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

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# FORM 8-K

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

**Date of Report (Date of earliest event reported): September 14, 2007**

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# EQUINIX, INC.
**(Exact Name of Registrant as Specified in its Charter)**

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| Delaware | 000-31293 | 77-0487526 |
|---|---|---|
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification Number) |

**301 Velocity Way, 5th Floor**
**Foster City, California 94404**
**(650) 513-7000**
**(Addresses, including zip code, and telephone numbers, including area code, of principal executive offices)**

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.01. Completion of Acquisition or Disposition of Assets**

On September 14, 2007, Equinix, Inc. ("Equinix") completed the previously announced acquisition (the "Acquisition") of the entire issued and to be issued share capital of IXEurope Plc ("IXEurope") at 140 British pence for each IXEurope share. The Acquisition has been implemented by way of a scheme of arrangement in the UK. As a result of the Acquisition, IXEurope has become a wholly-owned subsidiary of Equinix.

Under UK law, Equinix has 14 days to furnish the cash consideration for the Acquisition to the IXEurope shareholders. Equinix intends to pay the consideration from the proceeds of a concurrent debt and common stock offering, both of which were launched today.

A copy of the press release announcing the completion of the Acquisition is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

**Item 8.01. Other Events**

Launch of Debt and Common Stock Offerings

On September 14, 2007, Equinix concurrently launched a debt offering and common stock offering.

A copy of the press release announcing the launch of the offerings is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

Guidance

On September 14, 2007, Equinix issued a press release containing updated guidance for the quarter ending September 30, 2007 and the years ending December 31, 2007 and 2008. A copy of the press release is attached hereto as Exhibit 99.3.

Management's Discussion and Analysis of Financial Condition and Results of Operations for IXEurope

In connection with the Acquisition of IXEurope, the following is management's discussion and analysis of financial conditions and results of operations for IXEurope.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated historical financial statements of IXEurope and related notes thereto for the years ended December 31, 2006, 2005 and 2004 (audited) and the six months ended June 30, 2007 and 2006 (unaudited) included elsewhere in this report which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS differs in certain significant respects from generally accepted accounting principles in the United States of America ("US GAAP"). For a discussion of differences as applied to IXEurope's consolidated financial statements, see Note 27 to IXEurope's audited consolidated financial statements for the years ended December 31, 2006, 2005 and 2004 and Note 7 to IXEurope's unaudited consolidated financial statements for the six months ended June 30, 2007 and 2006. All amounts presented herein are in British pounds; however, approximate U.S. dollar equivalents are provided parenthetically. All such U.S. dollar equivalents were prepared using the exchange rate in effect as of June 30, 2007, which was 1 British pound being the equivalent of 2.0016 U.S. dollars.

### Overview

As of June 30, 2007, IXEurope has fourteen IXDatacentres™ in seven cities in four countries across Europe and provides services that meet the needs of organizations seeking primary data center, internet

infrastructure, business continuity and financial exchange solutions. IXEurope has over 450 customers including three multinational pharmaceutical companies, two of the Big Four consultancies, numerous financial institutions and a number of the world's largest Internet companies.

IXEurope has established a reputation for developing and maintaining highly specified facilities. Every IXDatacentre™ has been built to rigorous standards with technical space, connectivity, power, security, fire protection, environmental controls and technical support. Each IXDatacentre™ is ISO9001-2000 accredited and IXEurope's management system strives to ensure that its buildings are maintained in peak operating condition and its services are consistent.

Providers to the European data center market can be divided into three categories:

- Carrier neutral (including IXEurope) where customers can locate their own equipment in a third party data center and buy connectivity from a multiple choice of telecommunications providers connected to that data center.
- Telecommunications companies where customers can locate their own equipment in the data center and buy connectivity from the same telecommunications provider.
- IT outsourcers where customers can locate their own equipment in the data center and include multiple other IT services within the same outsourcer contract.

Following the dot.com era, the data center service providers in the European market reduced in number as many players downsized or became bankrupt. IXEurope is one of the few original pan-European datacenter providers. The business model has remained consistent: build high quality datacenter facilities and leverage a fixed cost base by selling data center space and services on long term recurring revenue contracts.

The basis for IXEurope's revenue and EBITDA growth is the sale of data center space and services on recurring revenue contracts. Therefore, the addition of net space as occupancy rates increase is needed to continue the growth of IXEurope. As the cost structure is mostly fixed, an increase in revenues leverages the business and results in improved results of operations. During 2006 and through June 30, 2007 one new site was added in each country (Munich1, Zurich3, Paris2, London4), with net space available increasing by 80% to 30,200 square meters (or approximately 325,000 square feet) and a further 6,900 square meters (or approximately 74,200 square feet) of net space under construction or planned as of June 30, 2007.

IXEurope's strategy remains consistent with prior years in terms of growing the business and trying to capture market share. Particular areas of focus for 2007 and beyond include delivery of phase 1 of London4 (5,000 square meters of net space or approximately 53,800 square feet) and other space expansion projects across Europe, while continuing to deliver quality services as the business grows. London4 is IXEurope's biggest build-out under way and is a greenfield IXDatacentre™, which opened to customers in July 2007. The site benefits from a very high power supply with a potential of 24 megawatts available. The first customer contract was signed six months before delivery for £20 million ($40.0 million) over 10 years. Within the same building, a second phase of 5,000 square meters of net space (or approximately 53,800 square feet) to meet customer demand has been announced.

During the six months ended June 30, 2007, IXEurope increased contracted monthly recurring revenues, which is referred to as MRR, to £4.9 million ($9.8 million) from £3.8 million ($7.6 million) as of December 31, 2006. IXEurope's contracted MRR has grown each year over the past several years and amongst all four countries in which IXEurope operates.

IXEurope added several new services in 2006 in order to provide extra services to its customers, and help make IXEurope an attractive corporate option. These extra services included IXLAN™ (allowing customers to connect between IXDatacentres™ on a fast, resilient network), IXFX™ (including proximity trading launched with Deutsche Boerse Systems) and a new TIX™ (Internet exchange) in Munich. These extra services are in addition to the IXConnect™ suite of cabling and interconnect services, remote hands, the TIX™ in Zurich and the CIXP™ (CERN Internet Exchange Point) in Geneva.

Through 2006 and the six months ended June 30, 2007, customer pipelines remained strong and pricing rose as a result of higher demand, lower supply of high-specification space and higher customer specification requirements (for example, greater resilience of core infrastructure and higher power/cooling densities). Drivers behind customer demand include the increasing difficulty of securing power on self-operated data centers, wide adoption of broadband and high-bandwidth services (such as IPTV), regulatory requirements (such as Basel II and Sarbanes-Oxley) and the advent of high-power blade servers.

Power has become increasingly important to IXEurope as secured, high-density supply is a driver of customer demand and customers are using more power. The increase in power prices has also meant that both power revenues and power costs have increased as a proportion of the business, and IXEurope believes this trend is likely to continue in the near future.

Over 85% of IXEurope revenues are recurring. Recurring revenues relate principally to data center space and related services contracted in advance by customers. Contracts are typically three to five years long, with some anchor-client contracts as ten year commitments. Non-recurring revenues arise from customer installations (accounted for under IAS 18 at the point of installation acceptance by the customer and not deferred), ad-hoc services and equipment sold.

Cost of sales represent the IXDatacentre™ costs such as the IXDatacentre™ staff and facility costs, power and supplies.

General administrative expenses include non-IXDatacentre™ staff and facility costs, marketing, administration and legal and professional fees.

Share option charges represent the fair value of the options at the date of grant, which are charged over the vesting period under IFRS 2. Non-market vesting conditions of options are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. IXEurope uses the binomial model to calculate the fair value of the options.

Depreciation and amortization represents the amortized costs of IXEurope's property, plant and equipment and intangible assets, which are amortized over their estimated useful lives.

**Recent Developments**

In January 2007, IXEurope's new Paris2 IXDatacentre™ became fully operational and IXEurope has seen strong demand in France. As a result, in June 2007, IXEurope announced the expansion of the Paris2 IXDatacentre™ by a further 1,500 square meters (or approximately 16,100 square feet) with expected capital expenditures of £4.5 million ($9.0 million).

In January 2007, IXEurope announced that, in order to capture market demand, construction of London4 Phase 1 (5,000 square meters of net space or approximately 53,800 square feet) would be accelerated and built to an increased specification. Total expected capital expenditures for London4 Phase 1 increased to £20.4 million ($40.8 million) as of June 30, 2007. In addition, the Board decided to prepare for London4 Phase 2 by building the mezzanine floor in Phase 1 at a cost of £1.5 million ($3.0 million). Construction of this second phase was announced in July 2007.

On September 14, 2007, a wholly-owned subsidiary of Equinix completed the acquisition of all of the issued and to be issued share capital of IXEurope, which is referred to as the IXEurope acquisition. Under the final terms of the IXEurope acquisition, IXEurope shareholders will receive 140 British pence in cash for each IXEurope share valuing the share capital of IXEurope on a fully diluted basis at approximately £270.1 million ($540.6 million).

**Results of Operations**

**Six months ended June 30, 2007 and 2006**

***Revenues:*** Revenue continued to grow in 2007 increasing by 69% for the six months ended June 30, 2007 to £25.8million ($51.6 million) compared to £15.3 million ($30.6 million) for the same period in 2006 as a result of the continued growth in IXEurope's customer base and contracted MRR.

IXEurope's core colocation revenue for the six months ended June 30, 2007 increased by 51% to £19.6 million ($39.2 million) compared to £12.9 million ($25.8 million) for the same period in 2006. Power revenue increased by 162% for the six months ended June 30, 2007 to £6.2 million ($12.4 million) compared to £2.4 million ($4.8 million) for the same period in 2006, and increased to 24% of total revenues for the six months ended June 30, 2007 compared to 16% in the comparable period in 2006.

All four countries continued to grow revenues during the first half of 2007.

- Revenue in the UK for the six months ended June 30, 2007 increased by 55% year on year. London3 was fully occupied by the third quarter of 2006 and therefore new sales in the UK were restricted by capacity. London4 will provide 5,000 square meters (or approximately 53,800 square feet) of net space, and began to generate revenues in the second half of 2007.
- Revenue in Germany for the six months ended June 30, 2007 increased by 67% year on year. This increase was principally due to the Munich IXDatacentre™ generating revenues in 2007 (versus generating revenues only from April 2006 in the period ending June 30, 2006, and at lower occupancy) and the increased occupancy at Frankfurt2.
- Revenue in France for the six months ended June 30, 2007 increased by 241% year on year. This growth reflects the revenue generation from the Paris1 expansion during the second half of 2006 and from the new Paris2 IXDatacentre™, which opened in early 2007.
- Revenue in Switzerland for the six months ended June 30, 2007 increased by 16% year on year based on increased occupancy within the Zurich2 facility and continuing growth in Geneva.

***Cost of Sales:*** Cost of sales for the six months ended June 30, 2007 equaled £14.5 million ($29.0 million), compared to £9.3 million ($18.6 million) for the same period in 2006. This increase partly relates to the cost of new sites, Paris2, Zurich3 and London4 coming on-line in 2007. Power costs have increased significantly year over year, in line with the increase observed for power revenues. Installation and other costs were also high in 2007 mainly due to a large number of installations at the new Paris2 IXDatacentre™, and consultancy services provided in Germany.

***General Administrative Expenses:*** General administrative expenses for the six months ended June 30, 2007 totaled £5.9 million ($11.8 million) increasing by 40% compared to £4.2 million ($8.4 million) for the same period in 2006. The increase in these costs is mainly due to an increase in staff numbers within the London head office and local country management and increased sales commission relating to significant customer deals signed in the first half of 2007.

***IPO Related Expenses:*** Expenses totaling £1.6 million ($3.2 million) for the six months ended June 30, 2006 relate to the listing process on the London Stock Exchange's Alternative Investment Market, or AIM, in April 2006. Under IFRS, the total expenses are split into an income statement charge (the proportion of costs related to existing share capital) and a shareholder reserve charge (the proportion relating to new capital raised). These expenses were not applicable for the six months ended June 30, 2007.

***Share Option Charges:*** In line with IFRS 2, the fair value of the two IXEurope share option schemes was updated as of June 30, 2007. The resulting charge to the income statement for the six months ended June 30, 2007 was £1.1 million ($2.2 million) compared to £0.1 million ($0.2 million) for the same period in 2006. This increase is primarily due to the majority of options being granted subsequent to IXEurope's AIM listing in April 2006.

***Depreciation and Amortization:*** The total charge for depreciation and amortization for the six months ended June 30, 2007 was £3.9 million ($7.8 million) representing an increase of 57% compared to £2.5 million ($5.0 million) for the same period in 2006. The increase reflects the expansion of the business and the investment in build-outs of IXDatacentres™. In the six months ended June 30, 2007, IXEurope added tangible assets of £11.5 million ($23.0 million).

***Financial Income:*** During the six months ended June 30, 2007, total financial income was £0.2 million ($0.4 million) compared to £0.1 million ($0.2 million) for the same period in 2006 as a result of higher average cash balances. Financial income includes interest from bank deposits and other items such as rent deposits.

***Financial Expense:*** During the six months ended June 30, 2007, total financial expense was £0.8 million ($1.6 million), down by 31% compared to £1.1 million ($2.2 million) for the same period in 2006. This decrease was mainly as a result of reduced interest expense in connection with certain financial liabilities which converted into equity at the time of the AIM listing in April 2006.

***Income Tax Expense:*** During the six months ended June 30, 2007, IXEurope incurred income tax expense of £210,000 ($420,000). This compared to a nominal £2,000 ($4,000) income tax expense in the six months ended June 30, 2006. This increase is primarily due to the improved operating results period over period.

**Years Ended December 31, 2006 and 2005**

***Revenues:*** Revenue increased by 66% for the year ended December 31, 2006 to £37.3 million ($74.7 million) compared to £22.5 million ($45.0 million) in 2005 as a result of the continued growth in IXEurope's customer base and contracted MRR.

IXEurope's revenues of space and related revenue increased by 50% in 2006 to £29.9 million ($59.8 million) compared to £19.9 million ($39.8 million) in 2005. Power revenue increased by 182% to £7.4 million ($14.8 million) compared to £2.6 million ($5.2 million) in 2005 and increased to 20% of total revenues (2005: 12%).

All four countries continued to grow revenues during 2006.

- Revenue in the UK in 2006 increased by 56%. London3 (acquired in the fourth quarter of 2005) was completely redesigned and its capacity expanded from approximately 300 square meters to 2,700 square meters (or approximately 3,200 square feet to 29,100 square feet) with a high-power specification and was fully sold by the third quarter of 2006.
- Revenue in Germany in 2006 increased by 105%. This increase was principally from selling the space at Frankfurt2 (acquired in the fourth quarter of 2005) and Munich (acquired in the second quarter of 2006).
- Revenue in France in 2006 increased by 74%. In 2006, the expansion of Paris1 together with the acquisition and build-out of Paris2 significantly increased the presence and visibility of the company in France and allows customers dual-site offerings with IXEurope.
- Revenue in Switzerland in 2006 increased by 12%. In 2006, IXEurope acquired a 300 square meters (or approximately 3,200 square feet) IXDatacentre™ in Zurich to complement the TIX™ services already well established in the existing Zurich 1 and 2 IXDatacentres™.

***Cost of Sales:*** Cost of sales in 2006 were £22.5 million ($45.0 million), compared to £12.5 million ($25.0 million) for the same period in 2005. This increase related to expenses at the London3 and Frankfurt2 IXDatacentres™ being included for the full year in 2006, and some initial expenses being incurred at Paris2. IXEurope has also seen total power costs rise significantly year on year, in line with power revenues, to approximately £8.2 million ($16.4 million). Installation and other costs were also significantly higher in 2006 mainly due to a large number of installations at London3 and Paris1, and other non-core services provided in Germany.

***General Administrative Expenses:*** General administrative expenses in 2006 totaled £9.9 million ($19.8 million) increasing by 3% over 2005 at £9.6 million ($19.2 million). Central staff costs grew only marginally between 2006 and 2005; therefore, the majority of the increase was largely due to increased legal and professional costs.

***IPO Related Expenses:*** Expenses related to the AIM listing process in 2006 totaled £1.6 million ($3.2 million). Under IFRS, the total expenses are split into an income statement charge (the proportion of costs related to existing share capital) and a shareholder reserve charge (the proportion relating to new capital raised). As 45,454,546 new shares were raised resulting in a total issued share capital of 172,584,323, 73.7% of the costs, £1.2 million ($2.4 million), was recognized in the income statement and 26.3%, £0.4 million ($0.8 million), was recognized in the share premium account. These expenses were not applicable for 2005.

***Share Option Charges:*** The two share option schemes adopted in 2006 resulted in a charge to the income statement of £0.5 million ($1.0 million) as compared to £0 in 2005.

***Depreciation and Amortization:*** The total charge for depreciation and amortization in 2006 was £5.8 million ($11.6 million) representing an increase of 48% over 2005 at £3.9 million ($7.8 million). The increase reflects the expansion of the business and the investment in build-outs of IXDatacentres™. During 2006, IXEurope added tangible assets of £13.9 million ($27.8 million).

***Negative Goodwill:*** In 2005, negative goodwill of £1.3 million ($2.6 million) arose on the acquisitions of London3 and Frankfurt2 as a result of the fair value of the acquired entities exceeding the value of the consideration paid for such acquisitions. Under IFRS, this difference is recorded as negative goodwill. No negative goodwill arose in 2006.

***Provision Release:*** Following a review of the remaining expenses associated with exiting leases in Italy and Spain, provisions of £0.1 million ($0.2 million) were released in 2005. No adjustment was required in 2006.

***Restructuring Costs:*** Restructuring expenses of £0.9 million ($1.8 million) were recognized in 2005 relating to equity restructuring and the restructuring of the French and German operations. These expenses were not applicable in 2006.

***Financial Income:*** In 2006, total financial income was £0.1 million ($0.2 million), up by 34% compared to 2005 as a result of higher average cash balances. Financial income includes interest from bank deposits and other deposits such as rent deposits.

***Financial Expense:*** In 2006, total financial expense was £1.9 million ($3.8 million), down by 41% compared to 2005 at £3.1 million ($6.2 million). The decrease in total expense was primarily related to the fact that in 2005 IXEurope incurred a £2.4 million ($4.8 million) charge to interest expense related to fair value adjustments for shareholder loans under IAS 39. This decrease was partially offset by an increase in interest expense as a result of increased drawdowns related to the CIT loan facilities.

***Income Tax:*** In 2006, IXEurope recognized a deferred tax asset for the first time under IAS 12. This consisted of a credit of £0.7 million ($1.4 million) for a deferred tax asset recognized on losses in IXEurope's subsidiary in Switzerland, a credit of £0.1 million ($0.2 million) relating to a deferred tax asset on share option charges, and a small charge relating to current tax payable.

**Years Ended December 31, 2005 and 2004**

***Revenues:*** Revenue increased by 45% to £22.5 million ($45.0 million) in 2005 compared to £15.5 million ($31.0 million) in 2004 as a result of the continued growth in IXEurope's customer base and contracted MRR.

