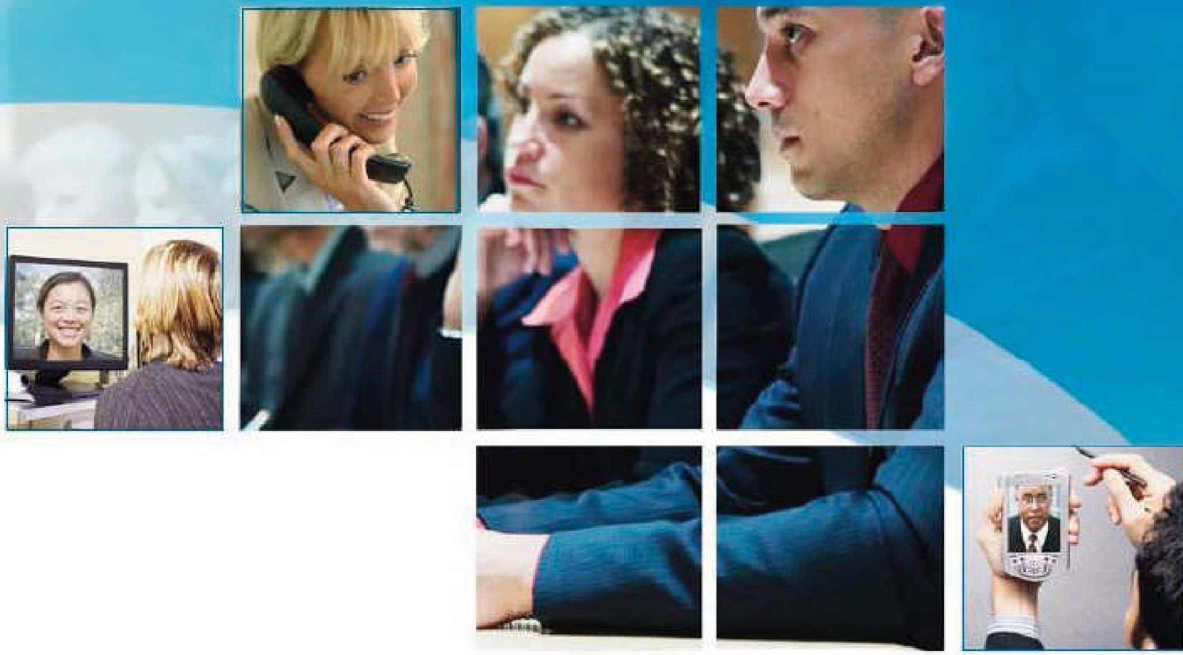

Final Transcript

InterCall

Contents

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Corporate Participants

Jim Huseby

Interxion - IR

David Ruberg

Interxion - CFO

Josh Joshi

Interxion - CFO

Presentation

Operator

Ladies and gentlemen, thank you standing by and welcome to Interxion Q3 results conference call. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question and answer session, at which time if you wish to ask a question you will need to press star one on your telephone keypad. I must advise you that the conference is being recorded today, Tuesday 15th November 2011. I'd now like to hand the conference over to your first speaker, Mr Jim Huseby, Vice President of Investor Relations. Please go ahead, sir.

Jim Huseby - *Interxion - IR*

Thank you, Rachel. Hello, everybody, and welcome to Interxion's third-quarter conference call. Today you'll be hearing from David Ruberg, Interxion's Vice Chairman and CEO; and Josh Joshi, Company CFO. Beginning this quarter we are providing some slides to accompany this presentation, these slides are available on the Investor Relations page of our website at investors.interxion.com. We encourage you to download these slides to use during this call if you've not already done so.

Before we get started I'd like to remind everyone that some of the statements we will be making today are forward looking in nature and involve risks and uncertainties. Actual results may vary significantly from those statements and may be affected by the risks we identified in today's press release and those identified in our filings with the SCC. We assume no obligation and do not intend to update or comment on forward-looking statements made on this call.

In addition, we will provide non IFRS measures on today's conference call. We provide a reconciliation of these measures to the most directly comparable IFRS measures in today's press release, which is posted on our Investor Relation's page at investorsatonterxion.com. We'd also like to remind you that we post important information about Interxion on our website. We encourage you to use our website for the most current available information. Following our prepared remarks we will be taking questions.

And now I'm pleased to hand the call over to Interxion's CEO, David Ruberg. David?

David Ruberg - *Interxion - CEO*

Thank you, Jim, and welcome. As Jim mentioned at the beginning of the call we have provided a slide deck that will accompany our prepared remarks. Josh and I will reference these slides during our comments and we include them and follow along. Also with us today is Kevin Dean, our Chief Marketing Officer.

Given all that is going on in the world today I thought that I would take a little extra time in my opening remarks to cover three distinct areas, our Q3 results, our marketing strategy and our capital deployment strategy. Please go to slide three.

During the third quarter, despite the continued economic problems and political turmoil, both worldwide, especially in Europe, we continue to realise healthy organic revenue and adjusted EBITDA growth. Revenues in the quarter were €62 million, up 13% year over year and 3% sequentially. As a reminder, our year-over-year comparisons are impacted by an unusually large non-recurring revenue project that we recognised in the third quarter of 2010.

