

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

	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Recurring revenues	\$ 549,703	\$ 538,060	\$ 494,522
Non-recurring revenues	30,350	26,617	21,612
Revenues	580,053	564,677	516,134
Cost of revenues	287,525	269,743	258,591
Gross profit	292,528	294,934	257,543
Operating expenses:			
Sales and marketing	67,428	67,250	58,276
General and administrative	103,303	98,466	90,818
Acquisition costs	185	4,229	3,662
Total operating expenses	170,916	169,945	152,756
Income from operations	121,612	124,989	104,787
Interest and other income (expense):			
Interest income	1,434	794	747
Interest expense	(68,820)	(65,503)	(60,331)
Loss on debt extinguishment	-	(14,899)	-
Other income (expense)	678	1,959	(459)
Total interest and other, net	(66,708)	(77,649)	(60,043)
Income before income taxes	54,904	47,340	44,744
Income tax expense	(13,567)	(1,967)	(11,460)
Net income	41,337	45,373	33,284
Net (income) loss attributable to redeemable non-controlling interests	50	(186)	(441)
Net income attributable to Equinix	\$ 41,387	\$ 45,187	\$ 32,843
Net income per share attributable to Equinix:			
Basic net income per share (1)	\$ 0.83	\$ 0.91	\$ 0.67
Diluted net income per share (1)	\$ 0.81	\$ 0.88	\$ 0.65
Shares used in computing basic net income per share	49,598	49,765	49,029
Shares used in computing diluted net income per share	53,386	53,499	53,480

(1) The net income attributable to Equinix used in the computation of basic and diluted net income per share attributed to Equinix is presented below:

Net income	\$ 41,337	\$ 45,373	\$ 33,284
Net (income) loss attributable to non-controlling interests	50	(186)	(441)
Net income attributable to Equinix, basic	41,387	45,187	32,843
Interest on convertible debt	1,984	1,847	1,851
Net income attributable to Equinix, diluted	\$ 43,371	\$ 47,034	\$ 34,694

EQUINIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Net income	\$ 41,337	\$ 45,373	\$ 33,284
Other comprehensive income (loss), net of tax:			
Foreign currency translation gain (loss)	14,970	6,905	(72,554)
Unrealized gain (loss) on available for sale securities	839	(376)	98
Unrealized gain (loss) on cash flow hedges	200	(1,750)	-
Other comprehensive income (loss), net of tax:	16,009	4,779	(72,456)
Comprehensive income (loss), net of tax	57,346	50,152	(39,172)
Net (income) loss attributable to redeemable non-controlling interests	50	(186)	(441)
Other comprehensive (income) loss attributable to redeemable non-controlling interests	(2,067)	3,185	(769)
Comprehensive income (loss) attributable to Equinix, net of tax	\$ 55,329	\$ 53,151	\$ (40,382)

EQUINIX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

Assets	March 31, 2014	December 31, 2013
	2014	2013
Cash and cash equivalents	\$ 495,174	\$ 261,894
Short-term investments	322,374	369,808
Accounts receivable, net	213,560	184,840
Other current assets	54,910	72,118
Total current assets	1,086,018	888,660
Long-term investments	224,176	398,390
Property, plant and equipment, net	4,766,297	4,591,650
Goodwill	1,047,578	1,042,153
Intangible assets, net	176,914	184,182
Other assets	429,615	387,324
Total assets	\$ 7,730,598	\$ 7,492,359
Liabilities and Stockholders' Equity		
Accounts payable and accrued expenses	\$ 293,295	\$ 263,223
Accrued property and equipment	80,516	64,601
Current portion of capital lease and other financing obligations	17,880	17,214
Current portion of mortgage and loans payable	54,122	53,508
Other current liabilities	149,343	147,958
Total current liabilities	595,156	546,504
Capital lease and other financing obligations, less current portion	1,037,247	914,032
Mortgage and loans payable, less current portion	191,761	199,700
Senior notes	2,250,000	2,250,000
Convertible debt	728,361	724,202
Other liabilities	284,108	274,955
Total liabilities	5,086,633	4,909,393
Redeemable non-controlling interests	126,959	123,902
Common stock	51	50
Additional paid-in capital	2,743,244	2,693,887
Treasury stock	(131,408)	(84,663)
Accumulated other comprehensive loss	(99,825)	(113,767)
Retained earnings (accumulated deficit)	4,944	(36,443)
Total stockholders' equity	2,517,006	2,459,064
Total liabilities, redeemable non-controlling interests and stockholders' equity	\$ 7,730,598	\$ 7,492,359