IXEurope's revenues of space and related revenue increased by 42% to £19.9 million ($39.8 million) in 2005 compared to £14.1 million ($28.2 million) in 2004. Power revenue increased by 84% to £2.6 million ($5.2 million) in 2005 compared to £1.4 million ($2.8 million) in 2004 and increased to 12% of total revenues in 2005 versus 9% in 2004.

All four countries continued to grow revenues during 2005.

- Revenue in the UK in 2005 increased by 32%. Revenue increased organically from the two IXDatacentres™ and, in the second half of 2005, from the acquisition of London3.

- Revenue in Germany in 2005 increased by 101%. This increase was principally from the two existing IXDatacentres™, with Frankfurt 2 adding revenue from November 2005.
- Revenue in France in 2005 increased by 20%. The choice and capacity of the telecom networks available at the Paris IXDatacentre™ were increased in 2005.
- Revenue in Switzerland in 2005 increased by 22%. IXEurope increased capacity at the Zurich2 IXDatacentre™ and commenced the upgrade of Zurich1 infrastructure.

***Cost of Sales:*** Cost of sales in 2005 were £12.5 million ($25.0 million), compared to £9.2 million ($18.4 million) in 2004. The biggest single factor was the increase in power costs which grew by 79% from the same period in 2004. Installation and other costs grew by 26% and bandwidth costs by 115% as capacity was increased at several sites across IXEurope's data centers.

***General Administrative Expenses:*** General administrative expenses in 2005 totaled £9.6 million ($19.2 million) increasing by 28% as compared to £7.5 million ($15.0 million) in 2004. The increase in these costs in 2005 reflects a small increase in central staff and marketing costs, but mostly relates to increased legal and professional costs in 2005 associated with acquiring the London3 and Frankfurt2 sites, along with increased sales commission and bonus payments.

***Depreciation and Amortization:*** The total charge for depreciation in 2005 was £3.9 million ($7.8 million), with a negative goodwill credit to the income statement of £1.3 million ($2.6 million), representing an increase of 17% over 2004 at £3.3 million ($6.6 million). The increase reflects the expansion of the business and the investment in build-outs of IXDatacentres™. During 2005, IXEurope added tangible assets of £9.0 million ($18.0 million) and acquired assets of £6.4 million ($12.8 million).

***Negative Goodwill:*** During 2005, IXEurope acquired the assets and business relating to two new sites, London3 and Frankfurt2. Negative goodwill arose under both acquisitions, £0.3 million ($0.6 million) for the acquisition of the London3 IXDatacentre™, and £1.0 million ($2.0 million) for the Frankfurt2 IXDatacentre™. Negative goodwill of £0.6 million ($1.2 million) arose on the acquisition of the Geneva1 IXDatacentre™ during 2004.

***Provision Release:*** A provision release of £0.1 million ($0.2 million) was made during 2005 relating to the estimated expense associated with exiting leases in both Italy and Spain. No adjustment was required in 2004.

***Restructuring Costs:*** Following two acquisitions in Germany during the course of 2005, the German operations were restructured towards the end of 2005, with a smaller restructuring occurring in the French operations. Additional expenses were also incurred as a result of the equity restructuring exercise that took place during 2005. No such activities took place in 2004.

***Financial Income:*** In 2005, total financial income was £0.1 million ($0.2 million), down by 65% compared to £0.2 million ($0.4 million) in 2004. This decrease was due to a fall in interest receivable on landlord deposits, partially compensated by an increase in interest receivable on bank-deposited cash.

***Financial Expense:*** In 2005, total financial expense was £3.1 million ($6.2 million) up from £0.2 million ($0.4 million) in 2004. The principal increase related to the accounting for the fair value of the shareholder loan under IAS 39 and an increase in interest expense on the CIT loan facilities. In 2005, a charge of £2.4 million ($4.8 million) for the shareholder loan was charged to interest expense. No such charge was required in 2004.

***Income Tax:*** In 2005, IXEurope's tax charge was £42,000 ($84,000) as compared to £11,000 ($22,000) in 2004, a nominal increase.

**Debt Obligations**

As of June 30, 2007, IXEurope's debt totaled £21.7 million ($43.4 million) and was comprised of (i) the CIT facility and (ii) finance leases.

*CIT facility.* In September 2005, IXEurope entered into a senior facility agreement (€20 million) and a mezzanine facility (€7 million) with CIT Bank Limited or CIT. In April 2006, the CIT mezzanine facility was repaid in full following the successful AIM listing. In July 2006, the CIT senior facility agreement, which IXEurope refers to as the CIT facility, was increased to £27.4 million ($54.8 million). In February 2007, the CIT facility was increased to £40 million ($80.1 million) and in June 2007, was further increased to £82 million ($164.1 million). The CIT facility provides funding for planned expansions and future projects, and has a seven year term ending on June 30, 2014. As of June 30, 2007, IXEurope had drawn £19.6 million ($39.2 million) under the CIT facility, which initially bears interest at floating rates based on LIBOR/EURIBOR + 2.0-2.25% and a mandatory cost. The CIT facility includes four financial covenants to be tested from September 2007 onwards, namely; interest cover, cash flow test, leverage test and capital expenditure test. When increasing the CIT facility to £82 million ($164.1 million) in June 2007, IXEurope also renegotiated the repayment schedules and the final repayments are due in 2014 with intermediate payments dependent on the value of drawings made.

*Finance leases*. As of June 30, 2007, IXEurope, among all of its subsidiaries, had 20 finance leases with an aggregate capital amount outstanding of £2.1 million ($4.2 million). The lease start and end dates are varied and cover various IXDatacentres™ assets such as generators, UPS units and other IT equipment.

**Debt Maturities, Financings, Leases and Other Commitments**

IXEurope leases 13 of the 14 IXDatacentre™ premises and has additional leases for other properties (for example, headquarter offices and business continuity suites). These leases are accounted for as operational leases and are non-cancelable. The table below represents the capital due on the CIT facility, finance leases, operational leases and other commitments as of June 30, 2007 (in GBP millions):

| | CIT facility | Finance leases | Operational leases(1) | Other commitments(1) | Total |
|---|---|---|---|---|---|
| Less than one year | £ 0.2 | £ 0.6 | £ 4.8 | £ 14.1 | £ 19.7 |
| One to five years | 9.5 | 1.5 | 20.8 | 4.5 | 36.3 |
| More than five years | 9.9 | — | 46.1 | — | 56.0 |
| | £19.6 | £ 2.1 | £ 71.7 | £ 18.6 | £112.0 |

(1) Represents off-balance sheet arrangements. Other commitments are described below.

IXEurope also has a contractual commitment to pay a further £5.5 million ($11.0 million) over the next three years for the delivery of additional power capacity to the London4 IXDatacentre™. In addition, capital commitments relating to London4 were £13.1 million ($26.2 million) as of June 30, 2007. Such other commitments are reflected in the table above as "other commitments."

## Item 9.01. Financial Statements and Exhibits

**(a) Financial Statements of Businesses Acquired.**

The required financial statements of IXEurope are attached hereto as Exhibit 99.4 and are incorporated herein by reference.

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

The required pro forma financial information is attached hereto as Exhibit 99.5 and is incorporated herein by reference.

**(d) Exhibits.**

23.1 Consent of BDO Stoy Hayward LLP, Independent Registered Public Accounting Firm.

99.1 Press release of Equinix, Inc. dated September 14, 2007 regarding completion of the IXEurope Acquisition.

99.2 Press release of Equinix, Inc. dated September 14, 2007 regarding launch of debt and common stock offerings.

99.3 Press release of Equinix, Inc. dated September 14, 2007 regarding updated guidance for the quarter ending September 30, 2007 and the years ending December 31, 2007 and December 31, 2008.

99.4 Audited consolidated balance sheets of IXEurope as of December 31, 2006 and 2005 and the related consolidated income statements, consolidated statements of recognized income and expense and consolidated cash flow statements for each of the three years in the period ended December 31, 2006.

Unaudited consolidated balance sheet of IXEurope as of June 30, 2007 and the unaudited consolidated income statements, consolidated statements of recognized income and expense and consolidated cash flow statements for the six month periods ended June 30, 2007 and 2006.

99.5 Unaudited pro forma combined consolidated condensed financial information.

SIGNATURES

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

EQUINIX, INC.

DATE: September 14, 2007

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

## EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 23.1 | Consent of BDO Stoy Hayward LLP, Independent Registered Public Accounting Firm. |
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| | Unaudited consolidated balance sheet of IXEurope as of June 30, 2007 and the unaudited consolidated income statements, consolidated statements of recognized income and expense and consolidated cash flow statements for the six month periods ended June 30, 2007 and 2006. |
| 99.5 | Unaudited pro forma combined consolidated condensed financial information. |

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in Registration Statements on Forms S-8 (Nos. 333-45280, 333-58074, 333-71870, 333-85202, 333-104078, 333-113765, 333-117892, 333-122142 and 333-132466) and Form S-3 (Nos. 333-104077, 333-108783, 333-109697, 333-114723, 333-116322, 333-120224, 333-122144, 333-123923 and 333-128857) of Equinix, Inc., of our report dated 5 March 2007 except for Note 27 which is as of 12 September 2007, relating to the consolidated financial statements of IXEurope plc which appears in this Form 8-K.

BDO Stoy Hayward LLP
London

14 September 2007

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***FOR IMMEDIATE RELEASE***

## EQUINIX COMPLETES ACQUISITION OF EUROPEAN DATA CENTER PROVIDER IXEUROPE

**Foster City, CA — September 14, 2007**— Equinix, Inc. (Nasdaq: EQIX), the leading provider of network-neutral data centers and Internet exchange services, today announced that it has completed the acquisition of IXEurope plc ("IXEurope", AIM: IXE) originally announced by the company in June. The acquisition, which was approved by IXEurope's shareholders and UK courts, gives Equinix a strong presence in Europe and strengthens its position as the largest provider of global network-neutral colocation and network exchange services.

IXEurope is a leader in the European network-neutral colocation market. It operates 14 data centers comprising approximately 325,000 square feet of net sellable space throughout Europe, including centers in Dusseldorf, Frankfurt, Geneva, London, Munich, Paris and Zurich. The company's more than 450 enterprise and Internet customers include Capgemini, Citigroup and Deutsche Boerse Systems.

"The acquisition of IXEurope allows us to provide customers with a colocation solution globally and solidifies Equinix's position as the worldwide market leader in network-neutral colocation services," said Steve Smith, CEO of Equinix. "Our entry into the European market is strategic to our worldwide expansion efforts, as the market demand for premium data center colocation and network-neutral exchange services continues to accelerate."

Beginning today, Equinix will integrate IXEurope's network-neutral data center business and operations under the Equinix brand. The current IXEurope management team, including Guy Willner, IXEurope CEO, and Christophe de Buchet, IXEurope COO, will join Equinix and continue to operate the European business from the IXEurope London headquarters, which will now serve as Equinix's European regional headquarters.

Under the terms of the acquisition, IXEurope shareholders will receive 140 British pence in cash for each IXEurope share, payable on September 28, 2007, valuing the share capital of IXEurope, on a fully diluted basis, at approximately £270.1 million or approximately $550 million plus the assumption of debt (based on exchange rates on September 13, 2007).

**About Equinix**

Equinix is the leading global provider of network-neutral data center and interconnection services, offering premium colocation, traffic exchange and outsourced IT infrastructure solutions. Global enterprises, content companies, systems integrators and network service providers look to Equinix Internet Business Exchange (IBX®) centers for world-class reliability and network diversity. Equinix IBX centers serve as critical, core hubs for IP networks and Internet operations worldwide. With 35 IBX centers located in 17 strategic markets across North America, Europe and Asia-Pacific, Equinix enables customers to reliably operate their mission-critical infrastructure on a global basis.

# # #

*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 IXEurope into Equinix; a failure to receive significant revenue from customers in recently built out 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; the results of any litigation relating to past stock option grants and practices; 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. Internet Business Exchange is a trademark of Equinix, Inc.

Exhibit 99.2

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***FOR IMMEDIATE RELEASE***

**EQUINIX ANNOUNCES PROPOSED CONCURRENT PUBLIC OFFERINGS OF COMMON STOCK AND CONVERTIBLE SUBORDINATED NOTES**

**Foster City, CA — September 14, 2007**— Equinix, Inc. (Nasdaq: EQIX), the leading provider of network-neutral data centers and Internet exchange services, today announced that it intends to offer, subject to market and other conditions, 3,662,556 shares of its common stock under an automatically effective shelf registration statement on file with the Securities and Exchange Commission. Equinix intends to grant the underwriters an over-allotment option to purchase up to an additional 549,383 shares of its common stock.

Concurrently with the offering of its common stock, Equinix also intends to offer, subject to market and other conditions, $300.0 million aggregate principal amount of convertible subordinated notes due 2014 under an automatically effective shelf registration statement on file with the Securities and Exchange Commission. Equinix also expects to grant the underwriters an over-allotment option to purchase up to $45.0 million aggregate principal amount of additional notes on the same terms and conditions.

Equinix intends to use the net proceeds from the offerings to pay for its acquisition of IXEurope plc (AIM: IXE), originally announced by the company in June, and use any remaining net proceeds for capital expenditures, acquisitions or general corporate purposes.

Citigroup Corporate and Investment Banking is acting as the sole book-running manager of the offerings.

The price of the common stock and the interest rate, conversion price, and other terms of the notes will be determined by negotiations between Equinix and the underwriters upon the pricing of the offerings.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of these securities in any state in which such offer,

solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state. The offering of securities may be made only by means of a prospectus. Copies of the prospectus can be obtained from Citigroup Corporate and Investment Banking, Brooklyn Army Terminal, 140 58th Street, 8th Floor, Brooklyn, New York, 11220, Tel: (718) 765-6732 or Fax: (718) 765-6734.

# # #

*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 those described in the Company's registration statements on Form S-3 filed with the Securities and Exchange Commission on the date hereof, as well as the periodic reports filed with the Commission. Equinix does not assume any obligation to update the forward-looking information contained in this press release.*

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***FOR IMMEDIATE RELEASE***

**EQUINIX INCREASES 2007 OUTLOOK AND PROVIDES 2008 GUIDANCE**

***Equinix Also Provides 2007 Guidance and Projected 2008 Contribution from IXEurope Acquisition***

**FOSTER CITY, CA — September 14, 2007** — Equinix, Inc. (Nasdaq: EQIX), the leading provider of network-neutral data centers and Internet exchange services, today increased guidance for the third quarter and the full year of 2007, including anticipated results from Europe, following the IXEurope acquisition completed today. Equinix also provided projected 2007 results and 2008 guidance for the combined company.

For the third quarter of 2007, revenues are expected to be in the range of $101.0 to $102.0 million, including approximately $4.0 million from Europe. Cash gross margins are expected to be approximately 61%. EBITDA for the third quarter is expected to be between $38.0 and $39.0 million, including approximately $500,000 from Europe. Capital expenditures are expected to be approximately $105.0 to $110.0 million, including approximately $5.0 million of capital expenditures in Europe.

For the full year of 2007, total revenues are expected to be in the range of $413.0 to $415.0 million, including approximately $37.0 million anticipated from Europe. Total year cash gross margins are expected to be approximately 62%, including approximately $6.9 million of net cash costs attributed to its expansion IBXs. EBITDA for the year is expected to be between $149.0 and $151.0 million, including approximately $5.0 million anticipated from Europe. Capital expenditures for 2007 are expected to be $405.0 to $415.0 million, including approximately $40.0 million of ongoing capital expenditures and approximately $25.0 million of capital expenditures related to Europe. Expansion capital expenditures are for the build outs of the Frankfurt, London, Paris, Singapore, Tokyo and Washington, D.C. expansions opened this year, as well as the announced expansions in Chicago, London, Los Angeles, New York, Silicon Valley and

Washington D.C. metro areas. As previously announced, Equinix acquired two properties in 2007 for approximately $115.0 million.

As a result of the acquisition of IXEurope, Equinix's long-term operating plan, which assumes currently open IBX centers and announced expansion centers achieve full capacity and assumes current pricing, is capable of generating revenues of $890.0 to $940.0 million of which $200.0 to $220.0 million is attributable to Europe. This long-term plan targets cash gross margins of greater than 65% and EBITDA margins of 45% to 50%.

For the full year of 2008, total revenues are expected to be in the range of $605.0 to $625.0 million, including $140.0 to $150.0 million anticipated from Europe. EBITDA for the year is expected to be between $234.0 and $250.0 million, including $42.0 to $50.0 million anticipated from Europe. Capital expenditures for 2008 are expected to be in a range of $260.0 to $270.0 million, comprised of approximately $30.0 million of ongoing capital expenditures and $230.0 to $240.0 million of expansion capital expenditures, including $50.0 million of capital expenditures in Europe.

"Equinix continues to experience strong customer demand across each of our markets and is positioned to deliver strong 2007 financial results," said Steve Smith, CEO of Equinix. "With the closing of the IXEurope acquisition, a robust 2007 exit rate, and our expansion projects on track to open in the next few months, initial 2008 guidance demonstrates our ability to capitalize on the opportunity ahead with our market leadership position."

**About Equinix**

Equinix is the leading global provider of network-neutral data center and interconnection services, offering premium colocation, traffic exchange and outsourced IT infrastructure solutions. Global enterprises, content companies, systems integrators and network service providers look to Equinix Internet Business Exchange (IBX®) centers for world-class reliability and network diversity. Equinix IBX centers serve as critical, core hubs for IP networks and Internet operations worldwide. With 35 IBX centers located in 17 strategic markets across North America, Europe and Asia-Pacific, Equinix enables customers to reliably operate their mission-critical infrastructure on a global basis.

# # #

*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 IXEurope into Equinix; a failure to receive significant revenue from customers in recently built out 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; the results of any litigation relating to past stock option grants and practices; 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.*

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**Non-GAAP Financial Measures**

Equinix continues to provide 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 non-GAAP revenues, EBITDA, cash cost of revenues and cash gross margins to evaluate its operations. In presenting these non-GAAP financial measures, Equinix excludes certain non-cash or non-recurring items that it believes are not good indicators of the Company's current or future operating performance. These non-cash or non-recurring items are a non-recurring revenue adjustment with respect to 2006 results, depreciation, amortization, accretion, stock-based compensation, restructuring charges and, also with respect to 2006 results, the gain on its Honolulu IBX sale. Recent legislative and regulatory changes 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 non-cash or non-recurring 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 competitor base.