Underlying top-line revenue growth recurring revenues were €58.2 million, which is a 17% year-over-year increase and a 4% sequential increase. Adjusted EBITDA was €25 million, up 20% year over year and 7% sequentially. This growth reflects the operating leverage inherent in our business model and resulted in an adjusted EBITDA margin for the quarter that it exceeded 40% for the first time.

Pricing across our paying European paying footprint remains stable and for the most part rational and unchanged since our last call. Average monthly churn remained low and in line with our at about a half a percent per month. Bookings were solid and the pipeline is at an all-time high. However, as has been the case for some time now, decisions on projects that do not have short term payback periods are continuing to exhibit extended [descended?] sales cycles.

Regarding our expansion plans, since June 30th we have announced four significant new data centre builds. They include new builds in Paris, Frankfurt, London and the announcement that we made this morning, the 4,000-square-metre data centre in Amsterdam. I will comment on each of these in more detail in a few minutes.

So if you will turn to slide four I'd like to talk about our market segmentation and customer strategy. As we have discussed with you before, we have divided our potential addressable market into segments and we have listed the five major ones on the chart. Otherwise a point of clarification, the enterprise segment refers mainly to enterprise real-time applications.

All of these segments are seeing increasing demand from their customers to provide access to increasing amounts of data and content anywhere, anytime, anyplace, on any device and a faster and more cost-effective fashion. This genie is out of the bottle and there is no turning back. These unsettling economic times may have slowed the pace of deployment of technology to meet these demands but they have certainly not diminished the opportunity, either in the short run or the long term.

As a company, we have focused on these segments because they have some common, fundamental needs which are best satisfied by carrier-neutral collocation providers. They are dependent on applications that require rapid response time and their value is greatly enhanced by participating in a community of interested environment. And by the way, one more point, they are all looking at long-term growth potential.

In some of these segments the [magnets] around which the communities of interest form are well defined, such as the matching engines in the financial services segment. And in others, they may not yet have emerged. And we are in a position not only to find them, but in some cases to help create them.

At the start of this year we embarked on a project to realign and develop our marketing and sales efforts, both direct and indirect channels, around these segments. We'll complete the major portion of our marketing and sales force revamp by the end of this year and expect to reap the increasing benefit of these efforts next year.

Given that some of the key decision makers for companies using our services are located out of Europe, particularly the United States, this has led us to pursue a go-to-market strategy in the US, which to date includes two partners, Telx and CoreSite. We are in the early stages of these relationships and have progressed from the league-generating phase to actually closing some deals, nothing appreciable yet, but certainly progress.

In addition, these relationships have provided us with valuable insight into the trends developing in the financial services cloud and digital media segments emanating from the United States. Also, we're in the process of augmenting these partnerships with other channels and we expect to have more to report on that project over the coming quarters.

Our customers from our targeting segments continue to become a larger portion of our monthly recurring revenue, validating our focus on our communities of interest approach. In September of this year, customers from our five major target segments combined to deliver 88% of our monthly recurring revenue, which is up two percentage points from the same month last year. The growth in percentage has come from increases in digital media enterprises and financial services segment, while managed service providers, including cloud providers, continue to grow with us at the same double-digit rate as the company's recurring revenue, although we are now seeing signs that suggest this growth rate will increase.

Carriers and other network providers continue to grow, though their share of our total revenue has declined. And we expect this trend to continue as our other communities of interest continue to grow.

As a carrier and neutral collocation data centre service provider, a key foundation of our value proposition to our customers is the connectivity that we offer. Interxion leads to European market in terms of connectivity proposition, which comes in three flavours. First, direct carrier connectivity. Over 400 fixed and mobile carriers have chosen Interxion data centres to provide connectivity to our communities of interest.

Second, CDNs. All of the major global content delivery networks have chosen to access Interxion's wide geographic coverage. And third, internet exchanges. We connect to more internet exchanges in Europe than any other data centre provider, 18 in total, handling over 3.2 terabytes of traffic per day, as well as providing access to over 2,400 ISPs through these internet exchanges. It is this connectivity that in many cases underpins our proposition to the other segments. Our carrier segment itself continues to grow, driven by the expansions needed to support the growth in bandwidth and the deployment of managed services infrastructure by the connectivity providers.

If we turn our attention to the digital media segment, we have seen good growth in this segment as more content is made available in digital format for real and non-real time transmission to provide things such as IPTV, mobile TV, replay TV, high-definition TV, 3D, digital radio and online digital music. In support of this effort, we have developed a community of interest or infinity group and have called it our media hub community and currently have over 100 members.

In the financial services segment we are seeing growth now coming from our new products and services in the equity exchange arena, for example, our launch of multimember shared access for trading on the Deutsche Börse and our relationship with New York Exchange to deliver their low-latency trading and data applications.

We're also seeing growth from new markets applying proximity trading technology, such as the London Metal Exchange, which now hosts a market access point in Interxion, and other markets, such as FX. The financial services community, Interxion has nearly 200 members and is particularly strong in London, Frankfurt, Zurich and the Nordics.

In the cloud segment, we are seeing growth coming from new companies entering the market offering cloud services of different types. Interxion is actively encouraging companies to trial cloud solutions with our cloud test lab offering. And we now have over 350 members in our cloud hub community and it obviously continues to grow.

