $ 181,328 | $ 167,276 | $ 132,155 | $ 348,604 | $ 249,427 |

(9) We define cash gross margins as cash gross profit divided by revenues.

Our cash gross margins by geographic region is presented below:

| | | | | | |
|---|---|---|---|---|---|
| Americas cash gross margins | 68 % | 70 % | 68 % | 69 % | 69 % |
| EMEA cash gross margins | 59 % | 58 % | 56 % | 59 % | 56 % |
| Asia-Pacific cash gross margins | 63 % | 63 % | 65 % | 63 % | 65 % |

(10) We define adjusted EBITDA margins as adjusted EBITDA divided by revenues.

| | | | | | |
|---|---|---|---|---|---|
| Americas adjusted EBITDA margins | 48 % | 49 % | 47 % | 49 % | 48 % |
| EMEA adjusted EBITDA margins | 39 % | 37 % | 36 % | 38 % | 38 % |
| Asia-Pacific adjusted EBITDA margins | 46 % | 48 % | 49 % | 47 % | 50 % |

(11) We define adjusted EBITDA flow-through rate as incremental adjusted EBITDA growth divided by incremental revenue growth as follows:

| | | | | | |
|---|---|---|---|---|---|
| Adjusted EBITDA - current period | $ 181,328 | $ 167,276 | $ 132,155 | $ 348,604 | $ 249,427 |
| Less adjusted EBITDA - prior period | (167,276 ) | (148,947 ) | (117,272 ) | (295,408 ) | (217,696 ) |
| Adjusted EBITDA growth | $ 14,052 | $ 18,329 | $ 14,883 | $ 53,196 | $ 31,731 |
| Revenues - current period | $ 394,900 | $ 363,029 | $ 296,094 | $ 757,929 | $ 544,743 |
| Less revenues - prior period | (363,029 ) | (345,244 ) | (248,649 ) | (675,591 ) | (470,110 ) |
| Revenue growth | $ 31,871 | $ 17,785 | $ 47,445 | $ 82,338 | $ 74,633 |
| Adjusted EBITDA flow-through rate | 44 % | 103 % | 31 % | 65 % | 43 % |

**EQUINIX, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(in thousands)**

**(unaudited)**

| **Assets** | **June 30, 2011** | **December 31, 2010** |
|---|---|---|
| Cash and cash equivalents | $ 297,872 | $ 442,841 |
| Short-term investments | 94,246 | 147,192 |
| Accounts receivable, net | 140,316 | 116,358 |
| Other current assets | 116,654 | 71,657 |
| **Total current assets** | **649,088** | **778,048** |
| Long-term investments | 30,960 | 2,806 |

| | | |
|---|---|---|
| Property, plant and equipment, net | 3,085,202 | 2,650,953 |
| Goodwill | 897,461 | 774,365 |
| Intangible assets, net | 163,771 | 150,945 |
| Other assets | 142,709 | 90,892 |
| **Total assets** | **$ 4,969,191** | **$ 4,448,009** |
| **Liabilities and Stockholders' Equity** | | |
| Accounts payable and accrued expenses | $ 189,739 | $ 145,854 |
| Accrued property and equipment | 90,652 | 91,667 |
| Current portion of capital lease and other financing obligations | 9,461 | 7,988 |
| Current portion of loans payable | 31,459 | 19,978 |
| Current portion of convertible debt | 240,134 | - |
| Other current liabilities | 59,006 | 52,628 |
| **Total current liabilities** | **620,451** | **318,115** |
| Capital lease and other financing obligations, less current portion | 337,274 | 253,945 |
| Loans payable, less current portion | 201,233 | 100,337 |
| Senior notes | 750,000 | 750,000 |
| Convertible debt | 688,300 | 916,337 |
| Other liabilities | 238,684 | 228,760 |
| **Total liabilities** | **2,835,942** | **2,567,494** |
| Redeemable non-controlling interests | 69,050 | - |
| Common stock | 47 | 46 |
| Additional paid-in capital | 2,399,055 | 2,341,586 |
| Accumulated other comprehensive loss | (41,679 ) | (112,018 ) |
| Accumulated deficit | (293,224 ) | (349,099 ) |
| **Total stockholders' equity** | **2,064,199** | **1,880,515** |
| **Total liabilities, redeemable non-controlling interests and stockholders' equity** | **$ 4,969,191** | **$ 4,448,009** |
| Ending headcount by geographic region is as follows: | | |
| Americas headcount | 1,672 | 1,156 |
| EMEA headcount | 526 | 482 |
| Asia-Pacific headcount | 341 | 283 |
| Total headcount | 2,539 | 1,921 |

**EQUINIX, INC.**
**SUMMARY OF DEBT OUTSTANDING**
**(in thousands)**
**(unaudited)**

| | **June 30, 2011** | **December 31, 2010** |
|---|---|---|
| Capital lease and other financing obligations | $ 346,735 | $ 261,933 |
| Paris IBX financing | 20,594 | - |
| ALOG financing | 19,254 | - |
| New Asia-Pacific financing | 192,844 | 120,315 |
| Total loans payable | 232,692 | 120,315 |
| Senior notes | 750,000 | 750,000 |
| Convertible debt, net of debt discount | 928,434 | 916,337 |

| | | |
|---|---|---|
| Plus debt discount | 91,302 | 103,399 |
| Total convertible debt principal | 1,019,736 | 1,019,736 |
| Total debt outstanding | $ 2,349,163 | $ 2,151,984 |