Equinix excludes depreciation expense as these charges primarily relate to the initial construction costs of its IBX centers and do not reflect its current or future cash spending levels to support its business. Equinix's IBX centers are long-lived assets, and have an economic life greater than ten years. The construction costs of its IBX centers do not recur and future capital expenditures remain minor relative to Equinix's initial investment. This is a trend Equinix expects to continue. In addition, depreciation is also based on the estimated useful lives of Equinix's IBX centers. These estimates could vary from actual performance of the asset, are based on historic costs incurred to build out Equinix's 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 charge liabilities, 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 stock awards that have no current or future cash obligations. As such, Equinix, and its investors and analysts, exclude this stock-based compensation expense when assessing the cash generating performance of its 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 its IBX centers, which it does not intend to build out now or in the future. With respect to its 2006 results, Equinix reports non-GAAP revenues and excludes the gain on Honolulu IBX sale. Non-GAAP revenues exclude a revenue adjustment recorded in the fourth quarter of 2006 in connection with Equinix's adoption of Staff Accounting Bulletin No. 108, which is a one-time adjustment and will not recur. The gain on the Honolulu IBX sale represents a unique transaction for the Company and future sales of IBX centers are not expected. The Honolulu market was not considered a core, strategic market for the Company. Management believes such items as restructuring charges, the gain on the sale of an IBX center and the loss from conversion of debt are unique transactions that are not expected to recur, and consequently, does not consider these items as a normal component of expenses or income related to current and ongoing operations.

Equinix's 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, Equinix has presented such non-GAAP financial measures to provide investors with an additional tool to evaluate its operating results in a manner that focuses on what management believes to be its core, ongoing business operations. Management believes that the inclusion of these non-GAAP financial measures provide consistency and comparability with past reports and provide 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 and net income (loss) from operations, 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 in prior periods.

We define EBITDA as income (loss) from operations less non-recurring revenue adjustments, depreciation, amortization, accretion, stock-based compensation expense, restructuring charges and the gain on Honolulu IBX sale and restructuring charges. As an example, following is a reconciliation for this for the six months ended June 30, 2007 (in thousands):

| | |
|---|---|
| Income (loss) from operations | $ 3,253 |
| Non-recurring revenue adjustment | — |
| Depreciation, amortization and accretion expense | 43,486 |
| Stock-based compensation expense | 20,543 |
| Restructuring charges | 407 |
| Gain on Honolulu IBX sale | — |
| EBITDA | $67,689 |

We define cash cost of revenues as cost of revenues less depreciation, amortization, accretion and stock-based compensation. As an example, following is a reconciliation for this for the six months ended June 30, 2007 (in thousands):

| | |
|---|---|
| Cost of revenues | $108,374 |
| Depreciation, amortization and accretion expense | (40,563) |
| Stock-based compensation expense | (2,141) |
| Cash cost of revenues | $ 65,670 |

We define cash gross profit as revenues less cash cost of revenues (as defined above). As an example, following is the Company's cash gross profit for the six months ended June 30, 2007 (in thousands):

| | |
|---|---|
| Revenues | $176,946 |
| Less cash cost of revenues | (65,670) |
| Cash gross profit | $111,276 |

We define cash gross margins as cash gross profit divided by revenues. As an example, following is the Company's cash gross margin for the six months ended June 30, 2007:

| | |
|---|---|
| | 63% |

We define EBITDA margin as EBITDA divided by revenues. As an example, following is the Company's EBITDA margin for the six months ended June 30, 2007 (in thousands):

| | |
|---|---|
| EBITDA margin | 38% |

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders

IXEurope plc

We have audited the accompanying consolidated balance sheets of IXEurope plc as of 31 December 2006 and 2005 and the related consolidated income statement, consolidated statement of recognized income and expense and consolidated cash flows for each of the three years in the period ended 31 December 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IXEurope plc at 31 December 2006 and 2005, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2006, in conformity with International Financial Reporting Standards.

International Financial Reporting Standards vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 27 to the consolidated financial statements.

BDO Stoy Hayward LLP

London

5 March 2007 except for Note 27 which is as of 12 September 2007

**Consolidated income statements**

**For the years ended 31 December**

| | Note | 2006<br>£ '000 | 2005<br>£ '000 | 2004<br>£ '000 |
|---|---|---|---|---|
| **Revenue** | *2* | **37,335** | 22,538 | 15,488 |
| Cost of sales | | **(22,537)** | (12,537) | (9,204) |
| **Gross profit** | | **14,798** | 10,001 | 6,284 |
| Administrative expenses | | | | |
| General administrative expenses | | **(9,869)** | (8,309) | (6,924) |
| IPO related expenses | 3(a) | **(1,179)** | — | — |
| Share option charges | 3(b) | **(510)** | — | — |
| Depreciation and amortisation | | **(5,764)** | (3,887) | (3,331) |
| Negative goodwill | 3(c) | **—** | 1,315 | 571 |
| Provision release | | **—** | 146 | — |
| Restructuring costs | | **—** | (889) | — |
| Gain on disposal of business | | **—** | — | 165 |
| Total administrative expenses | | **(17,322)** | (11,624) | (9,519) |
| **Loss from operations** | **3** | **(2,524)** | (1,623) | (3,235) |
| Financial income | *4* | **138** | 103 | 159 |
| Financial expense | *4* | **(1,863)** | (3,135) | (207) |
| **Loss before taxation** | | **(4,249)** | (4,655) | (3,283) |
| Income tax | 7 | **809** | (42) | (11) |
| **Loss for the year attributed to equity holders of the parent** | *2,14* | **(3,440)** | (4,697) | (3,294) |
| **Loss per share** | | | | |
| *Basic* | *8* | *(2.4p)* | *(10.1p)* | *(7.0p)* |
| *Diluted* | *8* | *(2.4p)* | *(10.1p)* | *(7.0p)* |

**Consolidated statements of recognised income & expense**

**For the years ended 31 December**

| | 2006 £ '000 | 2005 £ '000 | 2004 £ '000 |
|---|---|---|---|
| Foreign exchange losses on retranslation of overseas operations | **(252)** | (623) | (142) |
| Movement in fair value of designated cash flow hedges: | | | |
| —taken to the cash flow hedging reserve in the year (net of tax) | **57** | — | — |
| —Tax effect of gains and losses recognised directly in equity during the year | **390** | — | — |
| Net expenses recognised directly in equity | **195** | (623) | (142) |
| Loss for the year | **(3,440)** | (4,697) | (3,294) |
| Total recognised income and expenses for the year | **(3,245)** | (5,320) | (3,436) |
| Effect of adoption of IAS 32 and IAS 39, net of tax, on 1 January 2005 on: | | | |
| Share capital | **—** | (135) | — |
| Share premium | **—** | (12,789) | — |
| Retained earnings | **—** | (14,479) | — |
| | **(3,245)** | (32,723) | (3,436) |

**Consolidated balance sheets**

**As of 31 December**

| | *Note* | 2006<br>£ '000 | 2005<br>£ '000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | 35,406 | 27,556 |
| Intangible assets | *9* | 3,860 | 3,596 |
| Deferred tax asset | *7* | 1,186 | — |
| Other receivables | *11* | 3,226 | 2,456 |
| **Total non-current assets** | | 43,678 | 33,608 |
| **Current assets** | | | |
| Trade and other receivables | *11* | 6,677 | 3,895 |
| Cash and cash equivalents | *12* | 6,456 | 6,501 |
| **Total current assets** | | 13,133 | 10,396 |
| **Total assets** | | 56,811 | 44,004 |
| **Capital and reserves attributable to equity holders of the parent** | | | |
| Issued capital | *13* | 1,726 | 8,677 |
| Share premium | *14* | 37,216 | 69,149 |
| Foreign exchange translation reserve | *14* | (1,017) | (765) |
| Compound instrument reserve | *14* | — | 2,545 |
| Capital redemption reserve | *14* | 8,164 | — |
| Hedging reserve | *14* | 57 | — |
| Share option reserve | *14* | 879 | — |
| Retained earnings | *14* | (25,508) | (71,066) |
| **Total equity** | | 21,517 | 8,540 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Interest bearing loans and borrowings | *16* | 13,979 | 9,129 |
| Other financial liabilities | *17* | 1,219 | 793 |
| Provisions | *18* | 37 | 183 |
| **Total non-current liabilities** | | 15,235 | 10,105 |
| **Current liabilities** | | | |
| Interest bearing loans and borrowings | *19* | 4,878 | 14,355 |
| Trade and other payables | *20* | 15,124 | 10,866 |
| Provisions | *21* | 57 | 138 |
| **Total current liabilities** | | 20,059 | 25,359 |
| **Total equity and liabilities** | | 56,811 | 44,004 |

**Consolidated cash flow statements**

**For the years ended 31 December**

| | *Note* | 2006 £ '000 | 2005 £ '000 | 2004 £ '000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Loss for the period | | (3,440) | (4,697) | (3,294) |
| *Adjustments for* | | | | |
| Depreciation | | 5,700 | 3,887 | 3,331 |
| Recognition of negative goodwill | | — | (1,315) | (571) |
| Amortisation of intangible assets | | 64 | — | — |
| Share option charges | | 510 | — | — |
| Foreign exchange losses/(gains) | | 12 | 30 | (32) |
| Loss on disposal of fixed assets | | 1 | 19 | 263 |
| Interest expense (net) | | 1,725 | 3,032 | 47 |
| Income tax (credit)/expense | | (809) | 42 | 11 |
| **Operating profit before changes in working capital and provisions** | | 3,763 | 998 | (245) |
| Increase in trade and other receivables | | (3,645) | (1,949) | (270) |
| Increase in trade and other payables | | 3,684 | 427 | (224) |
| Decrease in provisions | | (220) | (168) | (496) |
| **Cash generated/(used) in the operations** | | 3,582 | (692) | (1,235) |
| Income taxes paid | | (8) | — | (11) |
| **Net cash from operating activities** | | 3,574 | (692) | (1,246) |
| **Cash flows from investing activities** | | | | |
| Interest received | | 138 | 103 | 159 |
| Proceeds from sale of property, plant and equipment | | — | — | 736 |
| Acquisition of property, plant and equipment | | (13,037) | (8,258) | (553) |
| Acquisition of subsidiary, net of cash received | | — | (115) | 2,228 |
| Acquisition of businesses, net of cash received | | (1,000) | (1,677) | — |
| **Net cash from investing activities** | | (13,899) | (9,947) | 2,570 |
| **Cash flows from financing activities** | | | | |
| Interest paid | | (1,369) | (715) | (207) |
| Proceeds from shareholders' loans | | — | 1,750 | 500 |
| Proceeds from issue of shares | | 10,000 | — | — |
| Share issue costs taken to reserves | | (403) | — | — |
| Repayment of deep discount bonds | | (1,907) | — | — |
| Repayment of subordinated loan | | — | — | (339) |
| Proceeds from bank loan | | 10,294 | 13,152 | — |
| Repayment of bank loan | | (5,373) | — | — |
| Capital elements of finance leases | | (839) | (807) | (705) |
| **Net cash from financing activities** | | 10,403 | 13,380 | (751) |
| Net increase in cash and cash equivalents | | 78 | 2,741 | 573 |
| Cash and cash equivalents at 1 January | | 6,491 | 3,772 | 3,244 |
| Effect of exchange rate fluctuations on cash held | | (113) | (22) | (45) |
| **Cash and cash equivalents at 31 December** | *12* | 6,456 | 6,491 | 3,772 |

**Notes to the consolidated financial statements**

**1 Accounting policies**

IX Europe plc (the "Company") is a company domiciled in England. The consolidated financial statements of the Company for the 3 years ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

**Statement of Compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), its interpretations adopted by the International Accounting Standards Board (IASB), as adopted by the EU and with those parts of the Companies Act 1985 applicable to companies preparing accounts under IFRS.

The financial statements for the year ended 31 December 2004 were originally prepared under UK GAAP but were restated under IFRS in the comparative figures published in the financial statements for the year ended 31 December 2005.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

*Standards, Amendments And Interpretations Effective 2006 But Not Relevant*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2006 but they are not relevant to the Group's operations for the year ended 31 December 2006:

- IAS 19 (Amendment)—Employee Benefits.
- IAS 21 (Amendment)—Net investment in a foreign operation.
- IAS 39 (Amendment)—Cash flow hedge accounting of forecast intragroup transactions.
- IAS 39 (Amendment)—The fair value option.
- IAS 39 and IFRS 4 (Amendment)—Financial guarantee contracts.
- IFRS 1 (Amendment)—First time adoption of international financial reporting standards.
- IFRS 6—Exploration for and evaluation of mineral resources.
- IFRIC 4—Determining whether an arrangement contains a lease.
- IFRIC 5—Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds.
- IFRIC 6—Liabilities Arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment

*Standards and Interpretations to Existing Standards That Are Not Yet Effective And Have Not Been Adopted Early By The Group*

The following standards and interpretations to published standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not adopted early:

IFRS 7—Financial Instruments: Disclosures and the complementary amendment to IAS 1, Presentation of financial statements – capital disclosures (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. The Group will apply IFRS 7 from 1 January 2007, but it is not expected to have an impact on the classification or valuation of the Group's financial instruments.

IFRIC 8—Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 clarifies that IFRS 2 Sharebased Payment applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. The Group will apply IFRIC 8 from 1 January 2007, but it is not expected to have an impact on the Group's accounts.

IFRIC 10—Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 concludes that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The Group will apply IFRIC 10 from 1 January 2007 but it is not expected to have any impact on the Group's accounts.

IFRS 8—Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14—Segmental Reporting and introduces new requirements relating to how segments are identified and disclosures required. The Company will apply IFRS 8 from 1 January 2009. The Group has yet to assess the impact this standard will have on the disclosure of segment results.

IFRIC 11—IFRS 2: Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 contains guidance on how an entity should account for share-based payment involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation, and guidance on the treatment when a parent grants rights to its equity instruments to employees of its subsidiary or a subsidiary grants rights to equity instruments of its parent to its employees in the individual entities' financial statements. IFRIC 11 is not expected to have an impact on the Group because it does not intend nor is it required to purchase its own equity instruments to settle the share-based payment obligation and the individual entities do not produce accounts under International Financial Reporting Standards.

*Interpretations To Existing Standards That Are Not Yet Effective And Not Relevant To The Operations Of The Group*

IFRIC 7—Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006). IFRIC 7 contains guidance on how an entity would restate its financial statements in the first year it identifies the existence of hyperinflation in the economy of its functional currency. As none of the Group entities has a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations.

IFRIC 9—Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 concludes that an entity must assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. IFRIC 9 is not relevant to the Group's operations because none of the terms of the Group's contracts have been changed.

IFRIC 12—Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 clarifies how certain aspects of existing IASB literature are to be applied to service concession arrangements. IFRIC 12 is not relevant to the Group's operations.

**Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2006. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated income statement from the date the parent gained control until such time control ceases. Control exists where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

**Critical Accounting Estimates And Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances.

**Estimated Impairment Of Goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on goodwill. The recoverable amounts of cash-generating units are determined by value-in-use calculations. These calculations require the use of estimates (See Note 9)

**Fair Value Of Share Option Grants**

The fair value of share options granted in the year is estimated at the date of grant using a valuation technique. The Group has carefully considered the inputs into the valuation model based on future expectations and comparative companies.

Details of valuation technique used, and inputs for the models are disclosed in Note 13.

**Foreign Currencies**

Transactions entered into by the Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange translation reserve").

**Pension Costs**

A number of Group companies operate defined contribution pension schemes. The assets of these schemes are held separately to those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group in the year.

**Property, Plant And Equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment provisions.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|---|---|---|
| Plant and machinery | – | 10 years straight line |
| Fixtures, fittings, tools and equipment | – | 3 years straight line |
| Short leasehold improvements | – | Over the remaining period of the lease |
| Freehold buildings | – | 20 years |

Freehold land and assets in the course of construction are not depreciated.

**Operating And Finance Leases**

Operating lease rentals relating to colocation facilities are charged to cost of sales in the income statement on a straight line basis over the period of the lease.

Benefits received as an incentive to sign operating leases for colocation facilities are charged to the income statement on a straight line basis over the full length of the lease.

Assets acquired under finance leases are capitalised and the capital element of the lease rentals is included in creditors. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liabilities. The capital element reduces the balance owed to the lessor.

Assets under finance leases are depreciated over the shorter of the lease terms and the useful life of equivalent owned asset.

Where the Group has entered into a sale and leaseback arrangement resulting in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

**Income Tax**

Income tax on the loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither the accounting nor the taxable profit; and differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**Goodwill**

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries and businesses. In respect of business combinations that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 January 2004 were not reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

Negative goodwill (representing the excess of the fair value of the separable net assets acquired over the fair value of the consideration given) is recognised directly in the income statement.

**Revenue**

Revenue represents the amounts (excluding value added tax) derived from the provision of colocation and related services to third party customers during the period. Where invoices are raised in advance for colocation services, the revenue is deferred and spread over the period to which it relates. All other revenue, including installation revenue, is recognised in the profit and loss account as agreed milestones are achieved.

**Cash And Cash Equivalents**

Cash and cash equivalents, for the purpose of the cash flow statement, comprise cash in hand and deposits repayable on demand, less overdrafts payable on demand. Restricted cash is disclosed under debtors.

**Impairment**

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication of impairment exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the Group's assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

In testing for impairment management has to make judgements and estimations about future events which are uncertain. Adverse results compared to these judgements could alter the decision of whether an impairment is required. See Note 9 for the key assumptions and results of the impairment review carried out in 2006.

**Borrowing Costs**

Borrowing costs are recognised as an expense in the period in which they are incurred except for borrowing costs relating to the acquisition of a qualifying asset which are capitalised with the cost of the asset. During the year borrowing costs of £Nil (2005: £103k) were capitalised.

**Other Financial Liabilities**

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.
- Bank borrowings and certain Preference shares are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liabilities carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

**Convertible Debt**

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include the right to convert. Subsequently the debt component is accounted for as a financial liability measured at amortised cost.

The difference between the debt proceeds of the convertible debt and the amount allocated to the debt component is credited directly to equity and is not subsequently re-measured. On conversion, the debt element is credited to share capital and share premium as appropriate.

**Share Option Schemes**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Equity settled share options are recognised with a corresponding credit to equity and cash settled share options are recognised with a corresponding credit to accruals.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

**Intangible Assets**

Externally acquired customer contract intangibles are initially recognised at cost on the balance sheet and amortised on a straight line basis over the life of the contract. The life of the intangible assets ranges from 4 months to 3 years.

**IPO Costs**

Costs relating directly to the issue of new shares are set against share premium. Costs that relate to both new and existing shares are set against share premium in the proportion of new shares issued to total shares listed.

### Hedge Accounting

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge.
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit and loss.
- The cumulative change in the fair value of the hedging instrument is expected to be within 80-125% of the cumulative change in the fair value or cash flows of the hedged item attributable to the risk hedged (i.e. it is expected to be highly effective).
- The effectiveness of the hedge can be reliably measured.
- The hedge is assessed on a quarterly basis and remains highly effective.

The Group does not hold or issue derivative instruments for speculative purposes, although derivatives not meeting the above criteria are designated for accounting purposes at fair value through profit or loss as appropriate.

The Group enters into floating to fixed interest rate swaps. The effective part of these derivatives are measured at fair value with changes in fair value recognised directly to equity. If the Group closes out its position early, the cumulative gains and losses recognised directly in equity are frozen and recycled through the income statement using the effective interest rate method.

### Dilapidation Provisions

Dilapidations are provided on leasehold properties where the terms of the lease require the Group to make good any changes made to the property during the period of the lease. Where a dilapidation provision is required the Group recognises an asset and provision equal to the discounted cost of restating the property to its original state. The asset is depreciated over the remaining term of the lease.