As for the enterprise segment, this is being driven by a desire to be more efficient in both capex and opex and a newfound willingness to use outside resources, whether it be with a systems integrator or an outsourcer, to reduce the cost of ownership of their IT applications. In Europe, 2012 is shaping up to be the year that desktop virtualisation takes off. And we will be the beneficiary of this technology deployment because we possess the collection of carriers and ISPs necessary to provide the required performance and superior response time to support the movement away from the desktop PC to a less-expensive presentation device.

In summary, we believe that our results to date demonstrate that we are focused on the right segments and our communities of interest continue to grow.

I would now like to take a few minutes to discuss our capital deployment strategy and ask that you please turn to slide five. I've been asked a number of times recently, given the increased uncertainty, are you more deliberate about your capital deployment approach? The answer is basically no because we have always been cautious and deliberate about the use of our capital. We have tried to develop an approach that gives us a balance between... and a balance and a disciplined approach so that we are able to manage the trade off of not getting the business because we have no product versus having the product but not getting the business because it is not there.

We are constantly evaluating the need for future capacity against the demand that our customers are telling us that they need. We're also benefiting by new technology that supports a more flexible, phased approach in support of our just-in-time deployment of capital. Once we do decide to build, we are able to refine our capacity response to this demand by building in phases.

There are a couple of elements in our capital deployment approach that have been fundamental to our success and are worthy of mention. One, location. We are focused on current cities where we have a competitive advantage. Two, marketing information. We get most of our market information from the plans of our customers, our current customers, not by reading the technology documents. Three, sizing. Our data centre builds are usually on the order of 1,500 to about 4,000 square metres and are scheduled to be 25% sold on day one and filled up over the next three years. Four, phasing. Our data centres are designed to support the phasing in of equipment, both power and space, and flexible enough to be adapted to different customer needs in space, power, power backup and cooling requirements.

And a last general point on this topic, we are fully funded for a business plan and constantly looking for ways, excuse me, to de-risk our capital deployment and put ourselves in a position to fund our own growth.

Again, looking at slide five, I would like to review our last four announced builds in light of our capital deployment strategy. The first project is London 2, which will add 1,700 square metres of equipped space and it is located in our City of London campus, which is the largest data centre campus in Central London. London has the largest carrier-neutral collocation community of Europe and a unique set of factors which fuel its growth. We also have a unique site given its strategic location and high level of connectivity. It also possesses additional space to grow. We are seeing strong demand from financial services firms, as expected, as well as from digital media and cloud providers for this space.

We also announce that we have a firm agreement for an additional 11 megawatts of customer power to our campus. As I am sure you're aware, matching the timing of power availability and space expansion is often imperfect. And the 11 megawatts of power will not only be available for use in our London 2 facility but will also serve as added power capacity for any future expansions that we may choose to pursue if we are convinced of the demand.

The second project is Frankfurt 7, which will add 1,500 square metres of equipped space and approximately 2.5 megawatts of customer power and is located in the same highly connected campus as our other Frankfurt facilities. This facility will add an important space as we continue to enjoy strong demand in this market, particularly from the carrier and financial services segments.

The third project is Paris 7, which we spoke about at length on last quarter's call. This is a large data centre with potentially making available 9,000 square metres of equipped space and 20 megawatts of customer power. We are the largest carrier-neutral provider in Paris and have an outstanding list of customers, and only embarked on this project after detailed analysis of the expansion plans of many of our largest customers. This project was designed to be implemented in four phases over two separate buildings. We are currently constructing phase one, which is approximately 4,500 square metres, and scheduled for completion in the second quarter of 2012. As always, we will continue to evaluate the market demand and determine when to move forward with additional phases.

The fourth project is Amsterdam 6, which we announced in a separate press release this morning. This data centre will be 4,000 square metres of equipped space and ten megawatts of customer power. The data centre will be available for service in the fourth quarter of 2012. And it is important to note that we have already sold over 50% of this space. Amsterdam attracts special attention from people who need carrier-neutral collocation space in Europe and require a broad reach because it is the intersection point of many of the major fibre networks carrying traffic from the United States and the UK to Western and Eastern Europe.

Interxion is one of the oldest carrier-neutral collocation companies in Europe, and throughout our history we have sought to tightly manage our new supply and keep in line with market demand. Our narrow range of utilisation rates over a long period of time demonstrate our success in doing this. As we utilise our local market intelligence and, most importantly, our relationship with our customers to help shape our view on future demand, this impacts our expansion decisions so we are in a position to meet our customers' growth requirements on a just-in-time basis. Now that the company has been recapitalised, our approach has not changed. We are expanding in markets where we have direct knowledge of incoming demand, and our expansion announcements since the end of the second quarter demonstrate this.

I would now to like to turn the call over to Josh.

Josh Joshi - *Interxion - CFO*

Thank you, David, and good day to everybody on the call. I will begin my comments on slide seven.

From a financial perspective, Interxion's third-quarter performance reflects the resilience and predictability of our business model, together with disciplined execution across our markets. Despite continuing economic weakness, particularly in Europe, Interxion delivered sequential increases for each of our key financial metrics in the third quarter.

Total revenue was €62 million, compared to €54.6 million in the third quarter last year. We've highlighted on previous earnings calls that the Q3 2010 was positively impacted by a one-time revenue of approximately €2 million relating to an unusually large customer installation. This has distorted the year-over-year comparison, and adjusting for this, the underlying top-line growth was 17% year over year. Recurring revenue was €58.2 million, a 17% increase from the €49.6 million in the third quarter 2010 and 4% higher sequentially.