Ending headcount by geographic region is as follows:

Americas headcount	2,018	1,984
EMEA headcount	907	899
Asia-Pacific headcount	636	617
Total headcount	3,561	3,500

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

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Capital lease and other financing obligations	\$ 1,055,127	\$ 931,246
U.S. term loan	130,000	140,000
ALOG financings	70,799	67,882
Mortgage payable	43,202	43,497
Other loans payable	1,882	1,829
Total mortgage and loans payable	<u>245,883</u>	<u>253,208</u>
Senior notes	<u>2,250,000</u>	<u>2,250,000</u>
Convertible debt, net of debt discount	728,361	724,202
Plus: debt discount	41,348	45,508
Total convertible debt principal	<u>769,709</u>	<u>769,710</u>
Total debt outstanding	<u>\$ 4,320,719</u>	<u>\$ 4,204,164</u>

EQUINIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Cash flows from operating activities:			
Net income	\$ 41,337	\$ 45,373	\$ 33,284
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	113,610	106,682	108,603
Stock-based compensation	24,981	27,630	23,836
Debt issuance costs and debt discount	6,409	6,266	5,753
Loss on debt extinguishment	-	14,899	-
Excess tax benefits from employee equity awards	(10,018)	42	(18,990)
Other reconciling items	5,292	7,196	3,085
Changes in operating assets and liabilities:			
Accounts receivable	(28,995)	12,336	(24,663)
Income taxes, net	(15,749)	(36,622)	(2,347)
Accounts payable and accrued expenses	8,830	(10,157)	(27,996)
Other assets and liabilities	26,021	(6,939)	(16,384)
Net cash provided by operating activities	171,718	166,706	84,181
Cash flows from investing activities:			
Purchases, sales and maturities of investments, net	221,654	18,641	(232,965)
Purchase of Frankfurt Kleyer 90 Carrier Hotel	-	(48,739)	-
Purchase of Asia Tone, less cash acquired	-	-	(107)
Purchase of real estate	(16,791)	-	-
Purchases of other property, plant and equipment	(105,907)	(202,841)	(75,667)
Other investing activities	(71)	(423)	(833,801)
Net cash provided by (used in) investing activities	98,885	(233,362)	(1,142,540)
Cash flows from financing activities:			
Purchases of treasury stock	(47,120)	(48,799)	-
Proceeds from employee equity awards	14,387	3,810	14,368
Proceeds from loans payable	-	26,304	-
Proceeds from senior notes	-	-	1,500,000
Repayment of capital lease and other financing obligations	(4,250)	(27,907)	(3,516)
Repayment of mortgage and loans payable	(10,317)	(10,196)	(14,052)
Debt extinguishment costs	-	(13,189)	-
Excess tax benefits from employee equity awards	10,018	(42)	18,990
Other financing activities	-	(622)	(19,030)
Net cash provided by (used in) financing activities	(37,282)	(70,641)	1,496,760
Effect of foreign currency exchange rates on cash and cash equivalents	(41)	(551)	(5,595)
Net increase (decrease) in cash and cash equivalents	233,280	(137,848)	432,806
Cash and cash equivalents at beginning of period	261,894	399,742	252,213
Cash and cash equivalents at end of period	\$ 495,174	\$ 261,894	\$ 685,019
Supplemental cash flow information:			
Cash paid for taxes	\$ 29,913	\$ 36,954	\$ 14,036
Cash paid for interest	\$ 42,385	\$ 74,671	\$ 67,975
Free cash flow (1)	\$ 48,949	\$ (85,297)	\$ (825,394)
Adjusted free cash flow (2)	\$ 103,375	\$ 236	\$ (800,506)
Ongoing capital expenditures (3)	\$ 44,914	\$ 68,059	\$ 33,997
Discretionary free cash flow (4)	\$ 126,804	\$ 98,647	\$ 50,184
Adjusted discretionary free cash flow (5)	\$ 164,439	\$ 135,441	\$ 74,965