## 2 Segment information

Segment information is presented in respect of the Group's geographical and business segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

### Geographical Segments

As at 31 December 2006, the Group operated datacentres in four European countries (United Kingdom, France, Germany and Switzerland). It is considered that France, Germany and Switzerland represent regions which are substantially similar and have therefore been combined. Thus, there are two reportable segments, United Kingdom and the Rest of Europe. There is no difference between location of the segment assets and the segment customers.

### Business Segments

IX Europe plc has one class of business which is to provide carrier neutral datacentre and related services to its customers.

| UNITED KINGDOM | 2006<br>£ '000 | 2005<br>£ '000 | 2004<br>£ '000 |
|---|---|---|---|
| External revenue | 14,543 | 9,345 | 7,060 |
| Inter-segment revenue | — | 3,010 | 860 |
| Total revenue | 14,543 | 12,355 | 7,920 |
| Segment result | 822 | 1,947 | 948 |

| REST OF EUROPE | 2006<br>£ '000 | 2005<br>£ '000 | 2004<br>£ '000 |
|---|---|---|---|
| External revenue | 22,792 | 13,193 | 8,428 |
| Inter-segment revenue | 452 | 236 | — |
| Total revenue | 23,244 | 13,429 | 8,428 |
| Segment result | (2,216) | (2,424) | (2,524) |

| CONSOLIDATED | 2006 | 2005 | 2004 |
|---|---|---|---|
| | £ '000 | £ '000 | £ '000 |
| Total revenue | 37,787 | 25,784 | 16,348 |
| Less: Inter-segment revenue | (452) | (3,246) | (860) |
| Revenue | 37,335 | 22,538 | 15,488 |
| Segment result | (1,394) | (477) | (1,576) |
| Unallocated expenses | (2,855) | (4,178) | (1,707) |
| Income tax expense | 809 | (42) | (11) |
| Result | (3,440) | (4,697) | (3,294) |
| **Assets** | | | |
| Segment assets – United Kingdom | 18,103 | 12,940 | 7,339 |
| Segment assets – Rest of Europe | 36,348 | 29,128 | 21,142 |
| Unallocated | 2,360 | 1,936 | 709 |
| Total assets | 56,811 | 44,004 | 29,190 |
| **Liabilities** | | | |
| Segment liabilities – United Kingdom | 5,306 | 4,230 | 2,415 |
| Segment liabilities – Rest of Europe | 9,985 | 7,024 | 6,688 |
| Unallocated | 20,003 | 24,210 | 6,866 |
| Total liabilities | 35,294 | 35,464 | 15,969 |
| **Capital Expenditure** | | | |
| Capital expenditure – United Kingdom | 6,839 | 4,708 | 111 |
| Capital expenditure – Rest of Europe | 6,997 | 9,758 | 1,844 |
| Capital expenditure – Unallocated | 69 | 18 | 29 |
| Total capital expenditure | 13,905 | 14,484 | 1,984 |
| **Depreciation** | | | |
| Segment depreciation – United Kingdom | 2,121 | 960 | 942 |
| Segment depreciation – Rest of Europe | 3,546 | 2,892 | 2,237 |
| Segment depreciation – Unallocated | 33 | 35 | 153 |
| Total depreciation | 5,700 | 3,887 | 3,332 |

Amounts within capital expenditure and depreciation include those acquired with subsidiaries and businesses during 2005.

| | 2006 £ '000 | 2005 £ '000 | 2004 £ '000 |
|---|---|---|---|
| **Revenue** | | | |
| Segment revenue – Colocation | 37,335 | 22,538 | 15,488 |
| **Assets** | | | |
| Segment assets – Colocation | 54,451 | 42,068 | 28,481 |
| Unallocated | 2,360 | 1,936 | 709 |
| Total assets | 56,811 | 44,004 | 29,190 |
| **Capital Expenditure** | | | |
| Capital expenditure – Colocation | 13,836 | 14,466 | 1,955 |
| Capital expenditure – Unallocated | 69 | 18 | 29 |
| Total capital expenditure | 13,905 | 14,484 | 1,984 |

**3 Loss from operations**

| | 2006 £ '000 | 2005 £ '000 | 2004 £ '000 |
|---|---|---|---|
| Loss from operations is stated after charging/(crediting): | | | |
| Loss on disposal of fixed assets | 1 | 19 | 263 |
| Auditors' remuneration: | | | |
| —audit services | 86 | 54 | 118 |
| —services relating to corporate finance transactions entered into by the Company | 159 | — | — |
| —Taxation advice | — | — | 62 |
| Depreciation of tangible fixed assets | | | |
| —owned assets | 4,925 | 3,174 | 2,910 |
| —leased assets | 775 | 713 | 421 |
| Amortisation of intangible assets | 64 | — | — |
| Recognition of negative goodwill | — | (1,315) | (571) |
| Operating lease – lease payments | | | |
| —Hire of plant and machinery | 39 | 63 | 92 |
| —Other | 4,563 | 3,647 | 3,012 |
| Net foreign currency translation loss/(gain) | 12 | 32 | (33) |
| Share based payment expense | | | |
| —Equity settled | 489 | — | — |
| —Cash settled | 21 | — | — |

Auditors' remuneration for services relating to corporate finance transactions entered into in by the Company of £159k above was charged to the income statement in the year as part of IPO costs. £57k was charged to equity, being the portion that related to new shares issued on flotation.

Comparative presentation on the face of the income statement has been changed in order to present a fairer reflection of the results.

(a)—IPO Related Expenses

IPO related expenses totaled £1,582k of which £1,179k was recognised in the income statement.

(b)—Share Option Charges

During the year, the Company granted options to employees under three schemes. The details of the share options granted are set out in Note 13. Share option charges have been separately disclosed to aid understanding as they do not impact the underlying business.

(c)—Negative Goodwill

Negative goodwill was recognised in 2005 on acquisitions where the fair value of assets acquired exceeded the fair value of consideration paid.

**4 Financing costs**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| | £ '000 | £ '000 | £ '000 |
| Bank interest receivable | 55 | 85 | 40 |
| Other interest receivable | 83 | 18 | 119 |
| **Financial income** | 138 | 103 | 159 |
| Bank interest payable | 1 | 6 | 6 |
| Interest payable on third party loans | 1,359 | 490 | 60 |
| Fair value gains on financial instruments—interest rate swaps: cash flow hedges, transfer from equity | 8 | — | — |
| Interest payable on finance leases | 162 | 183 | 141 |
| Interest charge on financial liabilities (Note 16) | 259 | 2,447 | — |
| Finance charge on deferred consideration | 9 | — | — |
| Other interest payable | 65 | 9 | — |
| **Financial expenses** | 1,863 | 3,135 | 207 |

**5 Acquisitions**

**Gesellschaft für Informationstechnologie mbH**

On 5 April 2005, a business continuity provider in Germany was acquired by a Group subsidiary in Germany. All of the voting shares in GIC mbH (Gesellschaft für Informationstechnologie mbH) were acquired for £119k (including costs).

In the 9 months to 31 December 2005 the subsidiary contributed a net loss of £199k to the 2005 consolidated loss of £4,697k. If the acquisition had occurred on 1 January 2005, Group revenue in 2005 would have been £22,696k and 2005 Group loss would have been £4,763k.

Acquirees's net assets at acquisition date:

| | Recognised Fair Value £ '000 | Adjustment £ '000 | Book Value £ '000 |
|---|---|---|---|
| Property, plant and equipment | 155 | — | 155 |
| Trade and other receivables | 7 | — | 7 |
| Cash and cash equivalents | 4 | — | 4 |
| Trade and other payables | (21) | — | (21) |
| Other creditors | (80) | — | (80) |
| Net identifiable assets and liabilities | 65 | — | 65 |
| Goodwill on acquisition | 54 | | |
| Consideration paid, satisfied in cash | 119 | | |
| Cash (acquired) | (4) | | |
| Net cash outflow | 115 | | |

The main factors leading to the recognition of goodwill are:

- synergistic cost savings which result in the Group being prepared to pay a premium; and
- the fact that a lower cost of capital is ascribed to the expected future cash flows of the entire operation acquired than might be to individual assets.

**London 3**

On 17th November 2005, the assets and business were acquired in West London for £2,450k.

Net assets of business acquired at acquisition date at fair value

| | Recognised £ '000 |
|---|---|
| Property, plant and equipment | 2,787 |
| Negative goodwill on acquisition | (337) |
| Purchase price | 2,450 |
| Consideration paid, satisfied in cash | 1,000 |
| Deferred consideration | 1,450 |
| Purchase price | 2,450 |
| Net cash outflow in the year | 1,000 |

Negative goodwill arose due to assets having a fair value higher than was paid.

In the one month to 31 December 2005, the business contributed a net loss of £67k to the 2005 consolidated loss of £4,697k. If the acquisition had occurred on 1 January 2005, Group revenue in 2005 would have been £22,962k and 2005 Group loss would have been £5,438k.

**Frankfurt 2**

On 29th September 2005, the assets and business were acquired in Frankfurt for £1,284k.

Net assets of business acquired at acquisition date at fair value

| | Recognised |
|---|---|
| | £ '000 |
| Property, plant and equipment | 2,546 |
| Creditors | (327) |
| Debtors | 43 |
| Net identifiable assets and liabilities | 2,262 |
| Negative goodwill on acquisition | (978) |
| Purchase price | 1,284 |
| Consideration paid, satisfied in cash | 677 |
| Vendor liabilities settled | 505 |
| Deferred consideration | 102 |
| Purchase price | 1,284 |
| Net cash outflow | 677 |

Negative goodwill arose due to assets having a fair value higher than was paid.

In the 3 months to 31 December 2005, the business contributed a net profit of £125k to the 2005 consolidated loss of £4,697k. If the acquisition had occurred on 1 January 2005, Group revenue in 2005 would have been £24,078k and 2005 Group loss would have been £4,322k.

No customer related intangibles where recognised as the internal valuations revealed a negative contribution. Negative goodwill has been recognised as a result of the financial distressed position of the acquired businesses prior to the acquisition by IXEurope plc.

**Geneva 1**

On 25 March 2004 the Group acquired through IX Europe (Switzerland) AG all of the shares of Telehouse (Suisse) SA, Geneva, Switzerland for CHF 1.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

| | Book value | revaluation | Accounting policy adjustment | Other adjustments | Fair value |
|---|---|---|---|---|---|
| | £ '000 | £ '000 | £ '000 | £ '000 | £ '000 |
| **Fixed assets** | | | | | |
| Intangible | — | — | — | — | — |
| Tangible | 117,819 | — | (63,844) | (4,210) | 49,765 |
| **Current assets** | | | | | |
| Stock | 32,931 | (32,931) | — | — | — |
| Debtors | 261,280 | — | — | 3,766 | 265,046 |
| Cash | 2,227,742 | — | — | — | 2,227,742 |
| **Total assets** | **2,639,772** | **(32,931)** | **(63,844)** | **(444)** | **2,542,553** |
| **Liabilities** | | | | | |
| Provisions | — | — | — | (1,511,750) | (1,511,750) |
| Creditors | (459,612) | — | — | — | (459,612) |
| **Total liabilities** | **(459,612)** | — | — | **(1,511,750)** | **(1,971,362)** |
| **Net assets** | **2,180,160** | **(32,931)** | **(63,844)** | **(1,512,194)** | **571,191** |
| **Negative goodwill** | | | | | **(571,191)** |
| **Purchase consideration and Costs of acquisition** | | | | | — |

The stock acquired was written off due to it being of a non-standard nature and unlikely to be used in the ongoing business.

The estimated useful lives of the fixed assets acquired were adjusted to bring them into line with the Group's accounting policy.

A provision was made for a lease exit penalty of CHF 3 million upon the acquisition due to renegotiation of the lease of the company's premises as well as a provision for legal and professional fees of CHF 300,000.

Telehouse (Suisse) SA was merged with IX Europe (Switzerland) AG on 15 June 2004.

In the seven months to 31 December 2004, the business contributed net profit of £43,075 to the consolidated loss of £3,293,338. If the acquisition had occurred on 1 January 2004, Group revenue would have been £15,705,727 and Group loss would have been £3,213,815.

**6 Employee expenses**

| | 2006<br>£ '000 | 2005<br>£ '000 | 2004<br>£ '000 |
|---|---|---|---|
| Wages, salaries and fees | 6,497 | 5,928 | 4,573 |
| Share based payments | 510 | — | — |
| Social Security costs | 1,009 | 858 | 755 |
| Pension costs | 256 | 174 | 203 |
| | 8,272 | 6,960 | 5,531 |

Number of Employees

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| The average monthly number of employees of the Group (including Directors) during the year want | | | |
| Administration | 42 | 48 | 36 |
| Sales and marketing | 22 | 24 | 22 |
| Operations | 73 | 45 | 36 |
| | 137 | 117 | 94 |

Remuneration Of The Directors

| | 2006<br>£ '000 | 2005<br>£ '000 | 2004<br>£ '000 |
|---|---|---|---|
| Aggregate emoluments | 906 | 853 | 771 |
| Contributions to defined contribution pension schemes | 42 | 37 | 33 |
| | 948 | 890 | 804 |

Highest paid Director

| | 2006<br>£ '000 | 2005<br>£ '000 | 2004<br>£ '000 |
|---|---|---|---|
| Aggregate emoluments | 298 | 286 | 311 |
| Contributions to defined contribution pension schemes | 12 | 14 | 14 |
| | 310 | 300 | 325 |

At 31 December 2006, 3 Directors (2005: 3; 2004: 3) had retirement benefits accruing under defined contribution pension schemes.

**7 Taxation**

| | 2006 £ '000 | 2005 £ '000 | 2004 £ '000 |
|---|---|---|---|
| Current tax | | | |
| Foreign tax—Corporation tax | 12 | 42 | 4 |
| Foreign tax—capital gains tax | — | — | 7 |
| Total current tax | 12 | 42 | 11 |
| Deferred tax | | | |
| Asset not previously recognised on available losses | (674) | — | — |
| Asset on share options | (147) | — | — |
| Total deferred tax | (821) | 42 | 11 |
| Total tax (credit)/charge | (809) | 42 | 11 |

The tax charge for the year is higher than the standard rate of corporation tax in the UK which is 30% (2005: 30%; 2004: 30%).

The differences are explained below:

| | 2006 £ '000 | 2005 £ '000 | 2004 £ '000 |
|---|---|---|---|
| **Tax reconciliation** | | | |
| Loss before tax | **(4,249)** | (4,697) | (3,294) |
| UK corporation tax at 30% (2005: 30%) | **(1,275)** | (1,409) | (988) |
| **Effects of** | | | |
| Items not deductible for tax purposes | **457** | 1,435 | 683 |
| Depreciation in excess of capital allowances | **23** | 188 | 198 |
| Differences between overseas and UK tax rate | **(256)** | (105) | (182) |
| Utilisation of tax losses brought forward | **(1,056)** | (979) | 300 |
| Current year losses not utilised | **1,285** | 868 | — |
| Other | **13** | 44 | — |
| **Total tax (credit)/charge for the year** | **(809)** | 42 | 11 |

**Deferred Tax**

| | 2006 Recognised £ '000 | Un-recognised £ '000 | 2005 Recognised £ '000 | Un-recognised £ '000 |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Accelerated capital allowances | — | 1,116 | — | 787 |
| Losses carried forward | 674 | 10,315 | — | 10,270 |
| Share option recognised through | | | | |
| Income statement | 147 | — | — | — |
| Equity | 390 | — | — | — |
| | 1,211 | 11,431 | — | 11,057 |
| Deferred tax liability | | | | |
| Hedge asset | (25) | — | — | — |
| **Net deferred tax asset** | 1,186 | — | — | — |

Subject to agreement with the Inland Revenue, the Group has United Kingdom tax losses of approximately £6,770k at 31 December 2006 (2005: £9,709k) available to relieve future trading profits in the United Kingdom. Additionally, the Group has overseas losses of £25,096k at 31 December 2006 (2005: £17,866k) available to relieve future overseas trading profits.

No deferred tax asset is recognised in relation to these losses nor in relation to accelerated capital allowances due to inherent uncertainty regarding their recoverability except for losses brought forward in Switzerland, where a deferred tax asset has been recognised on the basis of current profits and the probability of future profits in that entity.

A deferred tax asset also arises on share options granted in the year.

A deferred tax liability has been recognised on the fair value gains in the year on cash flow hedges.

**8 Loss per share**

**Basic Loss Per Share**

The basic loss per share has been calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of shares in issue during the year.

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Net loss attributable to ordinary shareholders (£ '000) | (3,440) | (4,697) | (3,294) |
| Weighted average number of ordinary shares in issue | 141,107,050 | 46,675,232 | 46,675,232 |
| Basic and diluted loss per share | (2.4p) | (10.1p) | (7.0p) |

**Diluted Loss Per Share**

The diluted loss per share has been calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of shares in issue during the year, adjusted for potentially dilutive shares that are not antidilutive. All potentially dilutive shares are antidilutive.

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Weighted average number of ordinary shares in issue | 141,107,050 | 46,675,232 | 46,675,232 |
| Adjustment for share options | 4,897,004 | 293,750 | 1,914,895 |
| Adjustment for Priority Preference shares | 1,212,500 | 4,850,000 | 13,459,221 |
| Adjustment for convertible shareholder loan | 2,000,000 | 8,000,000 | 8,000,000 |
| Adjustment for convertible deep discount bonds | 458,799 | 1,835,198 | — |
| Weighted average number of potential ordinary shares in issue | 149,675,353 | 61,654,180 | 70,049,348 |

**9 Intangible assets**

| | Positive Goodwill £ '000 | Customer Contracts £ '000 | Total £ '000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2005 | 3,648 | — | 3,648 |
| Additions in the year | 54 | — | 54 |
| Effect of movements in foreign exchange | (106) | — | (106) |
| Balance at 31 December 2005 | 3,596 | — | 3,596 |
| Additions in the year | — | 397 | 397 |
| Effect of movements in foreign exchange | (70) | — | (70) |
| Balance at 31 December 2006 | 3,526 | 397 | 3,923 |
| **Amortisation** | | | |
| Balance at 1 January 2005 and 31 December 2005 | — | — | — |
| Charge for the year | — | 64 | 64 |
| Effect of movements in foreign exchange | — | (1) | (1) |
| Balance at 31 December 2006 | — | 63 | 63 |
| **Net book value** | | | |
| Balance at 1 January 2005 | 3,648 | — | 3,648 |
| Balance at 31 December 2005 | 3,596 | — | 3,596 |
| **Balance at 31 December 2006** | 3,526 | 334 | 3,860 |

**Customer contracts**

The customer contracts intangible asset arose on acquisition of contracts during the year and is amortised on a straight line basis over the finite life of the contract to which it relates. In the year amortisation of £64k (2005: Nil) was included in administrative expenses.