Foreign exchange had little impact on our results. And recurring revenue growth was also 17% in constant currency terms. Recurring revenues represented approximately 94% of total revenues, which is consistent with our experience over the last several quarters.

During the third quarter, cost of sales grew more slowly than revenue, up 8% year over year, driven primarily by lower direct costs related to non-recurring revenue. So gross profit increased by 17% year over year and 4% sequentially, with gross margin up nearly 200 basis points to 58.1%.

Sales and marketing costs were down 3% year over year. We've signalled on prior calls that we expected the pace of growth in our sales and marketing spend to slow down in this third quarter as our investment in segment-specific sales and marketing talent slowed down. In addition, sales and marketing costs are lower due to some timing of marketing spend, which has been deferred into the fourth quarter.

Other G&A, which excludes depreciation, amortisation, impairments, share-based payments and exceptional costs were €6.8 million, up nearly 24% year over year, partly due to the onset of public company costs, and fairly flat sequentially. We expect that next quarter we will begin to see the year-over-year increase in these costs start to slow down.

The revenue increase, combined with our inherent operating leverage, resulted in strong EBITDA performance. For the quarter, adjusted EBITDA was €25 million, 20% higher than last year's third quarter and 7% higher than the second quarter of this year. And adjusted EBITDA margin was 40.3%, also up 200 basis points, from 38.1% in last year's third quarter.

Net finance expense was up 4% year over year due to higher interest costs from the bond [tap] last November. They're slightly lower sequentially, due in part to higher interest income from the added yield on the short-term investments discussed last quarter.

Income taxes remained low, at €6.2 million, leaving net profit at €6.9 million for the quarter, up from 5.9 million in the same quarter last year. Earnings per share was €0.10 for the quarter on 67.5 million diluted shares.

I'd like to now briefly review our performance by... through our reported segments. Please turn to slide eight. Total revenue in our Big Four markets was €36.4 million, up 11% year over year and 1% sequentially. I would remind you again that the prior-year quarter was positively impacted by the one-time revenue item I mentioned earlier. Underlying top-line growth in the Big Four segment was a healthy 17%, and, importantly, recurring revenue grew 17% year over year and 3% sequentially.

Adjusted EBITDAR margins in the big four continue to expand, breaking through the 50% milestone in this quarter. The rest of [Europe] segment grew by 17% year over year and 7% sequentially. Recurring revenue was up 18% year over year and 5% sequentially, indicating solid overall growth. Adjusted EBITDAR margins in the rest of Europe were 51.4%. Please turn to slide nine. As I've already mentioned, both of our big four and rest of Europe geographic reporting segments have contributed to our growth and profitability, and this is a consistent theme in our business. By that I mean that the consistent quarterly 60:40 split between the big four markets and rest of Europe for revenue, with a slight tilt towards rest of Europe for adjusted

EBITDAR, given its slightly more favourable margin profile. It is the consistency of this performance, despite the wide economic backdrop that demonstrates the value of the geographic coverage we enjoy in Europe. Interxion's overall performance is not materially exposed in a single market or on one customer or against one customer segment. To review our capacity matrix, please turn to slide ten. Equip space at the end of the quarter was 62,200 square meters – an increase of about 700 square meters since June 30th and reflecting the opening of the first phase of our Vienna 1.3 project. Revenue generating space was 46,100 square meters, up about 800 square meters from the prior quarter leading to a utilisation rate of over 74%. The utilisation rate has been in the 70 to 75% range for many quarters, not just the five quarters shown on the chart on this slide. This illustrates the disciplined nature of the capital deployment philosophy that David reviewed earlier on. Noting the discretionary nature of our expansion and upgrade plans, which we can now slow down or accelerate to match our understanding of the market and our customer needs. As we deploy our capital, we're fully funded to support our planned expansions. Please turn to slide 11. Cash and short term investments at September 30th were €189.5 million, down from 232 million at June 30th, primarily due to the increased investment in capital expenditures over the quarter. Total borrowings remain essentially unchanged and stood at €257.2 million at September 30th. Credit statistics continue to be comfortably within our [covenance], with a senior leverage ratio dropping below three for the first time since last year's bond [tap] increased our total leverage. The next slide 12 provides some additional detail about our capital expenditures. In line with expectations set on our last earnings call, the bar chart on the left shows capital expenditures in the quarter increased to €53.8 million. €51.4 million were invested into expansions and upgrades, with the remainder being ongoing capex. This brings our total capital spending for the nine months to €89.1 million. The ongoing component of our capex spend represents maintenance and administrative capex and the expansion component, which is discretionary in nature, includes expansion capex, power upgrades and other customer related capex. To illustrate the discretionary nature of this spend, as at September, we had committed capital spending commitments of approximately €66 million. On the right hand side, we've broken out our capex by our geographical reporting segments, and currently, unsurprisingly we're seeing a bias towards our big four markets, which have received about two thirds of our capex thus far this year reflecting the tilt of expansion announcements during the course of this year. Now I'd like to turn the call back to David for his final remarks. David?