**EQUINIX, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(in thousands)**

**(unaudited)**

| | **Three Months Ended** | | | **Six Months Ended** | |
|---|---|---|---|---|---|
| | **June 30, 2011** | **March 31, 2011** | **June 30, 2010** | **June 30, 2011** | **June 30, 2010** |
| Cash flows from operating activities: | | | | | |
| Net income (loss) | $ 30,733 | $ 25,145 | $ (2,274) | $ 55,878 | $ 11,925 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation, amortization and accretion | 86,426 | 79,525 | 63,626 | 165,951 | 112,948 |
| Stock-based compensation | 18,318 | 15,535 | 18,096 | 33,853 | 33,070 |
| Debt issuance costs and debt discount | 8,325 | 7,284 | 6,689 | 15,609 | 12,243 |
| Loss on debt extinguishment and interest rate swaps | - | - | 1,454 | - | 4,831 |
| Restructuring charges | 103 | 496 | 4,357 | 599 | 4,357 |
| Other reconciling items | 3,074 | 1,563 | 834 | 4,637 | 1,268 |
| Changes in operating assets and liabilities: | | | | | |
| Accounts receivable | (19,409) | 3,099 | (25,671) | (16,310) | (31,757) |
| Deferred tax assets, net | (2,507) | 5,640 | (723) | 3,133 | 4,279 |
| Accounts payable and accrued expenses | 4,082 | (13,606) | 3,174 | (9,524) | 19,060 |
| Other assets and liabilities | 11,203 | (6,911) | (12,656) | 4,292 | (15,506) |
| **Net cash provided by operating activities** | **140,348** | **117,770** | **56,906** | **258,118** | **156,718** |
| Cash flows from investing activities: | | | | | |
| Purchases, sales and maturities of investments, net | 30,979 | (2,185) | (64,987) | 28,794 | 47,298 |
| Purchase of ALOG, less cash acquired | (41,954) | - | - | (41,954) | - |
| Purchase of Switch and Data, less cash acquired | - | - | (113,289) | - | (113,289) |
| Purchase of Frankfurt IBX property | (9,042) | - | - | (9,042) | - |
| Purchase of Paris IBX property | - | (14,951) | - | (14,951) | - |
| Purchases of property and equipment | (188,875) | (175,115) | (148,705) | (363,990) | (292,105) |
| Other investing activities | (845) | (94,138) | (474) | (94,983) | (916) |
| **Net cash used in investing activities** | **(209,737)** | **(286,389)** | **(327,455)** | **(496,126)** | **(359,012)** |
| Cash flows from financing activities: | | | | | |
| Proceeds from employee equity awards | 8,929 | 15,668 | 11,270 | 24,597 | 22,153 |
| Proceeds from loans payable | 55,264 | 22,653 | 98,958 | 77,917 | 98,958 |
| Proceeds from senior notes | - | - | - | - | 750,000 |
| Repayment of capital lease and other financing obligations | (2,355) | (1,968) | (10,847) | (4,323) | (12,401) |
| Repayment of mortgage and loans payable | - | (10,102) | (343,688) | (10,102) | (458,028) |
| Debt issuance costs | - | (125) | (7,926) | (125) | (23,119) |

| | | | | | |
|---|---|---|---|---|---|
| **Net cash provided by (used in) financing activities** | **61,838** | **26,126** | **(252,233 )** | **87,964** | **377,563** |
| Effect of foreign currency exchange rates on cash and cash equivalents | 957 | 4,118 | (5,178 ) | 5,075 | (9,983 ) |
| Net increase (decrease) in cash and cash equivalents | (6,594 ) | (138,375 ) | (527,960 ) | (144,969 ) | 165,286 |
| Cash and cash equivalents at beginning of period | 304,466 | 442,841 | 1,039,302 | 442,841 | 346,056 |
| **Cash and cash equivalents at end of period** | **$ 297,872** | **$ 304,466** | **$ 511,342** | **$ 297,872** | **$ 511,342** |
| **Free cash flow (1)** | **$ (100,368 )** | **$ (166,434 )** | **$ (205,562 )** | **$ (266,802 )** | **$ (249,592 )** |
| **Adjusted free cash flow (2)** | **$ (49,372 )** | **$ (151,483 )** | **$ (92,273 )** | **$ (200,855 )** | **$ (136,303 )** |

(1) We define free cash flow as net cash provided by operating activities plus net cash used in investing activities (excluding the net purchases, sales and maturities of investments) as presented below:

| | | | | | |
|---|---|---|---|---|---|
| Net cash provided by operating activities as presented above | $ 140,348 | $ 117,770 | $ 56,906 | $ 258,118 | $ 156,718 |
| Net cash used in investing activities as presented above | (209,737 ) | (286,389 ) | (327,455 ) | (496,126 ) | (359,012 ) |
| Purchases, sales and maturities of investments, net | (30,979 ) | 2,185 | 64,987 | (28,794 ) | (47,298 ) |
| Free cash flow (negative free cash flow) | $ (100,368 ) | $ (166,434 ) | $ (205,562 ) | $ (266,802 ) | $ (249,592 ) |

(2) We define adjusted free cash flow as free cash flow (as defined above) excluding any purchases or sales of real estate and acquisitions as presented below:

| | | | | | |
|---|---|---|---|---|---|
| Free cash flow (as defined above) | $ (100,368 ) | $ (166,434 ) | $ (205,562 ) | $ (266,802 ) | $ (249,592 ) |
| Less purchase of ALOG, less cash acquired | 41,954 | - | - | 41,954 | - |
| Less purchase of Switch and Data, less cash acquired | - | - | 113,289 | - | 113,289 |
| Less purchase of Frankfurt IBX property | 9,042 | - | - | 9,042 | - |
| Less purchase of Paris IBX property | - | 14,951 | - | 14,951 | - |
| Adjusted free cash flow (negative adjusted free cash flow) | $ (49,372 ) | $ (151,483 ) | $ (92,273 ) | $ (200,855 ) | $ (136,303 ) |

SOURCE: Equinix, Inc.

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