**Impairment Tests For Cash-Generating Units Containing Goodwill**

The following Group of units have significant goodwill:

| | 2006<br>£ '000 | 2005<br>£ '000 |
|---|---|---|
| Group made of IXDatacentre Frankfurt1 & IXDatacentre Zurich1 | 3,473 | 3,542 |
| Units without significant goodwill | 53 | 54 |
| | 3,526 | 3,596 |

The recoverable amount of the Group of cash generating units Frankfurt1 & Zurich1 is based on value in use calculations. Those calculations use cash flow projections based on the three year budget ending 31 December 2009 as approved by the Group Board. Cash flows beyond this period have been extrapolated with no assumed growth. The discount factor has been determined as 13.6% based on the Company's weighted average cost of capital.

The key assumptions used and the approach to determining their value are:

| Assumption | How Determined |
|---|---|
| Operating margin | This is based on detailed plans of IXDatacentre™ space available and past experience of management after the period of the official budget. |

Management approved budgets are estimated based on past performance and expectations of future developments.

**10 Property, plant and equipment**

Year ended 31 December 2006

| | Freehold land and buildings | Short leasehold improvements | Assets in the course of construction | Plant and machinery | Fixtures, fittings, tools and equipment | Total |
|---|---|---|---|---|---|---|
| | £ '000 | £ '000 | £ '000 | £ '000 | £ '000 | £ '000 |
| **Cost** | | | | | | |
| At beginning of year | 4,780 | 2,939 | 2,367 | 33,983 | 6,405 | 50,474 |
| Additions | — | 141 | 6,401 | 5,737 | 1,626 | 13,905 |
| Disposals | — | — | — | — | (2) | (2) |
| Transfers | — | 15 | (6,239) | 6,224 | — | — |
| Currency translation differences | (93) | (10) | (56) | (478) | (124) | (761) |
| At end of year | 4,687 | 3,085 | 2,473 | 45,466 | 7,905 | 63,616 |
| **Depreciation** | | | | | | |
| At beginning of year | 57 | 1,795 | 532 | 16,215 | 4,319 | 22,918 |
| Charge for year | 169 | 62 | — | 4,462 | 1,007 | 5,700 |
| Disposals | — | — | — | — | (1) | (1) |
| Currency translation differences | (4) | (9) | (29) | (269) | (96) | (407) |
| At end of year | 222 | 1,848 | 503 | 20,408 | 5,229 | 28,210 |
| **Net book value** | | | | | | |
| At 31 December 2006 | 4,465 | 1,237 | 1,970 | 25,058 | 2,676 | 35,406 |
| **Net book value of assets held under finance lease** | | | | | | |
| At 31 December 2006 | — | — | — | 1,499 | 608 | 2,107 |
| At 31 December 2005 | — | — | — | 1,725 | 1,124 | 2,849 |

All material assets are held as security against the bank loans of the Group.

Year ended 31 December 2005

| | Freehold land and buildings £ '000 | Short leasehold improvements £ '000 | Assets in the course of construction £ '000 | Plant and machinery £ '000 | Fixtures, fittings, tools and equipment £ '000 | Total £ '000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At beginning of year | — | 2,165 | 679 | 28,096 | 4,964 | 35,904 |
| Acquisition | — | 832 | — | 5,038 | 505 | 6,375 |
| Additions | 4,780 | — | 1,712 | 1,426 | 1,062 | 8,980 |
| Disposals | — | — | — | — | (22) | (22) |
| Currency translation differences | — | (58) | (24) | (577) | (104) | (763) |
| At end of year | 4,780 | 2,939 | 2,367 | 33,983 | 6,405 | 50,474 |
| **Depreciation** | | | | | | |
| At beginning of year | — | 1,836 | 551 | 13,084 | 3,066 | 18,537 |
| Acquisition | — | — | — | 424 | 446 | 870 |
| Charge for year | 56 | 8 | — | 2,956 | 867 | 3,887 |
| Disposals | — | — | — | — | (3) | (3) |
| Currency translation differences | 1 | (49) | (19) | (249) | (57) | (373) |
| At end of year | 57 | 1,795 | 532 | 16,215 | 4,319 | 22,918 |
| **Net book value** | | | | | | |
| At 31 December 2005 | 4,723 | 1,144 | 1,835 | 17,768 | 2,086 | 27,556 |

### 11 Trade and other receivables

| Current | 2006 £ '000 | 2005 £ '000 |
|---|---|---|
| Trade debtors | 4,836 | 2,074 |
| Other debtors | 449 | 783 |
| Prepayments and accrued income | 1,392 | 1,038 |
| | 6,677 | 3,895 |

| **Non current** | **2006** | **2005** |
|---|---|---|
| | **£ '000** | **£ '000** |
| Other debtors | — | 85 |
| Hedging asset | 82 | — |
| Prepayments and accrued income | 111 | — |
| Security deposit | 3,033 | 2,371 |
| | 3,226 | 2,456 |

Security deposits include long-term rent deposits for facilities held under operating leases and security held under a sale and leaseback facility.

**12 Cash and cash equivalents**

| | 2006<br>£ '000 | 2005<br>£ '000 |
|---|---|---|
| Bank balances | 4,378 | 4,456 |
| **Cash and cash equivalents** | 6,456 | 6,501 |
| Bank overdrafts | — | (10) |
| **Cash and cash equivalents in statement of cash flows** | 6,456 | 6,491 |
| **Restricted cash included within cash and cash equivalents** | 2,078 | 2,045 |

Restricted cash has been disclosed within cash and cash equivalents in accordance with IAS 7.

**13 Called up share capital**

| | 2006 | 2005 | 2006 | 2005 |
|---|---|---|---|---|
| ***Authorised for issue*** | No. | No. | £ '000 | £ '000 |
| Ordinary shares of £0.01 each | | | | |
| Ordinary shares | 250,000,000 | 11,559,881 | 2,500 | 116 |
| B Ordinary shares | — | 38,024,379 | — | 380 |
| Deferred shares | — | 819,872,408 | — | 8,199 |
| | 250,000,000 | 869,456,668 | 2,500 | 8,695 |
| Shares of £0.01 each: | | | | |
| Priority Preference shares | — | 15,390,779 | — | 154 |
| | 250,000,000 | 884,847,447 | 2,500 | 8,849 |

| Allotted, called up and fully paid | 2006 No. | Bonus Issue No. | Placing No. | Cancellation No. | Conversion No. | Conversion of Shareholder Loan No. | 2005 No. |
|---|---|---|---|---|---|---|---|
| Ordinary shares of £0.01 each | | | | | | | |
| Ordinary shares | 172,584,323 | 71,604,545 | 45,454,546 | — | 46,378,288 | — | 9,146,944 |
| B Ordinary shares | — | — | — | — | (37,528,288) | — | 37,528,288 |
| Deferred shares | — | — | — | (816,372,408) | — | — | 816,372,408 |
| | 172,584,323 | 71,604,545 | 45,454,546 | (816,372,408) | 8,850,000 | — | 863,047,640 |
| Shares of £0.01 each: | | | | | | | |
| Priority Preference shares | — | — | — | — | (8,850,000) | 4,000,000 | 4,850,000 |
| | 172,584,323 | 71,604,545 | 45,454,546 | (816,372,408) | — | 4,000,000 | 867,897,640 |

| *Allotted, called up and fully paid* | 2005 No. | Redesignation (total) No. | Deferral No. | 2004 No. |
|---|---|---|---|---|
| Ordinary shares of £0.01 each | | | | |
| Ordinary shares | 9,146,944 | 9,146,944 | — | — |
| B Ordinary shares | 37,528,288 | 37,528,288 | — | — |
| Ordinary shares: Class A | — | (200) | — | 200 |
| Ordinary shares: Class B | — | (87,457) | — | 87,457 |
| Ordinary shares: Class F | — | (45,760,051) | — | 45,760,051 |
| Ordinary shares: Class G | — | (100) | — | 100 |
| Preferred Ordinary shares | — | (827,424) | — | 827,424 |
| Deferred shares | 816,372,408 | — | 8,609,221 | 807,763,187 |
| | 863,047,640 | — | 8,609,221 | 854,438,419 |
| Shares of £0.01 each: | | | | |
| Priority Preference shares | 4,850,000 | — | (8,609,221) | 13,459,221 |
| | 867,897,640 | — | — | 867,897,640 |

| Allotted, called up and fully paid | Ordinary shares £ '000 | B Ordinary shares £ '000 | Deferred shares £ '000 | Priority Preference Shares £ '000 | TOTAL £ '000 |
|---|---|---|---|---|---|
| Balance at 1 January 2006 | 91 | 375 | 8,164 | 47 | 8,677 |
| Conversion to Ordinary Shares | 375 | (375) | — | — | — |
| Conversion of Shareholder Loan to Priority Preference Shares | — | — | — | 40 | 40 |
| Conversion of Priority Preference Shares to Ordinary Shares | 87 | — | — | (87) | — |
| Transfer of Liability Portion of Priority Preference Shares on Conversion to Ordinary Shares | 2 | — | — | — | 2 |
| Cancellation of Deferred Shares | — | — | (8,164) | — | (8,164) |
| Placing of New Ordinary Shares | 455 | — | — | — | 455 |
| Bonus Issue of Ordinary Shares | 716 | — | — | — | 716 |
| **Balance at 31 December 2006** | 1,726 | — | — | — | 1,726 |

**Share issues**

On 7th April 2006 the Company issued 45,454,546 Ordinary Shares with nominal value 1p for 22p per share which resulted in a premium of 21p per share or £9,545k.

| Allotted, called up and fully paid | Ordinary shares £ '000 | B Ordinary shares £ '000 | Ordinary shares: Classes A, B, F and G £ '000 | Preferred Ordinary shares £ '000 | Deferred shares £ '000 | Priority Preference shares £ '000 | TOTAL £ '000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2005 | — | — | 458 | 8 | 8,078 | 135 | 8,679 |
| Opening balance Adjustment—IFRS | — | — | — | — | — | (135) | (135) |
| Adjusted balance at 1 January 2005 | — | — | 458 | 8 | 8,078 | — | 8,544 |
| Preference share liability transferred to deferred shares | 91 | 375 | (458) | (8) | 86 | — | 86 |
| Change in conditions of some Preference shares | — | — | — | — | — | 47 | 47 |
| **Balance at 31 December 2005** | 91 | 375 | — | — | 8,164 | 47 | 8,677 |

During the year, the Company restructured its equity. These changes are reflected in the tables above and described below.

Immediately prior to Admission on AIM, convertible shareholder loans of £4,000,000 were converted into 4,000,000 priority preference shares of £0.01 each in the share capital of the Company. These and the existing 4,850,000 priority preference shares were converted into 8,850,000 ordinary shares of £0.01 each in the share capital of the Company.

By resolutions passed on 22 March 2006, the following changes to the share capital of the Company were approved:

1. Following the cancellation of all the issued and unissued but authorised deferred shares of 1p each in nominal value, the authorised share capital of the Company was increased to £1,500,000 in nominal value comprising 150,000,000 Ordinary Shares of 1p each.
2. All 816,372,408 issued deferred shares of 1p each in nominal value were transferred to the company and were cancelled along with the 3,500,000 authorised but unissued deferred shares of 1p each and the share capital of the Company was reduced accordingly.
3. All 37,528,288 issued B Ordinary Shares of 1p each in the capital of the Company were converted into Ordinary Shares of 1p each in the capital of the Company.

By resolution passed on 3 April 2006 it was resolved that at Admission the authorised share capital of the Company be increased to £2,500,000 in nominal value comprising 250,000,000 Ordinary Shares of 1p each.

During 2005 the Company restructured its equity and adopted new Articles of Association. These changes are reflected in the table above and are described below.

The resulting changes to equity occurred on 28th December 2005:

- Deferral of 63.965% of issued Priority Preference shares to Deferred shares. The authorised Super Priority Preference shares were also converted to Deferred shares.
- Redesignation I—conversion of Ordinary shares Classes A, C, D, E, G and 8,137 Preferred Ordinary shares to Ordinary shares.
- Redesignation II—conversion of Ordinary shares Classes B, F and remaining 819,287 Preferred Ordinary shares to B Ordinary shares.

**Share Options**

Under the terms of the IXEurope Founders Share Option Scheme adopted on 30 June 2006, two Directors have been granted options to subscribe for Ordinary Shares of the Company as set out below:

| | Maximum no of shares over which the Option is held | Options price per Ordinary share | Date of Grant of Option |
|---|---|---|---|
| Guy Willner | 2,500,000 | 1p | 30 June 2006 |
| Christophe de Buchet | 2,500,000 | 1p | 30 June 2006 |
| | 5,000,000 | | |

The Options may be exercised:

i. as to 50% of the Ordinary Shares subject to the Option provided that the market value of an Ordinary Share reaches 40p on or after 18 months have elapsed since the admission of the Ordinary Shares to trading on AIM (irrespective of the share price subsequently); and

ii. as to the remaining 50% of the Ordinary Shares subject to the Option provided that the market value of an Ordinary Share reaches 50p on or after 30 months have elapsed since the admission of the Ordinary Shares to trading on AIM (irrespective of the share price subsequently).

The Options will lapse, if not exercised, on the tenth anniversary of the date of grant.

Under the terms of the Company's Unapproved Share Option Scheme adopted on 22 March 2006, Directors and certain senior employees have been awarded Options to subscribe for Ordinary Shares of the Company as set out in the table below.

| | Date of Grant | Options held at 1 January 2006 | Options held at 31 December 2006 | Market price at date of grant | Exercise price | Earliest exercise date | Expiry date |
|---|---|---|---|---|---|---|---|
| Guy Willner | 07/04/06 | — | 1,258,427 | 30p | 22p | 07/04/09 | 06/04/16 |
| Christophe de Buchet | 07/04/06 | — | 1,258,427 | 30p | 22p | 07/04/09 | 06/04/16 |
| Karen Bach | 07/04/06 | — | 1,258,247 | 30p | 22p | 07/04/09 | 06/04/16 |
| Senior Employees | 07/04/06 | — | 3,415,732 | 30p | 22p | 07/04/09 | 06/04/16 |
| | | | 7,191,013 | | | | |

The Options will vest in three equal portions upon the signing of the 2006, 2007 and 2008 statutory accounts based on performance criteria of EBITDA and space targets.

EBITDA targets will govern 75% of the options available following each financial year. If the target is not reached in 2006, the awards will still vest if the combined EBITDA targets are met for 2006 and 2007. If the target is not reached in 2007, the awards will still vest if the combined EBITDA targets are met for 2007 and 2008.

Space targets will govern the vesting of 25% of the options available following each financial year. If the target is not reached in 2006 the awards will still vest if the target is met for 2007. If the target is not reached in 2007 the awards will still vest if the target is met for 2008.

Under the terms of the Company's Unapproved Share Option Scheme, awards were made to employees as detailed below:

| Date of Grant | Options held at 1 January 2007 | Options held at 30 June 2007 | Market price at date of grant | Exercise Price | Earliest exercise date | Expiry date |
|---|---|---|---|---|---|---|
| 09/10/06 | 749,250 | 749,250 | 45p | 43p | 09/10/09 | 09/10/16 |

The following information is relevant in the determination of the fair value of options granted during the year. There were no share options granted in 2005.

| | Unapproved Scheme | IXEurope Founders Share Option Scheme | Unapproved Scheme |
|---|---|---|---|
| Date of Grant | 07/04/06 | 30/06/06 | 09/10/06 |
| Option pricing model used | Binomial | Binomial | Binomial |
| Adjusted bid price at date of grant | 20.75p | 29.44p | 44.00p |
| Exercise price | 22p | 1p | 43p |
| Option life | 10 years | 10 years | 10 years |
| Expected volatility | 44% | 44% | 44% |
| Risk-free interest rate | 4.39% | 4.74% | 4.80% |

The volatility assumption is based on the annualised volatility of IXEurope plc and a weighted average of comparative companies.

The performance based measures on the Unapproved Scheme granted on 7 April 2006 are modelled using an estimate of the probability of the non-market based performance criteria being met.

The equity settled element of the IXEurope Founders Share Option Scheme is modelled using the absolute values adjusted for the success probability derived for the required performance condition.

The cash settled element of the IXEurope Founders Share Option Scheme is modelled on the fair value of cash receivable based on estimates of the probability of the market conditions being met.

### 14 Share premium and reserves

Year ended 31 December 2006

| | Share premium account £ '000 | Retained earnings £ '000 | Foreign exchange translation reserve £ '000 | Other reserves £ '000 |
|---|---|---|---|---|
| At beginning of year | 69,149 | (71,066) | (765) | 2,545 |
| Share capital reduction | (45,000) | 45,000 | — | — |
| Conversion of shareholder loan | 4,322 | 3,897 | — | (2,444) |
| Conversion of priority preference shares | 319 | 29 | — | (29) |
| Repayment of deep discount bonds | — | 72 | — | (72) |
| Bonus issue | (716) | — | — | — |
| Cancellation of deferred shares | — | — | — | 8,164 |
| Share capital issued in the year (net of cost chargeable to share premium) | 9,142 | — | — | — |
| Share option charge | — | — | — | 489 |
| Deferred tax on share option charge | — | — | — | 390 |
| Cash flow hedge | | | | |
| Fair value gains in year | — | — | — | 90 |
| Tax on fair value gains in year | — | — | — | (27) |
| Transfers to income statement in year | — | — | — | (8) |
| Tax on transfers to income statement in year | — | — | — | 2 |
| Loss for the year | — | (3,440) | — | — |
| Currency translation differences on foreign currency net investments | — | — | (252) | — |
| **At end of year** | 37,216 | (25,508) | (1,017) | 9,100 |

Year ended 31 December 2005

| | Share premium account £ '000 | Retained earnings £ '000 | Foreign exchange translation reserve £ '000 | Other reserve £ '000 |
|---|---|---|---|---|
| At beginning of year | 56,573 | (51,890) | (142) | — |
| Opening balance adjustment—IFRS | (12,789) | (14,479) | — | — |
| Adjusted opening balance | 43,784 | (66,369) | (142) | — |
| Preference share liability transferred to deferred shares | 16,447 | — | — | — |
| Change in conditions of some Preference shares | 8,918 | — | — | — |
| Equity element of compound financial instruments | — | — | — | 2,545 |
| Loss for the year | — | (4,697) | — | — |
| Currency translation differences on foreign currency net investments | — | — | (623) | — |
| **At end of year** | 69,149 | (71,066) | (765) | 2,545 |

**Share Premium Reserve**

Amount subscribed for share capital in excess of the nominal value.

At an Extraordinary General Meeting on 6 February 2006, shareholders approved a resolution to reduce the share capital. The resolution was confirmed by the High Court on 1 March 2006 and became effective on registration at Companies House on 6 March 2006. The effect of the resolution was to reduce share premium by £45m.

**Retained Earnings**

Cumulative net gains and losses recognised in the consolidated income statement.

Foreign Exchange Translation Reserve

The translation reserve comprises all foreign exchange differences arising from translation of the financial statements of foreign operations that are not integral to the operation of the company.

**Other Reserves**

Other reserves comprises:

- the compound instrument reserve which represents the equity element of compound financial instruments;
- the cost of equity settled share based payments that have not been exercised;
- the movement in fair value of designated cash flow hedges taken to reserves in the year; and
- the capital redemption reserve for deferred shares cancelled in the year.