David Ruberg

Despite the economic and political volatility in Europe, Interxion continues to show strong financial and operational results and our growth is 100% organic. We continue to see increasing demand for our services, both from existing customers and new customers and we're excited about the opportunities that are in front of us. With regards to guidance, as shown on slide 14, we are today reaffirming a full year guidance with revenues expected to be in the range of 239 to 245 million Euros. Adjusted EBITDAR between 91 and 95 million Euros and capex at between 140 to 160 million Euros. I have no doubt that there could be some questions as to why we are not adjusting these numbers now. This is our first year as a public company and we stated early on that our policy for this year that we would only give annual guidance and we would not adjust that guidance unless there was a material deviation. We are very comfortable with our guidance and the fact that this was provided in the first quarter and remains unchanged today, despite and in spite of the change in world circumstances, is a clear endorsement of the strength and predictability of our business model and our ability to execute.

As always I would like to thank all of our employees in 11 different countries for staying focused on our customers and despite challenging macro economic environment for delivering another strong quarter of performance. I would also like to thank our shareholders and bondholders for their continued support. Now let me hand the call back to the operator to begin the question and answer segment. Operator, can you please read out the instructions to register questions from the call.

Questions and Answers

Operator

Ladies and gentlemen, we will now take questions. If you wish to ask a question please press star one on your telephone keypad and wait for your name to be announced. To cancel a request, please press the hash key. Your first question comes from the line of Jonathan Schildkraut of Evercore. Please ask your question.

Jonathan Schildkraut - *Evercore*

Good morning. It's probably midday for you guys. I have two questions. First, you know, you've maintained your guidance for the year, you guys have a very steady execution, but if I look at how numbers have played out this year, it's been a little different than I anticipated, as we looked at the business, you know, back on January 1st let's say. For example, we've seen the amount of square footage that you've added or put into play, released up, come in a little bit lower, and when we look at the pace for the year, it's certainly down from what we saw in the last three years, but pricing seems to be a little better. I'd appreciate if you could make some commentary around that. And then secondly, if you could just let us know if there are any kind of seasonal impacts to the expense items as we look at the fourth quarter; that would be helpful, thanks.

David Ruberg

Well Jonathan, I will address your first one and I'll let Josh… ask Josh to do the second one. Jonathan, this year has played out a little differently than all of us expected from a number of standpoints, but as we tried to address a few minutes ago, the (unclear) are up, the revenue generating square meters are doing well, we have not brought on the space in the fashion that we thought, but the pricing, we have not seen the pricing pressure. So overall, all in all, if I put this together, the stability of the pricing environment has remained solid. There's been an uptake in the power consumption, which is always very difficult to predict. But if I summarise this, all in all, it has not played out exactly as we anticipated, but the results have been very good. Josh?

Josh Joshi - *Interxion*

Thank you. And Jonathan, you asked about the seasonal impact of costs or other items in the fourth quarter, I think that the one that is most normal in our business is in relation to power and the impact of the temperatures, season's temperatures, and interestingly enough, in Europe it's actually been unseasonably warm for this time of year. But I do look at the power continuing and the trend, in terms of… the same trend as impact to the numbers and so I don't anticipate that to be major. I did highlight a couple of things on the call in and around the marketing expense, but other than that, there's not much more to the seasonality.

Jonathan Schildkraut – *Evercore*

Thank you for taking the questions.

Josh Joshi - *Interxion*

Not at all.

Operator

Your next question comes from the line of Jonathon Atkin of RBC. Please ask your question.

Jonathon Atkin – *RBC*

I had a couple of questions about indirect channel and then the reference to the new marketing and sales initiatives that would kick in next year. First of all, can you refresh us on how much of your revenue generation is attributable to indirect and are there any headcount implications regarding the sales and marketing initiatives?

David Ruberg

Jonathon, historically this company has generated its revenues only from a direct channel and as I indicated in my prepared remarks, we have now seen our indirect channels in the United States begin to contribute; it's not significant, but it is progress. One of the issues that we face is for a company of ten years that's only been focused on direct channels, you need to learn how to work the indirect channels, in terms of providing the material, the systems, the approach and it has taken us a little bit longer to develop these things than we would have liked. The second portion of your question – actually the impact of these direct channels, and I think you may know that some of our competitors, particularly in the United States, see a substantial portion of the revenue come from the indirect channel. It actually gives you a fair amount of leverage that we at the present time, don't benefit from. So there will be no substantial impact on our headcount to roll out and expand this programme.

Jonathon Atkin – *RBC*

And then on the reference to possibly slowing decision cycles by customers, but also at the same time a record pipeline, which is the more important trend as we think about revenue generation on your financials?

David Ruberg

The reference that I made to the slowing of the decision process, that actually has been something that we've seen over the last three or four quarters. I think all of us would have preferred for some of these things to be resolved on the macro economic environment and therefore we would have gone back to a more reasonable approach and forecasting ability. By far what is far more important to us is the size and the quality of the pipeline and the composition of the pipeline.

Jonathon Atkin – *RBC*

And then on that point, can you talk a little bit about multi location requirements and the mix of multi location versus single country deals that you're bringing in?

David Ruberg -

At the present time, many of the larger deals rarely come as one offs. They may come from a customer that is already in multiple locations with us, but they normally don't come as a package deal. I believe that Kevin has some numbers in terms of where we stand, in terms of what our customer distribution is, if you want to…

Kevin Dean - *Interxion*

Thank you David. Jonathon, good afternoon and good afternoon to everyone on the call, or good morning. Just in terms of headline numbers, just over 50% of our revenue comes from companies that have revenues with us in more than one country. But actually, if you were to look at that in a percentage of our total customer base, that's actually less than 20% of our total customer base. The other point I would add is that what we are seeing is a growth in the number of customers that are with us in five countries or more. Does that answer the question?