(1) We define free cash flow as net cash provided by operating activities plus net cash provided by (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	\$ 171,718	\$ 166,706	\$ 84,181
Net cash provided by (used in) investing activities as presented above	98,885	(233,362)	(1,142,540)
Purchases, sales and maturities of investments, net	(221,654)	(18,641)	232,965
Free cash flow (negative free cash flow)	\$ 48,949	\$ (85,297)	\$ (825,394)

	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013

- (2) We define adjusted free cash flow as free cash flow (as defined above) excluding any purchases of real estate, acquisitions, any excess tax benefits from employee equity awards, cash paid for taxes associated with reclassifying our assets for tax purposes triggered by our planned conversion into a real estate investment trust ("REIT") and costs related to the planned REIT conversion, as presented below:

Free cash flow (as defined above)	\$ 48,949	\$ (85,297)	\$ (825,394)
Less purchase of Frankfurt Kleyer 90 Carrier Hotel	-	48,739	-
Less purchase of Asia Tone, less cash acquired	-	-	107
Less purchase of real estate	16,791	-	-
Less excess tax benefits from employee equity awards	10,018	(42)	18,990
Less cash paid for taxes resulting from the planned REIT conversion	17,827	30,040	3,734
Less costs related to the planned REIT conversion	9,790	6,796	2,057
Adjusted free cash flow	<u>\$ 103,375</u>	<u>\$ 236</u>	<u>\$ (800,506)</u>

We categorize our cash paid for taxes into cash paid for taxes resulting from the planned REIT conversion (as defined above) and other cash taxes paid.

Cash paid for taxes resulting from the planned REIT conversion	\$ 17,827	\$ 30,040	\$ 3,734
Other cash taxes paid	12,086	6,914	10,302
Total cash paid for taxes	<u>\$ 29,913</u>	<u>\$ 36,954</u>	<u>\$ 14,036</u>

- (3) We refer to our purchases of other property, plant and equipment as our capital expenditures (or capex). We categorize our capital expenditures into expansion and ongoing capex. Expansion capex is capex spent to build out our new data centers and data center expansions. Our ongoing capex represents all of our other capex spending.

Ongoing capital expenditures	\$ 44,914	\$ 68,059	\$ 33,997
Expansion capital expenditures	60,993	134,782	41,670
Total capital expenditures	<u>\$ 105,907</u>	<u>\$ 202,841</u>	<u>\$ 75,667</u>

- (4) We define discretionary free cash flow as net cash provided by operating activities less ongoing capital expenditures (as described above), as presented below:

Net cash provided by operating activities, as presented above	\$ 171,718	\$ 166,706	\$ 84,181
Less ongoing capital expenditures	(44,914)	(68,059)	(33,997)
Discretionary free cash flow	<u>\$ 126,804</u>	<u>\$ 98,647</u>	<u>\$ 50,184</u>

- (5) We define adjusted discretionary free cash flow as discretionary free cash flow (as defined above), excluding any excess tax benefits from employee equity awards, cash paid for taxes associated with reclassifying our assets for tax purposes triggered by our planned REIT conversion and costs related to the planned REIT conversion, as presented below:

Discretionary free cash flow (as defined above)	\$ 126,804	\$ 98,647	\$ 50,184
Excess tax benefits from employee equity awards	10,018	(42)	18,990
Cash paid for taxes resulting from the planned REIT conversion	17,827	30,040	3,734
Costs related to the planned REIT conversion	9,790	6,796	2,057
Adjusted discretionary free cash flow	<u>\$ 164,439</u>	<u>\$ 135,441</u>	<u>\$ 74,965</u>

EQUINIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - NON-GAAP PRESENTATION
(in thousands)
(unaudited)

	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Recurring revenues	\$ 549,703	\$ 538,060	\$ 494,522
Non-recurring revenues	30,350	26,617	21,612
Revenues (1)	580,053	564,677	516,134
Cash cost of revenues (2)	184,248	174,284	162,010
Cash gross profit (3)	395,805	390,393	354,124
Cash operating expenses (4):			
Cash sales and marketing expenses (5)	55,799	54,235	46,280
Cash general and administrative expenses (6)	79,618	72,628	66,956
Total cash operating expenses (7)	135,417	126,863	113,236
Adjusted EBITDA (8)	\$ 260,388	\$ 263,530	\$ 240,888
Cash gross margins (9)	68%	69%	69%
Adjusted EBITDA margins (10)	45%	47%	47%
Adjusted EBITDA flow-through rate (11)	(20%)	70%	12%

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

Americas Revenues:

Colocation	\$ 236,614	\$ 236,931	\$ 223,285
Interconnection	64,302	62,306	58,206
Managed infrastructure	13,112	12,811	13,147
Rental	952	763	460
Recurring revenues	314,980	312,811	295,098
Non-recurring revenues	15,053	13,290	10,694
Revenues	<u>330,033</u>	<u>326,101</u>	<u>305,792</u>

EMEA Revenues:

Colocation	122,176	117,003	100,532
Interconnection	11,366	10,473	8,381
Managed infrastructure	6,865	6,831	4,249
Rental	1,718	1,660	120
Recurring revenues	142,125	135,967	113,282
Non-recurring revenues	9,305	8,819	6,687
Revenues	<u>151,430</u>	<u>144,786</u>	<u>119,969</u>

Asia-Pacific Revenues:

Colocation	75,833	72,758	71,014
Interconnection	11,358	11,090	9,404
Managed infrastructure	5,407	5,434	5,724
Recurring revenues	92,598	89,282	86,142
Non-recurring revenues	5,992	4,508	4,231
Revenues	<u>98,590</u>	<u>93,790</u>	<u>90,373</u>

Worldwide Revenues:

Colocation	434,623	426,692	394,831
Interconnection	87,026	83,869	75,991
Managed infrastructure	25,384	25,076	23,120
Rental	2,670	2,423	580
Recurring revenues	549,703	538,060	494,522
Non-recurring revenues	30,350	26,617	21,612
Revenues	<u>\$ 580,053</u>	<u>\$ 564,677</u>	<u>\$ 516,134</u>

Three Months Ended

	March 31, 2014	December 31, 2013	March 31, 2013
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- (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	\$ 287,525	\$ 269,743	\$ 258,591
Depreciation, amortization and accretion expense	(101,407)	(93,270)	(94,979)
Stock-based compensation expense	(1,870)	(2,189)	(1,602)
Cash cost of revenues	\$ 184,248	\$ 174,284	\$ 162,010

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

Americas cash cost of revenues	\$ 91,037	\$ 87,794	\$ 87,724
EMEA cash cost of revenues	58,116	52,363	43,629
Asia-Pacific cash cost of revenues	35,095	34,127	30,657
Cash cost of revenues	\$ 184,248	\$ 174,284	\$ 162,010

- (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 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	\$ 67,428	\$ 67,250	\$ 58,276
Depreciation and amortization expense	(4,629)	(6,273)	(6,275)
Stock-based compensation expense	(7,000)	(6,742)	(5,721)
Cash sales and marketing expenses	\$ 55,799	\$ 54,235	\$ 46,280