**15 Changes in shareholders' equity**

| | 2006<br>£ '000 | 2005<br>£ '000 |
|---|---|---|
| Total recognised income and expense | (3,245) | (5,320) |
| Reclassification of financial instruments at 1 January 2005 at fair value under IFRS 1 transitional rule | — | (27,403) |
| Preference share liability transferred to deferred shares | — | 16,533 |
| Change in conditions of some Preference shares | — | 8,965 |
| Equity element of compound financial instruments | — | 2,545 |
| Conversion of shareholder loan | 5,817 | — |
| Conversion of priority preference shares | 319 | — |
| Share capital issued (net of costs taken to share premium) | 9,597 | — |
| Share option charged to reserves | 489 | — |
| | 12,977 | (4,680) |
| Capital and reserves attributable to equity holders of the parent at the beginning of the period (as restated) | 8,540 | 13,220 |
| Capital and reserves attributable to equity holders of the parent at the end of the period | 21,517 | 8,540 |

**16 Interest bearing loans and borrowings: non current**

| | 2006<br>£ '000 | 2005<br>£ '000 |
|---|---|---|
| Obligation under finance leases | 1,205 | 1,807 |
| Bank loans | 12,774 | — |
| Shareholders' loan | — | 5,556 |
| Deep Discount Bonds | — | 1,766 |
| | 13,979 | 9,129 |

The bank loan is repayable in stages until 2011, however it becomes repayable in 45 days in the event of a sale, de-listing, change of management or change of control of the entity. Security is held over the shares, assets and bank accounts of certain Group entities.

**Finance Leases**

The minimum future lease payments to which the Group is committed under finance leases are as follows:

| | Minimum lease payments 2006 | Principal 2006 | Interest 2006 | Minimum lease payments 2005 | Principal 2005 | Interest 2005 |
|---|---|---|---|---|---|---|
| | £ '000 | £ '000 | £ '000 | £ '000 | £ '000 | £ '000 |
| Less than one year | 760 | 624 | 136 | 991 | 830 | 161 |
| Between one and five years | 1,563 | 1,087 | 476 | 1,947 | 1,447 | 500 |
| More than five years | 177 | 118 | 59 | 541 | 361 | 180 |
| | 2,500 | 1,829 | 671 | 3,479 | 2,638 | 841 |

Maturity Of Borrowings Excluding Finance Leases:

| | 2006 | 2005 |
|---|---|---|
| | £ '000 | £ '000 |
| Debt can be analysed as falling due: | | |
| Between one and two years | 12,503 | 7,322 |
| More than five years | 271 | — |
| | 12,774 | 7,322 |

**17 Other financial liabilities: non current**

| | 2006 | 2005 |
|---|---|---|
| | £ '000 | £ '000 |
| Other creditors | 1,098 | 559 |
| Accruals and deferred income | 121 | 234 |
| | 1,219 | 793 |

**18 Provisions: non current**

| | Provision for pension scheme |
|---|---|
| | £ '000 |
| At 31 December 2005 | 183 |
| Released in the year | (141) |
| Exchange rate movements | (5) |
| **At 31 December 2006** | 37 |

The provisions relate to the pension scheme in Switzerland.

### 19 Interest bearing loans and borrowing: current

| | 2006 £ '000 | 2005 £ '000 |
|---|---|---|
| Obligation under finance leases | 624 | 830 |
| Bank loan – Bridge | — | 4,811 |
| Bank loan | 4,254 | 8,384 |
| Preference share liabilities | — | 320 |
| Bank overdrafts | — | 10 |
| | 4,878 | 14,355 |

The bank loan is repayable in stages until 2011, however it becomes repayable in 45 days in the event of a sale, de-listing, change of management or change of control of the entity. Security is held over the shares, assets and bank accounts of certain Group entities.

### 20 Trade and other payables: current

| | 2006 £ '000 | 2005 £ '000 |
|---|---|---|
| Trade creditors | 4,788 | 3,064 |
| Taxation and social security | 632 | 196 |
| Other creditors | 2,702 | 2,704 |
| Accruals and deferred income | 6,696 | 4,902 |
| Deferred consideration for customer contracts | 306 | — |
| | 15,124 | 10,866 |

### 21 Provisions: current

| | Provision for claims £ '000 |
|---|---|
| At 31 December 2005 | 138 |
| Utilised in the year | (79) |
| Exchange rate movements | (2) |
| **At 31 December 2006** | 57 |

The provisions relate to claims against the Group and the associated costs of defending those claims. The provisions are expected to be utilised within the next year.

### 22 Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

#### Credit Risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. It is Group policy to obtain credit evaluations or a deposit covering several months' revenue for all companies.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

#### Interest Rate Risk

The Group is exposed to interest rate fluctuations on its variable rate long term borrowing. The Group aims to obtain funding to meet its business needs at competitive rates of interest.

The fair value of interest rate swaps designated as hedging instruments in cash flow interest rate hedges of variable rate debt is £82k.

The interest rate swaps are considered to be highly effective hedges. As a result, the full amount of the fair value has been debited to equity.

**Effective Interest Rates And Repricing Analysis**

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

| | Interest rate | 2006 Total | 1 year or less | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | | £ '000 | £ '000 | £ '000 | £ '000 | £ '000 |
| Cash and cash equivalents | 2.28% | 4,516 | 4,516 | — | — | — |
| Bank loan – CIT facility A & C – Euro | EURIBOR + 2.5% | (1,659) | (1,659) | — | — | — |
| Bank loan – CIT facility A & C – Sterling | LIBOR + 2.5% | (3,381) | (3,381) | — | — | — |
| Bank loan – CIT facility B – Euro | EURIBOR + 3.0% | (1,329) | (1,329) | — | — | — |
| Bank loan – CIT facility B – Sterling | LIBOR + 3.0% | (277) | (277) | — | — | — |
| Bank loan – CIT Euro fixed * | 3.72% | (4,582) | — | — | (4,582) | — |
| Bank loan – CIT Sterling fixed * | 5.18% | (5,800) | — | — | (5,800) | — |
| Finance lease liabilities* | 7.87% | (1,830) | (624) | (351) | (737) | (118) |
| | | (14,342) | (2,754) | (351) | (11,119) | (118) |

* These assets/liabilities bear interest at a fixed rate. Other assets and liabilities in the table above bear interest at a variable rate.

| | Interest rate | 2006 Total | 1 year or less | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | | £ '000 | £ '000 | £ '000 | £ '000 | £ '000 |
| Cash and cash equivalents | 2.10% | 4,446 | 4,446 | — | — | — |
| Bank loans – CIT senior term – Euro | EURIBOR + 3.5% | (3,985) | (3,985) | — | — | — |
| Bank loans – CIT senior term – Sterling | LIBOR + 3.5% | (4,250) | (4,250) | — | — | — |
| Bank loans – CIT Bridge | EURIBOR + 3.5% | (4,810) | (4,810) | — | — | — |
| Bank loans – CIT PIK | EURIBOR + 3.5% | (79) | (79) | — | — | — |
| Shareholder loan* | 20.00% | (5,556) | — | (5,556) | — | — |
| Deep Discount Bonds* | 20.00% | (1,766) | — | (1,766) | — | — |
| Redeemable Preference Shares* | 20.00% | (320) | (320) | — | — | — |
| Finance lease liabilities* | 7.44% | (2,638) | (830) | (619) | (828) | (361) |
| | | (18,958) | (9,828) | (7,941) | (828) | (361) |

* These assets/liabilities bear interest at a fixed rate. Other assets and liabilities in the table above bear interest at a variable rate.

**Fixed rate liabilities**

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Weighted average interest rate | Weighted average period | Weighted average interest rate | Weighted average period |
| Finance leases | 7.87% | 4.27 years | 7.44% | 4.67 years |
| Bank loan – Euro | 3.72% | 2.67 years | — | — |
| Bank loan – Sterling | 5.18% | 2.67 years | — | — |
| Shareholder loan | — | — | 20.00% | 2 years |
| Deep Discount Bonds | — | — | 20.00% | 2 years |
| Redeemable Preference Shares | — | — | 20.00% | * |

* The interest rate on redeemable Preference Shares was fixed until such time as they were redeemed in accordance with the terms of the instruments.

**Foreign Currency Risk**

The Group is exposed to profit and loss foreign currency risk on sales, purchases and borrowings denominated in a currency other than the functional currency of the Group entity.

The Group hedges some of its exposure to foreign currency risk by ensuring sales, purchases and borrowings are denominated in the currency appropriate to the related transaction. It is not Group policy to enter into hedging arrangements to mitigate foreign exchange risk.

The Group is exposed to foreign currency risk on the translation of overseas subsidiaries into Sterling.

The majority of borrowings are in the functional currency of the entity of which they are being used as funding.

| Net assets by currency: | Net Assets in local currency | |
|---|---|---|
| | 2006 | 2005 |
| | '000 | '000 |
| Sterling | 3,482 | (2,839) |
| Euro | 25,645 | 16,821 |
| Swiss Franc | (1,031) | 417 |
| Swedish Kronor | — | 64 |

**Liquidity Risk**

The Group manages liquidity risk through an appropriate mix of funding sources.

**Sensitivity Analysis**

In managing interest rate and currency risks, the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At 31 December 2006, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before tax by approximately £105k (2005: £586k).

It is estimated that a general increase of one percentage point in the value of the British Pound against other foreign currencies would decrease the Group's profit before tax by approximately £38k (2005: £537k).

**Fair Values**

To the extent that financial instruments are not carried at fair value in the consolidated balance sheet, book value approximates to fair value at 31 December 2005 and 2006.

**23 Commitments**

**Operating Leases**

Future minimum lease payments under non-cancellable operating leases are as follows:

| | Land and buildings 2006 | Other 2006 | Land and buildings 2005 | Other 2005 |
|---|---|---|---|---|
| | £ '000 | £ '000 | £ '000 | £ '000 |
| Within one year | 5,471 | 101 | 4,433 | 137 |
| In two to five years | 21,318 | 118 | 17,371 | 210 |
| In more than five years | 23,305 | — | 20,443 | — |
| | 50,094 | 219 | 42,247 | 347 |

At 31 December 2006, the Group had committed capital expenditures for the development of IXDatacentres™ of £2,866k (2005: £2,215k).

Future minimum lease receivables under non-cancellable operating leases are as follows:

| | Land and buildings 2006 £ '000 | Land and buildings 2005 £ '000 |
|---|---|---|
| Within one year | 186 | 139 |
| In two to five years | 256 | 331 |
| | 442 | 470 |

**24 Pension Commitments**

Certain Group companies participate in The Group Personal Pension Plan which is a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension charge represents contributions payable by the Group to the fund and amounted to £164k (2005: £174k). Contributions payable at the year end amounted to £18k (2005: £16k).

A Group company operates a post-employment pension scheme for its employees of a defined benefit nature. A provision has been made of £37k in respect of the deficit arising on this scheme at 31 December 2006 (2005: £183k).

**25 Subsequent events**

**Capital Increased**

On 5th February 2007, IX Europe plc placed 8,600,000 new shares with institutional investors at a price of 59p per share.

**Renegotiation Of Banking Facilities**

On 28th February 2007, IX Europe plc renegotiated and increased its banking facilities to £40m.

**26 Related parties**

**Identity Of Related Parties**

The Group has a related party relationship with its subsidiaries (see note 29) and with its Directors and executive officers.

**Director's Services**

Milestone Capital Partners Limited, a major shareholder, were due £23k for the year (2005: £Nil)

**Transactions With Key Management Personnel**

The interests of the Directors in the share capital of the Company are disclosed in the Directors' Report and the compensation of key management personnel is disclosed in Note 6. During the year a charge of £334k was recognised in the income statement relating to share options granted to Executive Directors in the year (2005: £Nil). There were no other key management personnel other than the Directors of the Company during the year.

**Loans**

Shareholders have provided loans to the company of £Nil (2005: £7,321k). See note 16 for further details.

**Other**

There were no other related party transactions at any time during the year.

**27 Summary of differences between International Financial Reporting Standards and accounting principles generally accepted in the United States of America**

**A. Introduction**

The consolidated financial statements of IXEurope (the Company) are prepared in accordance with International Financial Reporting Standards (IFRS) which differ in certain respects from generally accepted accounting principles in the United States of America (US GAAP). Reconciliations of net income and shareholders' equity under IFRS and US GAAP are set out below.

The Company adopted IFRS with a transition date of 1 January 2004. The Company previously prepared its consolidated financial statements in accordance with generally accepted accounting principles in the United Kingdom (UK GAAP).

**B. Significant differences between accounting principles**

| | Note | 2006 Revenue £ '000 | 2006 Gross Profit £ '000 | 2006 Loss £ '000 | 2005 Revenue £ '000 | 2005 Gross Profit £ '000 | 2005 Loss £ '000 |
|---|---|---|---|---|---|---|---|
| **Adjustments to Consolidated Income Statements** | | | | | | | |
| **IFRS** | | 37,335 | 14,798 | (3,440) | 22,538 | 10,001 | (4,697) |
| **US GAAP adjustments:** | | | | | | | |
| Business combinations | (i) | — | — | 60 | — | — | (1,102) |
| Shareholder loan | (ii) | — | — | 130 | — | — | 1,778 |
| Convertible deep discount bonds | (iii) | — | — | 71 | — | — | 1 |
| Installation revenue and costs | (iv) | (1,981) | (462) | (295) | (175) | (121) | (78) |
| Stock options | (v) | — | — | — | — | — | (8) |
| Derivatives and hedging activities | (vi) | — | — | 82 | — | — | — |
| Tax effect of US GAAP adjustments | (vii) | — | — | (25) | — | — | (456) |
| Valuation allowance on deferred tax | (vii) | — | — | (134) | — | — | 36 |
| Reallocation of depreciation to cost of sales | | — | (5,638) | — | — | (3,786) | — |
| **US GAAP Final** | | 35,354 | 8,698 | (3,551) | 22,363 | 6,094 | (4,526) |
| **Loss per share** | | | | | | | |
| Basic loss per share | | | | (2.52p) | | | (9.70p) |
| Diluted loss per share | | | | (2.52p) | | | (9.70p) |

| | Note | 2006 Total Assets £ '000 | 2006 Total Liabilities £ '000 | 2006 Equity £ '000 | 2005 Total Assets £ '000 | 2005 Total Liabilities £ '000 | 2005 Equity £ '000 |
|---|---|---|---|---|---|---|---|
| **Adjustments to Consolidated Balance Sheets** | | | | | | | |
| **IFRS** | | 56,811 | 35,294 | 21,517 | 44,004 | 35,464 | 8,540 |
| **US GAAP adjustments:** | | | | | | | |
| Business combinations | (i) | (821) | — | (821) | (957) | — | (957) |
| Redeemable convertible priority preference shares | (viii) | — | — | — | — | 23 | (23) |
| Shareholder loan | (iii) | — | — | — | — | (2,778) | 2,778 |
| Convertible deep discount bonds | (iii) | — | — | — | — | 71 | (71) |
| Installation revenue and costs | (iv) | 2,789 | 3,459 | (670) | 1,103 | 1,478 | (375) |
| Deferred tax effect | (vii) | (390) | — | (390) | — | — | — |
| Valuation allowance on deferred tax | (vii) | (629) | — | (629) | (533) | — | (533) |
| Reallocation of debt issuance costs | | 1,012 | 1,012 | — | 335 | 335 | — |
| **US GAAP Final** | | 58,772 | 39,765 | 19,007 | 43,952 | 34,593 | 9,359 |

**(i) Business combinations**

Under IFRS, the Company accounts for all business combinations by applying the acquisition method. In respect of business combinations that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. The Company elected not to apply IFRS 3, 'Business Combinations', to business combinations that were recognised on or before 1 January 2004. As a result, the carrying value of purchased goodwill recognised under UK GAAP was treated as deemed cost upon the transition to IFRS. Under UK GAAP, goodwill arising from acquisitions was capitalised and amortised over the period of its expected useful life of 10 years.

Goodwill is no longer amortised since the transition to IFRS but is tested annually for impairment. Negative goodwill arising at acquisition is recognised directly in the income statement.

Under IFRS, the benefit of pre-acquisition tax loss carry forward positions that were not recognised as a deferred tax asset at the time of the acquisition but that are recognised subsequently are credited to the income statement.

Under IFRS, restructuring provisions are only recognised as part of the acquired liabilities if the acquiree had an existing liability at the acquisition date for the restructuring costs.

Under US GAAP, business combinations are accounted for under the purchase accounting method similar to IFRS, however, the following accounting differences exist

- From 1 January 2002, under FAS 142 'Goodwill and Other Intangibles Assets', the amortisation of goodwill and indefinite lived intangibles ceased resulting in higher carrying values under US GAAP compared to IFRS;
- negative goodwill is allocated against the carrying value of the long-lived assets thereby resulting in different carrying values of long-lived assets and lower future amortisation and depreciation expenses under US GAAP;
- the benefit of pre-acquisition tax losses carry forward positions that are recognised subsequently are adjusted against the historically recognised goodwill, then intangible assets and finally reduce income tax expenses; and
- acquisition related restructuring provisions are recognised as part of the acquired liabilities if certain specific criteria are met

**(ii) Redeemable convertible priority preference shares**

Under IFRS, preference shares issued by the Company where distributions are not discretionary are classified as debt.

Under US GAAP, these preference shares are classified as temporary equity, as the redemption is not solely within the control of the Company.

**(iii) Shareholder loan and convertible deep discount bonds**

Under IFRS, the shareholder loan and the convertible deep discount bonds were recorded at fair value at 1 January 2005, being the transition date for IAS 32, Financial Instruments: Presentation and IAS 39, Financial Instruments: Recognition and Measurement. The fair value at that date was then allocated between the liability and equity

components. Subsequently the debt component is accounted for as a financial liability measured at amortised cost and the amount credited directly to equity is not subsequently remeasured.

Under US GAAP, the conversion features are not separated from the shareholder loan and convertible deep discount bonds.

**Shareholder loan**

The conversion feature allowed the shareholder loan not repaid by the date specified in the agreement date to be converted into Priority Preference Shares ("PPS"), which were not exchange traded securities, on the basis of 1 PPS for every £1. Since none of the criteria of SFAS 133.9 were met (i.e. no net settlement, no market mechanism that would facilitate net settlement and the PPS shares were not traded equity securities and therefore could not be readily converted to cash), the embedded conversion feature did not meet the criteria specified in SFAS 133.12(c) and therefore was not separated from the host contract.

**Deep Discount Bonds**

The conversion feature gave the holders and the issuer of the bond an option to convert the Deep Discount Bonds into Priority Preference Shares ("PPS"), which were not exchange traded securities. None of the criteria of SFAS 133.9 were met (i.e. no net settlement, no market mechanism that would facilitate net settlement and the PPS shares were not traded equity securities and therefore could not be readily converted to cash). The embedded conversion feature did not meet the criteria specified in SFAS 133.12(c), and therefore was not separated from the host contract. Furthermore, the conversion feature was not "in the money" at issuance and therefore no beneficial feature needed to be recognised.

Under US GAAP since the shareholder loan is non-interest bearing the difference between the proceeds received and the present value of the repayments due has been recorded as a capital contribution.