Jonathon Atkin – *RBC*

Yes and then maybe one more for you, and that would be the requirements that you're seeing from outside of Europe, whether it's North America or Asia or elsewhere, any meaningful shift that you're seeing?

Kevin Dean – *Interxion*

Not a meaningful shift that I would talk to.

Jonathon Atkin – *RBC*

Thank you.

Operator

Your next question comes from the line of David Barden from Bank of America. Please ask your question.

Steven Douglas – *Bank of America*

Thanks for taking the question. It's actually Stephen Douglas) standing in for David. Two questions if I could. I know you guys made some comments on kind of reiterated guidance, but I guess, if I look at it, it currently implies a pretty significant negative sequential EBITDAR decline in 4Q and a pretty big step down in the margin. How realistic is that when you look at, kind of, the growth in your business now? Is there anything beyond, kind of, the cost items that Josh mentioned, that, you know, we should anticipate for 4Q. And secondly, just looking at the partnership you have in the US. Is there anything incremental you can provide as far as kind of the initial customer response from those and is that something that… I guess, what is your appetite for looking at incremental partnerships in either the US or other geographies? Thanks.

David Ruberg

Please don't read into it our not changing the guidance – please don't read into it what you read into it. All right? There's nothing you should be reading in the guidance, we set the guidance a year ago and the approach that we're going to take and we've chosen not to tweak or adjust these because we established a long time ago that we would not do that. Please don't read that into it. The relationships again, in the [noise]. I would qualify something that Kevin said. One of the things we are seeing is the deployment of cloud technology is definitely ahead, in the United States, ahead of where it is in Europe. And one of the reasons we've developed a relationship with these two players that we have in the United States, is not only do you get business orders, referrals from them, but you get an understanding of the market place, because they are there. And that has been invaluable, if not just bringing us leads and opportunities, but helping to shape our approach to what we provide in Europe. So we are working through improving the efficiency of the relationship with these two, we consider them to be very good partners and we're now looking at expanding this in a little different fashion and looking at taking advantage of some of the agents that are in the United States.

David Barden – *Bank of America*

Thanks guys.

Operator

Your next question comes from the line of Tim Horan of Oppenheimer. Please ask your question.

Tim Horan – *Oppenheimer*

Great. One [consultation] and one question. Josh, what do you think the normalised EBITDAR margin was in the quarter with some takes on expenses? Just trying to get a sense… you put a 40.3% given any one time above or below trend expense items – what do you think was the right EBITDAR margin and do you think we can increase offer (unclear) or decrease, I mean, over the next couple of years? And secondly, just from a customer perspective, are you finding customers are billing out more data centre internally or are they outsourcing more at this point? What are they, kind of, thinking about with their own internal needs? Thanks.

Josh Joshi – *Interxion*

On the EBITDAR margin, in terms of the [puts] and takes in the quarter, I think we ended up, actually, at the same place, in terms of the underlying position, the positives and negatives ended up cancelling themselves out. So, on a normalised basis I think we're probably still in the same place at just around 40%.

Tim Horan – *Oppenheimer*

But some of the items you're alluding to, it sounds like it should grow off at this point, off the 40%, you know, over the next couple of years, it sounds like (unclear) coming down, the cost of revenue should be turning down also. Is that a message we should take away? Thanks.

Kevin Dean - *Interxion*

Well look, you know, there are a couple of areas. One, if you recall, we talk about something called expansion drag, which is as we build our new data centres and they come online, that reduces gross margins and some of that operating leverage for a short period of time. But equally I said that there were some timing differences on our marketing spend. So again, in terms of how to think of it going forward, again I think David has covered that, in terms of the guidance discussion that we've had so far.

David Ruberg

But correct me if I'm wrong, as we move forward, we are in a position to see improving EBITDAR margins as impact of our deployment in HQ is diminished or amortised over a greater profit and revenue basis?

Kevin Dean – *Interxion*

You're not wrong.

Tim Horan - *Oppenheimer*

And just what you're saying from enterprise customers, are they building up their own data centres at this point or are they most outsourcing for new growth?

David Ruberg

This all depends upon the application. And so if you have a non response time, non value creation application and it is of the right size, there are lots of people today building wholesale data centres, where you can go deploy the capital. But if you are trying to generate value in a corporation and moving, as they are starting to move more and more towards web enabled applications, that the fundamental requirement as we try to stress, is connectivity, cost effective connectivity, response time connectivity, then that is not something that you can easily replicate in house and therefore that is one of the fundamental drivers behind long term, as they migrate to the cloud, as they migrate more towards the web, as they're more focused on effectiveness, that will come to us and benefit this industry, which we call carrier neutral co-location data centre providers.

Tim Horan – *Oppenheimer*

Thank you.

Operator

Your next question comes from the line of James Ratdlisse of Barclays Capital. Please ask your question.

James Ratdlisse – *Barclays Capital*

(Unclear name) for James. MMR growth in third quarter was a bit slower than the first half of the year. Can you help us unpack what's going on there?

Josh Joshi - *Interxion*

Yes sure. The monthly recurring revenue growth in the first quarter was… the recurring of new growth was 4% in the third quarter, and I think that that's fairly consistent with what we've seen over the several quarters. I think we've seen sensible growth over that timescale.