- (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	\$ 103,303	\$ 98,466	\$ 90,818
Depreciation and amortization expense	(7,574)	(7,139)	(7,349)
Stock-based compensation expense	(16,111)	(18,699)	(16,513)
Cash general and administrative expenses	\$ 79,618	\$ 72,628	\$ 66,956

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

Cash sales and marketing expenses	\$ 55,799	\$ 54,235	\$ 46,280
Cash general and administrative expenses	79,618	72,628	66,956
Cash SG&A	\$ 135,417	\$ 126,863	\$ 113,236

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

Americas cash SG&A	\$ 89,433	\$ 78,701	\$ 73,551
EMEA cash SG&A	30,109	32,794	27,611
Asia-Pacific cash SG&A	15,875	15,368	12,074
Cash SG&A	\$ 135,417	\$ 126,863	\$ 113,236

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

Income from operations	\$ 121,612	\$ 124,989	\$ 104,787
Depreciation, amortization and accretion expense	113,610	106,682	108,603
Stock-based compensation expense	24,981	27,630	23,836
Acquisition costs	185	4,229	3,662
Adjusted EBITDA	\$ 260,388	\$ 263,530	\$ 240,888

	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013
The geographic split of our adjusted EBITDA is presented below:			
Americas income from operations	\$ 71,735	\$ 76,042	\$ 59,379
Americas depreciation, amortization and accretion expense	58,933	62,623	63,296
Americas stock-based compensation expense	18,793	20,926	18,444
Americas acquisition costs	102	15	3,398
Americas adjusted EBITDA	<u>149,563</u>	<u>159,606</u>	<u>144,517</u>
EMEA income from operations	29,903	31,187	22,538
EMEA depreciation, amortization and accretion expense	29,902	20,612	23,071
EMEA stock-based compensation expense	3,317	3,616	3,038
EMEA acquisition costs	83	4,214	82
EMEA adjusted EBITDA	<u>63,205</u>	<u>59,629</u>	<u>48,729</u>
Asia-Pacific income from operations	19,974	17,760	22,870
Asia-Pacific depreciation, amortization and accretion expense	24,775	23,447	22,236
Asia-Pacific stock-based compensation expense	2,871	3,088	2,354
Asia-Pacific acquisition costs	-	-	182
Asia-Pacific adjusted EBITDA	<u>47,620</u>	<u>44,295</u>	<u>47,642</u>
Adjusted EBITDA	<u>\$ 260,388</u>	<u>\$ 263,530</u>	<u>\$ 240,888</u>

- (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	<u>72%</u>	<u>73%</u>	<u>71%</u>
EMEA cash gross margins	<u>62%</u>	<u>64%</u>	<u>64%</u>
Asia-Pacific cash gross margins	<u>64%</u>	<u>64%</u>	<u>66%</u>

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

Americas adjusted EBITDA margins	<u>45%</u>	<u>49%</u>	<u>47%</u>
EMEA adjusted EBITDA margins	<u>42%</u>	<u>41%</u>	<u>41%</u>
Asia-Pacific adjusted EBITDA margins	<u>48%</u>	<u>47%</u>	<u>53%</u>

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

Adjusted EBITDA - current period	\$ 260,388	\$ 263,530	\$ 240,888
Less adjusted EBITDA - prior period	(263,530)	(248,445)	(239,686)
Adjusted EBITDA growth	<u>\$ (3,142)</u>	<u>\$ 15,085</u>	<u>\$ 1,202</u>
Revenues - current period	\$ 580,053	\$ 564,677	\$ 516,134
Less revenues - prior period	(564,677)	(543,084)	(506,059)
Revenue growth	<u>\$ 15,376</u>	<u>\$ 21,593</u>	<u>\$ 10,075</u>
Adjusted EBITDA flow-through rate	<u>(20%)</u>	<u>70%</u>	<u>12%</u>