The gain arising on the conversion of the shareholder loan into ordinary shares at the time of the Admission to AIM is recognised directly into equity under both GAAP's.

**(iv) Installation revenue and costs**

The Company's contracts typically require the customer to pay an installation fee and a monthly service fee. Under IFRS, the company separately accounts for installation fee revenue and monthly recurring revenue from customer contracts as they represent separate identifiable components. The Company recognizes installation revenue on completion of the installation and acceptance by the customer. The company recognizes monthly service fee revenue as the services are performed.

Under US GAAP, EITF 00-21, 'Revenue Arrangements with Multiple Deliverables', sets forth criteria for the separation of different components of a revenue arrangement including a requirement that the delivered component has value to the customer on a standalone basis. Pursuant to these criteria the installation fees are recognised over the longer of the contract period or the estimated customer life.

Under IFRS installation costs related to installation fees charged to customers are expensed as incurred. Under US GAAP, installation cost are deferred and amortised over the same period as the related installation fee revenue.

US GAAP allows expensing but the Company has elected to defer and amortise.

**(v) Stock options**

Under IFRS 2, the Company did not have to recognise compensation expense for the share options plans of 2000 and 2002 because they were granted before 7 November 2002.

Under US GAAP, the Company applies the modified retrospective method of SFAS 123(R). The requirements of SFAS 123R are similar to IFRS 2 with the exception of the transition requirements. In particular, under US GAAP the Company has recognised compensation costs of the options granted in 2002.

**(vi) Derivatives and hedging activities**

Under IFRS, gains and losses arising from changes in the fair value of a derivative are recognised as they arise in profit or loss unless the derivative is the hedging instrument in a qualifying hedge. The Company entered into one hedge relationship using interest rate swaps to hedge the variability in cash flows on variable rate debt (cash flow hedges).

US GAAP principles are similar to IFRS. There are however differences in their detailed application in particular, US GAAP requires effectiveness testing to be performed at least quarterly. As a result, the Company has not designated any hedge relationships for US GAAP purposes. Therefore all changes in fair value of the interest rate swaps are recognised in the income statement.

**(vii) Income taxes**

IFRS and US GAAP accounting principles for current and deferred income tax accounting are similar except as described below. Under IFRS, deferred tax on share-based compensation is provided based on the actual tax credit expected to be received based upon the fair market value of the share price at the period end (the intrinsic value). The deferred tax is credited to the income statement to the extent of the tax recognised on the share-based compensation charge with the excess recognised directly in equity.

Under US GAAP, deferred tax is recognised to the extent of the cumulative amount of compensation cost recognised through the income statement. Upon exercise, any excess tax benefits are credited to equity, creating an Additional Paid In Capital (APIC) pool. If the tax deduction received is less than the compensation expense, the write off of the excess deferred tax asset is written off to the income statement or to APIC, depending on the availability of an APIC pool.

Under IFRS deferred taxes are calculated using tax rates enacted or substantively enacted at the balance sheet rate.

Deferred taxes have been provided at the applicable effective tax rate on relevant US GAAP adjustments shown in the reconciliation above. The group has tax loss carry forward available to offset against future taxable income. Due to the uncertainty over the realisation of these deferred tax assets in future years, the Group has recorded a valuation allowance against all of its net deferred tax assets and tax effect on applicable US GAAP adjustments shown in the reconciliation above except where the deferred tax assets relate to the Swiss operations, Share Option Compensation expense and the interest rate swaps.

A deferred tax asset is recognised as the company records an expense before the tax benefit is realised. Under IFRS, the company compares the allowable tax deduction with the related financial statement compensation expense and credits the tax benefit relating to the expense in the income statement to the income statement with any excess tax deduction to equity.

Under US GAAP, the Company is only allowed to recognise an asset up to the value of the tax benefit relating to the expense in the income statement, giving rise to a GAAP difference of £390k for 2006 and £Nil for 2005.

Pre-acquisition tax losses carried forward are recognised against goodwill under US GAAP while in Income Statement under IFRS. This leads to an adjustment of £Nil for 2006 and £456k for 2005.

Under IFRS hedge accounting was considered effective and deferred tax is recognised directly in equity. Under US GAAP this is recognised in the income statement, giving rise to an expense of £25k for 2006 and £Nil for 2005.

Valuation allowances have been recognised on deferred tax assets created where the recoverability is uncertain.

The amounts recognised in the income statement relate to:

| | 2006 | 2005 |
|---|---|---|
| Business combinations | 33 | 79 |
| Installation revenue and costs | (167) | (43) |
| | (134) | 36 |

The amounts recognised in equity relate to:

| | 2006 | 2005 |
|---|---|---|
| Business combinations | 316 | 387 |
| Installation revenue and costs | 313 | 146 |
| | 629 | 533 |

**(viii) Redeemable convertible priority preference shares**

Under IFRS, preference shares issued by the Company where distributions are not discretionary are classified as debt.

Under US GAAP, these preference shares are classified as temporary equity, as the redemption is not solely within the control of the Company.

**C. Presentational differences**

In addition to the recognition and measurement differences between IFRS and US GAAP there are a number of differences in the manner in which amounts are presented and classified in the financial statements. The principal presentation and classification differences are summarised below.

**Debt issuance costs**

Under IFRS, debt issuance costs are offset against the proceeds received. Under US GAAP debt issuance costs are recorded as a separate deferred cost. As of 31 December 2006 and 31 December 2005, the Group had debt issuance costs of £1.0m and £0.3m, respectively.

**Restricted cash**

Under IFRS, restricted cash is disclosed as part of cash & cash equivalents. Under US GAAP restricted cash is disclosed separately as part of debtors. As of 31 December 2006 and 31 December 2005, the Group had restricted cash of £2.1m and £2.0m, respectively.

**Balance sheet format**

The format of a balance sheet prepared in accordance with IFRS differs in certain respects from US GAAP. IFRS requires assets to be presented in ascending order of liquidity, whereas under US GAAP assets are presented in descending order of liquidity.

## D. Supplemental disclosures required by US GAAP

### Concentration of credit risk

For the years ended 31 December 2006 and 2005, there was a customer that accounted for 11% of revenues for the year.

As of 31 December 2006, one customer accounted for 15% of trade debtors and another accounted for 11% of trade debtors. As of 31 December 2005, one customer accounted for 23% of trade debtors and another accounted for 15% of trade debtors.

No other single customer accounted for greater than 10% of accounts receivables or revenues for the periods presented.

### Amortisation profile of intangible assets

The Company's customer contract intangible asset is expected to be fully amortised by 2009. The Company expects to record amortisation expense through 2009 as follows:

| Year ending: | £ '000 |
|---|---|
| 2007 | 258 |
| 2008 | 62 |
| 2009 | 14 |
| | 334 |

### Trade debtors

Trade debtors, net, consists of the following as of 31 December:

| | 2006<br>£ '000 | 2005<br>£ '000 |
|---|---|---|
| Trade debtors | 4,929 | 2,164 |
| Bad debt provision | (93) | (90) |
| | 4,836 | 2,074 |

### Deferred income

The Group has separately material deferred income balances with 3 customers totaling £1.0m at 31 December 2006.

### Bank loan

As at the 31 December 2006, the Company had £9.4m of unused commitments under the bank loan with CIT. Undrawn commitments attract a commitment fee of 0.5%. Availability is based on a pro-forma last quarter annualised multiple of Group EBITDA.

At year end, there were four Financial Covenant tests on the bank loan with CIT:

**Cash Flow Test:** The ratio of Cashflow Available For Debt Service to Total Debt Service in respect of each Relevant Period shall not be less than a set ratio;

**Interest Cover I:** The ratio of Pro Forma Borrowing Group EBITDA to Total Interest Costs in respect of any Relevant Period specified shall be or shall exceed the ratio set out for each Relevant Period.

**Leverage:** The ratio of Total Debt as at the end of any Relevant Period specified to Pro Forma Borrowing Group EBITDA in respect of such Relevant Period shall not be more than the ratio set out for each Relevant Period.

**Capital Expenditure:** The aggregate Capital Expenditure of the Borrowing Group in respect of each other financial year of the Company specified, shall not exceed the amount set out for that financial year.

As of 31 December 2006, the Company was in compliance with all covenants in connection with the CIT bank loan.

**Property, plant and equipment**

The Company has plant and machinery and fixtures, fittings, tools and equipment held under finance leases with aggregated cost of £4,376k and £4,382k at 31 December 2006 and 31 December 2005 respectively. Accumulated depreciation on such assets totaled £2,269k and £1,533k for the years ended 31 December 2006 and 31 December 2005 respectively.

**Share options**

| | Number of shares outstanding | Weighted average exercise price per share £ | Weighted average fair value at date of grant per share £ |
|---|---|---|---|
| Share options outstanding at 31 December 2003, 2004 and 2005 | — | | |
| Share options granted | 12,940,263 | 0.15 | 0.13 |
| Share options outstanding at 31 December 2006 | 12,940,263 | 0.15 | |

Share option models assumed no dividend growth in the period of the calculation.

As at 31 December 2006 the aggregate intrinsic value of share options was £4.4m. There were no share options in issue as at 31 December 2005.

As at 31 December 2006 the total compensation cost relating to non-vested share options not yet recognised was £0.9m and the weighted average period over which it is expected to be recognised is 1.4 years.

**Income statement classification differences**

| | 2006 £ '000 | 2005 £ '000 |
|---|---|---|
| Space and related revenue | 27,941 | 19,738 |
| Power revenue | 7,413 | 2,625 |
| Total revenue | 35,354 | 22,363 |

| 2006 | Cost of revenues £ '000 | Selling, general and administrative £ '000 | Total £ '000 |
|---|---|---|---|
| Depreciation | 5,574 | 33 | 5,607 |
| Amortisation | 64 | — | 64 |
| | 5,638 | 33 | 5,671 |

| 2005 | Cost of revenues £ '000 | Selling, general and administrative £ '000 | Total £ '000 |
|---|---|---|---|
| Depreciation | 3,786 | 23 | 3,809 |

Expenses for rent were £4,563k and £3,647k for the years ended 31 December 2006 and 2005, respectively.

**Guarantor Arrangements**

The Company has agreements whereby the Company indemnifies its directors for certain events or occurrences while the officer or director is, or was serving, at the Company's request in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits the Company's exposure and enables the Company to recover a portion of any future amounts paid. As a result of the Company's insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal. The Company has no significant liabilities recorded for these agreements as of 31 December 2006.

The Company has service level commitment obligations to certain of its customers. As a result, certain service interruptions such as power, temperature or humidity, whether or not within the Company's control, could result in service level commitments to these customers. The Company's liability insurance may not be adequate to cover those expenses. There were no significant service level credits recorded during the year ended 31 December 2006. The Company generally has the ability to determine such service level credits prior to the associated revenue being recognised. The Company has no significant liabilities in connection with service level credits as of 31 December 2006.

**Tax disclosures**

| | UK | | | | Rest of Europe |
|---|---|---|---|---|---|
| | Accelerated Capital Allowances | Losses carried forward | Share option | Hedging | Losses carried forward |
| Gross deferred tax asset/(liability) | 1,116 | 2,031 | 537 | (25) | 8,958 |
| Valuation allowance | (1,116) | (2,031) | — | — | (8,284) |
| Net deferred tax asset/(liability) | — | — | 537 | (25) | 674 |

The UK tax losses of £6,770k can be carried forward indefinitely. Of the overseas tax losses of £25,096k, £21,724k can be carried forward indefinitely. The remaining £3,354k will expire, if not utilized, after 2010.

There are no valuation allowances which would be applied against goodwill upon realization.

**Finance leases**

Combined aggregate maturities for future minimum payments under finance leases as of 31 December 2006 are as follows:

| | £ '000 |
|---|---|
| 2007 | 760 |
| 2008 | 472 |
| 2009 | 379 |
| 2010 | 358 |
| 2011 | 354 |
| 2012 and thereafter | 177 |
| | 2,500 |
| Less amount representing unamortised discount | (671) |
| | 1,829 |
| Less current portion | (624) |
| | 1,205 |

**Operating leases**

Minimum future operating lease payments as of 31 December 2006 are as follows:

| | £ '000 |
|---|---|
| 2007 | 5,572 |
| 2008 | 5,527 |
| 2009 | 5,556 |
| 2010 | 5,255 |
| 2011 | 5,098 |
| 2012 and thereafter | 23,305 |
| | 50,313 |

***Accounting Policies***

***Net Loss Per Share***

The Company computes net loss per share in accordance with SFAS No. 128, "Earnings per Share;" SEC Staff Accounting Bulletin ("SAB") No. 98; EITF Issue 03-6, "Participating Securities and the Two-Class Method Under FASB 128" and EITF Issue 04-8 "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share." Under the provisions of SFAS No. 128, SAB No. 98 and EITF Issues 03-6 and 04-8, basic and diluted net loss per share are computed using the weighted-average number of common shares outstanding. Options, warrants and contingently convertible instruments were not included in the computation of diluted net loss per share.

***Fair Value of Financial Instruments***

The carrying value amounts of the Company's financial instruments, which include cash equivalents, short-term and long-term investments, accounts receivable, accounts payable, accrued expenses and long-term obligations, approximate their fair value due to either the short-term maturity or the prevailing interest rates of the related instruments.

***Bad debt provision***

Management reviews accounts receivable on a regular basis to determine if any provisions are required. A specific bad debt provision of up to the full amount of a particular invoice value is recorded for certain problematic customer balances. A general provision is not maintained. Delinquent account balances are written-off after management has determined that the likelihood of collection is not probable.

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**Consolidated income statements**

| | Note | Unaudited Six months to 30 June 2007 | Unaudited Six months to 30 June 2006 |
|---|---|---|---|
| | | £ '000 | £ '000 |
| **Revenue** | | **25,816** | 15,308 |
| Cost of sales | | **(14,498)** | (9,271) |
| **Gross profit** | | **11,318** | 6,037 |
| Administrative expenses: | | | |
| General administrative expenses | | **(5,866)** | (4,199) |
| IPO related expenses | | — | (1,179) |
| Share option charges | 3 | **(1,084)** | (105) |
| Depreciation and amortisation | 3 | **(3,872)** | (2,473) |
| Total administrative expenses | | **(10,822)** | (7,956) |
| **Profit/(loss) from operations** | | **496** | (1,919) |
| Financial income | 4 | **151** | 101 |
| Financial expense | 4 | **(761)** | (1,108) |
| **Loss before taxation** | | **(114)** | (2,926) |
| Income tax expense | | **(210)** | (2) |
| **Loss for the period** | | **(324)** | (2,928) |
| **Loss per share** | | | |
| *Basic* | *5* | ***(0.2p)*** | *(2.7p)* |
| *Diluted* | *5* | ***(0.2p)*** | *(2.7p)* |

**Consolidated statements of recognised income and expense**

| | Unaudited Six months to 30 June 2007 £ '000 | Unaudited Six months to 30 June 2006 £ '000 |
|---|---|---|
| Foreign exchange losses on retranslation of overseas operations | **(80)** | (64) |
| Movement in fair value of designated cash flow hedges: | | — |
| —taken to the cash flow hedging reserve in the year (net of tax) | **145** | — |
| —Tax effect of gains and losses recognised directly in equity during the year | **(390)** | — |
| Net expenses recognised directly in equity | **(325)** | (64) |
| Loss for the period | **(324)** | (2,928) |
| Total recognised income and expenses for the period | **(649)** | (2,992) |

**Consolidated balance sheets**

| | Note | Unaudited 30 June 2007 £ '000 | Audited Year to 31 December 2006 £ '000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **43,141** | 35,406 |
| Intangible assets | | **3,726** | 3,860 |
| Deferred tax asset | | **626** | 1,186 |
| Other receivables | | **3,336** | 3,226 |
| **Total non-current assets** | | **50,829** | 43,678 |
| **Current assets** | | | |
| Trade and other receivables | | 8,683 | 6,677 |
| Cash and cash equivalents | | 5,976 | 6,456 |
| **Total current assets** | | **14,659** | 13,133 |
| **Total assets** | | **65,488** | 56,811 |
| **Equity** | | | |
| Issued capital | *5* | **1,812** | 1,726 |
| Share premium | *6* | **41,959** | 37,216 |
| Foreign exchange translation reserve | *6* | **(1,098)** | (1,017) |
| Capital redemption reserve | *6* | **8,164** | 8,164 |
| Hedging reserve | *6* | **202** | 57 |
| Share option reserve | *6* | **823** | 879 |
| Retained earnings | *6* | **(25,832)** | (25,508) |
| **Total equity** | | **26,030** | 21,517 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Interest bearing loans and borrowings | | **18,351** | 13,979 |
| Other financial liabilities | | **1,595** | 1,219 |
| Provisions | | **36** | 37 |
| **Total non-current liabilities** | | **19,982** | 15,235 |
| **Current liabilities** | | | |
| Interest bearing loans and borrowings | | **816** | 4,878 |
| Trade and other payables | | **18,603** | 15,124 |
| Provisions | | **57** | 57 |
| **Total current liabilities** | | **19,476** | 20,059 |
| **Total equity and liabilities** | | **65,488** | 56,811 |

**Consolidated cash flow statements**

| | Unaudited Six months to 30 June 2007 £ '000 | Unaudited Six months to 30 June 2006 £ '000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period | **(324)** | (2,928) |
| *Adjustments for* | | |
| Depreciation | **3,737** | 2,473 |
| Amortisation of intangible assets | **135** | — |
| Share option scheme expense | **364** | 105 |
| Foreign exchange losses | **(21)** | 22 |
| Loss on disposal of fixed assets | — | 1 |
| Interest expense | **610** | 1,007 |
| Income tax expense | **210** | 2 |
| **Operating profit/(loss) before changes in working capital and provisions** | **4,711** | 682 |
| Increase in trade and other receivables | **(3,544)** | (935) |
| Increase in trade and other payables | **(38)** | 1,137 |
| Increase/(decrease) in provisions | — | — |
| **Cash generated/(used) in the operations** | **1,129** | 884 |
| Income taxes paid | **(15)** | (2) |
| **Net cash from operating activities** | **1,114** | 882 |
| **Cash flows from investing activities** | | |
| Interest received | **151** | 101 |
| Acquisition of property, plant and equipment | **(6,853)** | (6,728) |
| Acquisition of subsidiary, net of cash acquired | — | — |
| Acquisition of businesses, net of cash acquired | — | — |
| **Net cash from investing activities** | **(6,702)** | (6,627) |
| **Cash flows from financing activities** | | |
| Interest paid | **(781)** | (853) |
| Proceeds from issue of shares | **5,074** | 10,000 |
| Share issue costs taken to reserves | **(245)** | (307) |
| Proceeds from bank loan | **3,916** | 2,187 |
| Repayment of bank loan | **(2,372)** | (4,998) |
| Repayment of deep discount bonds | — | (1,907) |
| Capital element of finance leases | **(417)** | (445) |
| **Net cash from financing activities** | **5,175** | 3,677 |
| Net (decrease)/increase in cash and cash equivalents | **(413)** | (2,068) |
| Cash and cash equivalents at 1 January | **6,456** | 4,446 |
| Effect of exchange rate fluctuations on cash held | **(67)** | 26 |
| **Cash and cash equivalents** | **5,976** | 2,404 |

## 1 Accounting policies

IX Europe plc (the "Company") is a company domiciled in England. The consolidated interim results of the Company for the six months ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

The comparatives for the full year ended 31 December 2006 are not the Group's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

### *Statement of compliance*

These consolidated interim results have been prepared in accordance with International Financial Reporting Standards as adopted by the EU for use in the Company's annual financial statements and in accordance with accounting policies and presentation adopted in the last consolidated financial results. The company has elected not to adopt IFRS 7 "Financial Instruments: Disclosure" early.