James Ratdlisse – *Barclays Capital*
And is there a big difference in the (unclear) between the big four and the rest of the Europe market?

Josh Joshi - *Interxion*

Yes. If you look at the recurring revenue growth in the big four, that we saw that growing at 3% quarter over quarter, and 18%... sorry, 17% year over year and in the rest of Europe market, it was 5% quarter over quarter and 18%. And I think it goes back to my earlier comments about the consistency of that performance across the geography.

James Ratdlisse – *Barclays Capital*

Thank you.

Operator

Your next question comes from the line of Clay Moran of Bench Mark. Please ask your question.

Clay Moran – *Bench Mark*

Thank you. I just wanted to ask on two different topics. First, are you planning to give your 2012 guidance with the 4Q report and is there anything you can say initially at this point, specifically what is your market analysis indicate about 2012 industry growth and are there any potential sizeable churn items that we should be aware of? And then secondly, can you remind us of your largest customer concentration? And along those lines, I noticed in the slides that Terremark wasn't listed as a manage hosting tenant. Is there any change in that relationship, possibly as a result of the sale of that company?

David Ruberg

We will give our 2012 guidance when we give our Q4 report. The relationship with Terremark has basically… is unchanged. We would expect that over time a change there, but there also maybe a (unclear) in certain other locations with the parent company that's now acquired them. So all in, in the short term to the medium term, we do not see a change in the relationship with either Terremark or the parent at all.

Clay Moran – *Bench Mark*

Okay and then any comments on sort of initial 2012 thoughts, and as well, can you remind us of your largest customer concentration?

David Ruberg

Yes, the largest customer concentration is one customer is approximately 5% and what goes along with that is also to let you know that in general, given the type of applications we take, we really don't have a lot of exposure to a single customer and a single site dominating that site. So, usually ours are smaller footprints. There is, and I think you also asked… obviously with the economic times that are going on, there is always a concern about someone facing some economic stress and having an impact on us that can't be anticipated, but this again is mitigated by the fact that we do not have a single customer that is larger than 5% and in many cases, the customers that are smaller than that… we do not have a single footprint in any particular city. And again, this is reflected over the last five or six years with historically low churn and in spite of what's gone on in the last year or so, our churn has remained approximately at the same level which is approximately 0.5% a month.

Josh Joshi – *Interxion - CFO*

I think it's worth adding, you know, that the single largest customer at 5% of our recurring revenue is actually across all of our, almost all of our geography. And so if you look at our top ten customers, top 20 customers, sorry, which contributes approximately 30% of revenues, they're consistently across, you know, between five to eight of our geographies and datacenters.

David Ruberg

And I think the last element of the question that you asked, which is the market growth, if you've got a crystal ball that's any clearer than mine, but I will tell you that as we have embarked on this and we've tried to let you know, as we've embarked upon these four big builds, we have spent an awful lot of time with our customers, and by the way, it behooves them to talk to us as well so that, they like our service, we like their revenue; it's a mutual beneficial thing for them to share with us what their programs are. And these builds are consistent with up to date input from them in terms of what their growth plans are.

Clay Moran – *Bench Mark*

That's helpful. Thank you.

Operator

Your next question comes from the line of Michael Rollins of Citibank. Please ask your question.

Michael Rollins – *Citibank*

Good morning, thanks for taking the question. A couple of things; first, thank you for the detail on the project by project targets that you have over the next 12 months. Is it possible that there are more in the pipeline that you haven't announced yet or are we now looking at the 2012 schedule for equipped space?

David Ruberg

Mike, we always have projects in the pipeline. Our goal is to secure our future without committing to our future until just in time. So again, this is the delicate balance between working… one of the things you have with these major customers is they go with you, they want to stay with you, and they want to stay with you because you have the financial wherewithal, the intestinal fortitude, intelligence to find space that meets their needs. So we have not stopped looking. One of the things that we talked about is looking to take options on space in power so that we have, when and if these markets pick up, we are in a position to economically pursue that growth.

Michael Rollins – *Citibank*

So as we just think about the pace of expansion, are there equipped space targets that you could share with us so, you know, it looks like, on the chart on page five, you'll do roughly, what, about, a little over 12,000… Well, from the current third quarter, that 13,000 square meters of expansion, can you give us a sense, you know, for maybe 2012 and 2013 or from these levels through 12 or 13, you know, what that total build could look like so that we can conceptualize the type of revenue opportunities that you'll have over the next few years?

David Ruberg

I think the best way to answer that is we will think about that in terms of how we provide that information. And obviously it's in our best interest to write enough information for you guys to build models and forecast this accurately so let's think about that and we'll get back to you, okay?

Michael Rollins – *Citibank*

Great, and then just the other question, so as we just think about the next 12 months, a lot of the expansion, incremental expansion coming on in 2012 from 2011, is it fair to assume that the rate of sales could be slower for the first half of 12 because it takes time to get that space open, and then the back half of 12 is where you might see that acceleration from the new capacity coming online?

David Ruberg

I think you are trying to cut this too finely. We have tried to balance this to meet the needs of our customers. I wouldn't draw the conclusion that, if you're talking about revenue, I certainly, if you look at the size, we have two large datacenters, two, actually Paris seven and Amsterdam six are two of the largest we've ever built and you certainly could expect an acceleration. But the Paris one comes on in Q2 and so I can guarantee you that, I was just looking at the chart, some of the people that are listening to this press call that work for Interxion need to get off that and go sell. But, I don't want to be flip about it but I think we're trying to cut this one too fine.

Michael Rollins – *Citibank*

If I can just, one other more strategic question for you; you're taking a step back, you made a couple of comments that cloud is maybe a little bit behind the deployment cycle in Europe versus where it is in the US. You also talked about the loyalty of your customers and, you know, the opportunities that you had to grow spend with your customers. How do you conceptualize looking at cloud as a business opportunity for Interxion correctly versus being a resource for other cloud providers?

David Ruberg

Good question. There are two elements to this. One of them is the cloud providers, the platform; you have the three elements, the infrastructure, the platform and the software service providers, the SAS guys that we focus on directly. The other one is probably the most appropriate way for addressing the enterprises that are going to either move to a public or a private cloud environment is through the systems integrators, the outsourcers, the distributors. And that is, again, an indirect channel for us and one that we are, I lumped it all in with all of the other indirect channel discussions we're having but that is one that we are now beginning to really focus on.

Michael Rollins – *Citibank*

Thanks very much.

Operator

Your next question comes from the line of Milan Radia of Jefferies. Please ask your question.

Milan Radia - *Jefferies*

Thank you very much. Actually a couple of questions from me; the first is I picked up commentary around pricing in certain territories and the fact that Equinix is deploying more of a wholesale pricing model in territories such as Frankfurt. Is that something that you've seen? What is the potential impact of that and how do you differentiate, you know, what you offer and what you do from that type of pricing tactic?

David Ruberg

I don't want to, I can only comment on what I see. And basically what I see happening, and not just in Frankfurt, is a little more expansive approach on some of our competitors to take different product mix. So what you may be referring to is that we have seen a number of opportunities that we would not bid on because they did not fit our requirements or the profile that we're looking for which is response time sensitive applications. But we're judging that the company referred to has a relationship with some of these companies and I think I've seen in the press that they've admitted that if they have the relationship and they have the capital, they're certainly not going to lose that relationship because they did not have the appropriate product mix. And so I think they may have decided to allocate a portion of the datacenter to a more wholesale type orientation which does reduce the cost of build and therefore go after these customers. So from that particular perspective, I do not believe, that we have yet to see that those kind of applications or that approach has adversely impacted our pricing or our marketing strategy.

Milan Radia - *Jefferies*

Got you, okay. And then looking, you know, at your own expansion plans, is there much scope remaining for power upgrades? Am I right in assuming that that's a quick neater return for you relative to obviously the slightly drawn out new builds?

David Ruberg

One of the things that we, again, talked about is that we design these; we initially build them for a certain power requirement, as an example, if it's 2kw per square meter. But when you do that, you simply do the mechanical, you do the piping, you do the power; you do not put in all of the fungible electronics, generators, UPSs, switching, things to go along like that. And so those can be deferred and have a much shorter installation time. Those can be deferred until the actual demands of the users that are occupying the space need them. So I think I've answered your question.

Milan Radia - *Jefferies*

So you would see a scope for those as a recurring kind of course of business over the next sort of 24 months, say?

David Ruberg

Absolutely, and one of the things that I wanted to point out, and I forgot and I'm glad you reminded me, is that when we talked about these builds, as an example the pricing that we gave, the costs we gave for Paris seven, what we were talking about is not the amount of capital that we will spend but the amount of capital that we could spend for that entire build when and if it's full, from a space standpoint, and it's full from a power standpoint. So as everybody knows, whether we're designing to one and a half or two, it takes quite a few years for the power consumption to get to the design levels. So although we talk about these numbers, it's going to take quite a bit of time before we actually deploy the capital because of the power component of the phase-in.

Milan Radia - *Jefferies*

And just one final comment; I think you alluded to the fact that obviously the growth has been 100% organic. I just wondered if you'd just comment on the kind of relative merits and disadvantages of going down an M&A centric strategy because clearly the route to, or the time to market is advantageous but what the potential negatives might be around that as well.

David Ruberg

Yes. Conventional wisdom today seems to be that it's less risky to acquire than it is to build. Each one of those has a disadvantage. On the acquire side, you may end up with space but you may not end up with a consistent design with what you currently have and you may also end up with a customer base that is not wholly consistent with what you currently have. On the other hand, if in fact you build, it does take a longer time to get your paybacks and there is some exposure. We are very, very focused on these segments. As Kevin pointed out, it is being driven by 20 or 30 major customers who are across the board and these are the strategic and the magnetics. And the magnetic is the one that you have to sit next to; the strategic is the one you want to sit next to. And as we evolve over time, those people truly benefit and appreciate the fact that we have a consistent datacenter design, we have a consistent approach in terms of how we manage them and we have a consistent approach in terms of the communities of interest that we develop and people who sit next to them. That gives us a competitive advantage in the long term. So it depends upon what your orientation is.

Milan Radia - *Jefferies*

Okay. Perfect, that's helpful. Thank you very much indeed.

Jim Huseby

All right, thank you. We've exceeded our allotted time and I want to thank everybody for joining us today and this now concludes our conference call.

Operator

Ladies and gentlemen, that does conclude the call. Thank you for participating. You may now disconnect.