## 2 Segment information

Segment information is presented in respect of the Group's geographical and business segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

### Geographical Segments

As at 30 June 2006, the Group operated data centres in four European countries (United Kingdom, France, Germany and Switzerland). It is considered that France, Germany and Switzerland represent regions which are substantially similar and have therefore been combined. Thus, there are two reportable segments, United Kingdom and the Rest of Europe. There is no difference between location of the segment assets and the segment customers.

| UNITED KINGDOM | Unaudited Six months to 30 June 2007 | Unaudited Six months to 30 June 2006 |
|---|---|---|
| | £ '000 | £ '000 |
| External revenue | **9,252** | 5,999 |
| Inter-segment revenue | **—** | — |
| Total revenue | **9,252** | 5,999 |
| Segment result | **1,381** | 616 |

| REST OF EUROPE | Unaudited Six months to 30 June 2007 | Unaudited Six months to 30 June 2006 |
|---|---|---|
| | £ '000 | £ '000 |
| External revenue | **16,564** | 9,309 |
| Inter-segment revenue | **226** | — |
| Total revenue | **16,790** | 9,309 |
| Segment result | **(1,013)** | (391) |

| CONSOLIDATED | Unaudited Six months to 30 June 2007 | Unaudited Six months to 30 June 2006 |
|---|---|---|
| | £ '000 | £ '000 |
| Total revenue | **26,042** | 15,308 |
| Less: Inter-segment revenue | **(226)** | — |
| Revenue | **25,816** | 15,308 |
| Segment result | **368** | 225 |
| Unallocated expenses | **(482)** | (3,151) |
| Income tax expense | **(210)** | (2) |
| Result | **(324)** | (2,928) |
| **Assets** | | |
| Segment assets – United Kingdom | **24,465** | 17,021 |
| Segment assets – Rest of Europe | **37,994** | 29,847 |
| Unallocated | **3,029** | 288 |
| Total assets | **65,488** | 47,156 |
| **Liabilities** | | |
| Segment liabilities – United Kingdom | **9,949** | 5,959 |
| Segment liabilities – Rest of Europe | **8,804** | 6,870 |
| Unallocated | **20,705** | 12,847 |
| Total liabilities | **39,458** | 25,676 |
| **Capital Expenditure** | | |
| Capital expenditure – United Kingdom | **6,630** | 3,566 |
| Capital expenditure – Rest of Europe | **4,836** | 3,212 |
| Capital expenditure – Unallocated | **52** | 17 |
| Total capital expenditure | **11,518** | 6,795 |
| **Depreciation** | | |
| Segment depreciation – United Kingdom | **1,513** | 852 |
| Segment depreciation – Rest of Europe | **2,203** | 1,611 |
| Segment depreciation – Unallocated | **22** | 10 |
| Total depreciation | **3,738** | 2,473 |

Amounts within capital expenditure and depreciation include those acquired with subsidiaries and businesses during the year.

### 3 Financing costs

| | Unaudited Six months to 30 June 2007 £ '000 | Unaudited Six months to 30 June 2006 £ '000 |
|---|---|---|
| Bank interest receivable | **127** | 26 |
| Other interest receivable | **24** | 75 |
| Financial income | **151** | 101 |
| | | |
| Bank interest payable | **3** | 331 |
| Interest payable on third party loans | **645** | 347 |
| Fair value gains on financial instruments—interest rate swaps: cash flow hedges, transfer from equity | **(8)** | — |
| Interest payable on finance leases | **87** | 85 |
| Interest charge on financial liabilities | — | 259 |
| Finance charge on deferred consideration | **17** | — |
| Other interest payable | **17** | 86 |
| Financial expenses | **761** | 1,108 |

## 4 Loss per share

### Basic loss per share

The basic loss per share has been calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of shares in issue during the year.

| | Unaudited Six months to 30 June 2007 | Unaudited Six months to 30 June 2006 |
|---|---|---|
| Net loss attributable to ordinary shareholders (£ '000) | **(324)** | (2,928) |
| Weighted average number of ordinary shares in issue | **179,750,990** | 109,629,778 |
| **Basic and diluted loss per share** | **(0.2p)** | (2. 7p) |

### Diluted loss per share

The diluted loss per share has been calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of shares in issue during the year, adjusted for potentially dilutive shares that are not antidilutive. All potentially dilutive shares are antidilutive.

| | Unaudited Six months to 30 June 2007 | Unaudited Six months to 30 June 2006 |
|---|---|---|
| Weighted average number of ordinary shares in issue | **179,750,990** | 109,629,778 |
| Adjustment for share options | **13,191,930** | 146,875 |
| Adjustment for Priority Preference shares | — | 2,425,000 |
| Adjustment for convertible shareholder loan | — | 4,000,000 |
| Adjustment for convertible deep discount bonds | — | 1,223,465 |
| Weighted average number of potential ordinary shares in issue | **192,942,920** | 117,425,118 |

## 5 Called up share capital

| | Unaudited 30 June 2007 | Unaudited 30 June 2007 |
|---|---|---|
| ***Authorised for issue*** | No. | £ '000 |
| Ordinary shares of £0.01 each | | |
| Ordinary shares | **250,000,000** | **2,500** |

| | Unaudited 30 June 2007 | Unaudited 30 June 2007 |
|---|---|---|
| ***Allotted, called up and fully paid*** | No. | £ '000 |
| Ordinary shares of £0.01 each | | |
| Ordinary shares | **181,184,323** | **1,812** |

## 6 Share premium and reserves

Unaudited – 6 months ended 30 June 2007

| | Share premium account | Profit and loss account | Foreign exchange translation reserve | Other Reserves |
|---|---|---|---|---|
| | £ '000 | £ '000 | £ '000 | £ '000 |
| At 1 January 2007 | 37,216 | (25,508) | (1,017) | 9,100 |
| Issue of Ordinary shares | 4,988 | — | — | — |
| Share issue costs | (245) | — | — | — |
| Share option charge | — | — | — | 334 |
| Deferred tax on share option charge | — | — | — | (390) |
| Cash flow hedge | | | | |
| Fair value gains in year | — | — | — | 137 |
| Transfers to income statement in year | — | — | — | 8 |
| Loss for the period | — | (324) | — | — |
| Currency translation differences on foreign currency net investments | — | — | (81) | — |
| At end of period | **41,959** | **(25,832)** | **(1,098)** | **9,189** |

**7 Summary of differences between International Financial Reporting Standards and accounting principles generally accepted in the United States of America**

**A. Introduction**

The consolidated financial statements of IXEurope (the Company) are prepared in accordance with International Financial Reporting Standards (IFRS) which differ in certain respects from generally accepted accounting principles in the United States of America (US GAAP). Reconciliations of net income and shareholders' equity under IFRS and US GAAP are set out below.

The Company adopted IFRS with a transition date of 1 January 2004. The Company previously prepared its consolidated financial statements in accordance with generally accepted accounting principles in the United Kingdom (UK GAAP).

**B. Significant differences between accounting principles**

| | Note | 30 June 2007 | | | 30 June 2006 | | |
|---|---|---|---|---|---|---|---|
| | | Revenue | Gross Profit | Loss | Revenue | Gross Profit | Loss |
| | | £ '000 | £ '000 | £ '000 | £ '000 | £ '000 | £ '000 |
| **IFRS** | | 25,816 | 11,318 | (324) | 15,308 | 6,037 | (2,928) |
| **US GAAP Adjustments** | | | | | | | |
| Business combinations | (i) | — | — | 60 | — | — | 61 |
| Shareholder loan | (ii) | — | — | — | — | — | 130 |
| Convertible deep discount bonds | (ii) | — | — | — | — | — | 71 |
| Installation revenue and costs | (iii) | (773) | (273) | (175) | (552) | (66) | (28) |
| Stock options | (iv) | — | — | 719 | — | — | — |
| Derivatives and hedging activities | (v) | — | — | 121 | — | — | — |
| Valuation allowance on deferred tax | (vi) | — | — | (66) | — | — | (5) |
| Reallocation of depreciation to cost of sales | | — | (3,761) | — | — | (2,365) | — |
| **US GAAP Final** | | 25,043 | 7,284 | 335 | 14,756 | 3,606 | (2,699) |
| **Earnings/(loss) per share** | | | | | | | |
| Basic earnings/(loss) per share | | | | 0.2p | | | (2.5p) |
| Diluted earnings/(loss) per share | | | | 0.2p | | | (2.5p) |

| | Note | 30 June 2007 | | | 30 June 2006 | | |
|---|---|---|---|---|---|---|---|
| | | Total Assets | Total Liabilities | Equity | Total Assets | Total Liabilities | Equity |
| | | £ '000 | £ '000 | £ '000 | £ '000 | £ '000 | £ '000 |
| **IFRS** | | 65,488 | 39,458 | 26,030 | 47,156 | 25,676 | 21,480 |
| **US GAAP Adjustments** | | | | | | | |
| Business combinations | (i) | (761) | — | (761) | (899) | — | (899) |
| Installation revenue and costs | (iii) | 3,387 | 4,232 | (845) | 1,627 | 2,029 | (402) |
| Stock options | (iv) | — | (719) | 719 | — | — | — |
| Valuation allowance on deferred tax | (vi) | (694) | — | (694) | (540) | — | (540) |
| Reallocation of debt issuance costs | | 2,454 | 2,454 | — | 654 | 654 | — |
| **US GAAP Final** | | 69,874 | 45,425 | 24,449 | 47,998 | 28,359 | 19,639 |

**(i) Business combinations**

Under IFRS, the Company accounts for all business combinations by applying the acquisition method. In respect of business combinations that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. The Company elected not to apply IFRS 3, 'Business Combinations', to business combinations that were recognised on or before 1 January 2004. As a result, the carrying value of purchased goodwill recognised under UK GAAP was treated as deemed cost upon the transition to IFRS. Under UK GAAP, goodwill arising from acquisitions was capitalised and amortised over the period of its expected useful life of 10 years. Goodwill is no longer amortised since the transition to IFRS but is tested annually for impairment. Negative goodwill arising at acquisition is recognised directly in the income statement.

Under IFRS, the benefit of pre-acquisition tax loss carry forward positions that were not recognised as a deferred tax asset at the time of the acquisition but that are recognised subsequently are credited to the income statement.

Under IFRS, restructuring provisions are only recognised as part of the acquired liabilities if the acquiree had an existing liability at the acquisition date for the restructuring costs.

Under US GAAP, business combinations are accounted for under the purchase accounting method similar to IFRS, however, the following accounting differences exist

- From 1 January 2002, under FAS 142 'Goodwill and Other Intangibles Assets', the amortisation of goodwill and indefinite lived intangibles ceased resulting in higher carrying values under US GAAP compared to IFRS;
- negative goodwill is allocated against the carrying value of the long-lived assets thereby resulting in different carrying values of long-lived assets and lower future amortisation and depreciation expenses under US GAAP;
- the benefit of pre-acquisition tax losses carry forward positions that are recognised subsequently are adjusted against the historically recognised goodwill, then intangible assets and finally reduce income tax expenses; and
- acquisition related restructuring provisions are recognised as part of the acquired liabilities if certain specific criteria are met.

**(ii) Shareholder loan and convertible deep discount bonds**

Under IFRS, the shareholder loan and the convertible deep discount bonds were recorded at fair value at 1 January 2005, being the transition date for IAS 32, Financial Instruments: Presentation and IAS 39, Financial Instruments: Recognition and Measurement. The fair value at that date was then allocated between the liability and equity components. Subsequently the debt component is accounted for as a financial liability measured at amortised cost and the amount credited directly to equity is not subsequently remeasured.

Under US GAAP, the conversion features are not separated from the shareholder loan and convertible deep discount bonds.

**Shareholder loan**

The conversion feature allowed the shareholder loan not repaid by the date specified in the agreement date to be converted into Priority Preference Shares ("PPS"), which were not exchange traded securities, on the basis of 1 PPS for every £1. Since none of the criteria of SFAS 133.9 were met (i.e. no net settlement, no market mechanism that would facilitate net settlement and the PPS shares were not traded equity securities and therefore could not be readily converted to cash), the embedded conversion feature did not meet the criteria specified in SFAS 133.12(c) and therefore was not separated from the host contract.

**Deep Discount Bonds**

The conversion feature gave the holders and the issuer of the bond an option to convert the Deep Discount Bonds into Priority Preference Shares ("PPS"), which were not exchange traded securities. None of the criteria of SFAS 133.9 were met (i.e. no net settlement, no market mechanism that would facilitate net settlement and the PPS shares were not traded equity securities and therefore could not be readily converted to cash). The embedded conversion feature did not meet the criteria specified in SFAS 133.12(c), and therefore was not separated from the host contract. Furthermore, the conversion feature was not "in the money" at issuance and therefore no beneficial feature needed to be recognised.

Under US GAAP since the shareholder loan is non-interest bearing the difference between the proceeds received and the present value of the repayments due has been recorded as a capital contribution.

The gain arising on the conversion of the shareholder loan into ordinary shares at the time of the Admission to AIM is recognised directly into equity under both GAAP's.

**(iii) Installation revenue and costs**

The Company's contracts typically require the customer to pay an installation fee and a monthly service fee. Under IFRS, the company separately accounts for installation fee revenue and monthly recurring revenue from customer contracts as they represent separate identifiable components. The Company recognizes installation revenue on completion of the installation and acceptance by the customer. The company recognizes monthly service fee revenue as the services are performed.

Under US GAAP, EITF 00-21, 'Revenue Arrangements with Multiple Deliverables', sets forth criteria for the separation of different components of a revenue arrangement including a requirement that the delivered component has value to the customer on a standalone basis. Pursuant to these criteria the installation fees are recognised over the longer of the contract period or the estimated customer life.

Under IFRS installation costs related to installation fees charged to customers are expensed as incurred. Under US GAAP, installation cost are deferred and amortised over the same period as the related installation fee revenue.

US GAAP allows expensing but the Company has elected to defer and amortise.

**(iv) Stock options**

Under IFRS 2, the Company recognises an expense for the social security tax on share options plans. Under US GAAP, this accrual is not required until the liability crystallises which will be when the options are exercised.

**(v) Derivatives and hedging activities**

Under IFRS, gains and losses arising from changes in the fair value of a derivative are recognised as they arise in profit or loss unless the derivative is the hedging instrument in a qualifying hedge. The Company entered into one hedge relationship using interest rate swaps to hedge the variability in cash flows on variable rate debt (cash flow hedges).

US GAAP principles are similar to IFRS. There are however differences in their detailed application; in particular, US GAAP requires effectiveness testing to be performed at least quarterly. As a result, the Company has not designated any hedge relationships for US GAAP purposes. Therefore all changes in fair value of the interest rate swaps are recognised in the income statement.

**(vi) Income taxes**

Valuation allowances arise on deferred tax assets where recoverability is uncertain. In the income statement these relate to

| | 30 June 2007 | 30 June 2006 |
|---|---|---|
| Business combinations | 33 | 33 |
| Installation revenue and costs | (99) | (38) |
| | (66) | (5) |

In equity these relate to

| | 30 June 2007 | 30 June 2006 |
|---|---|---|
| Business combinations | (283) | (356) |
| Installation revenue and costs | (411) | (184) |
| | (694) | (540) |

**C. Presentational differences**

In addition to the recognition and measurement differences between IFRS and US GAAP there are a number of differences in the manner in which amounts are presented and classified in the financial statements. The principal presentation and classification differences are summarised below.

**Debt issuance costs**

Under IFRS, debt issuance costs are offset against the proceeds received. Under US GAAP debt issuance costs are recorded as a separate deferred cost. As of 30 June 2007 and 30 June 2006, the Group had debt issuance costs of £2.5m and £0.7m, respectively.

**Restricted cash**

Under IFRS, restricted cash is disclosed as part of cash & cash equivalents. Under US GAAP restricted cash is disclosed separately as part of debtors. As of 30 June 2007 and 30 June 2006, the Group had restricted cash of £2.1m.

**Balance sheet format**

The format of a balance sheet prepared in accordance with IFRS differs in certain respects from US GAAP. IFRS requires assets to be presented in ascending order of liquidity, whereas under US GAAP assets are presented in descending order of liquidity.

**D. Supplemental disclosures required by US GAAP**

**Concentration of credit risk**

For the periods ended 30 June 2007 and 2006, one customer accounted for 11% and 13%, respectively, of revenues for those periods.

As of 30 June 2007, one customer accounted for 15% of trade debtors and another accounted for 11% of trade debtors. As of 30 June 2006, one customer accounted for 20% of trade debtors.

**Amortisation profile of intangible assets**

The Company's customer contract intangible asset is expected to be fully amortised by 2009. The Company expects to record amortisation expense through 2009 as follows:

| | £ '000 |
|---|---|
| 6 months to 31 December 2007 | 122 |
| Year to 31 December 2008 | 62 |
| Year to 31 December 2009 | 20 |
| | 204 |

**Trade debtors**

Trade debtors, net, consists of the following:

| | 30 June 2007<br>£ '000 | 30 June 2006<br>£ '000 |
|---|---|---|
| Trade debtors | 6,078 | 2,531 |
| Bad debt provision | (75) | (61) |
| | 6,003 | 2,470 |

**Deferred income**

The Group has separate material deferred income balances with 3 customers totaling £1.2m at 30 June 2007.

**Bank loan**

As at the 30 June 2007, the Company had £62.8m of unused commitments under the bank loan with CIT. Undrawn commitments attract a commitment fee of 0.5%. Availability is based on a pro-forma last quarter annualised multiple of Group EBITDA.

At year end, there were four Financial Covenant tests on the bank loan with CIT:

**Cash Flow Test**: The ratio of Cashflow Available For Debt Service to Total Debt Service in respect of each Relevant Period shall not be less than a set ratio;

**Interest Cover I**: The ratio of Pro Forma Borrowing Group EBITDA to Total Interest Costs in respect of any Relevant Period specified shall be or shall exceed the ratio set out for each Relevant Period.

**Leverage**: The ratio of Total Debt as at the end of any Relevant Period specified to Pro Forma Borrowing Group EBITDA in respect of such Relevant Period shall not be more than the ratio set out for each Relevant Period.

**Capital Expenditure**: The aggregate Capital Expenditure of the Borrowing Group in respect of each other financial year of the Company specified, shall not exceed the amount set out for that financial year.

As of 30 June 2007, the Company was in compliance with all covenants in connection with the CIT bank loan.

**Income statement classification differences**

| | Six months to 30 June 2007<br>£ '000 | Six months to 30 June 2007<br>£ '000 |
|---|---|---|
| Space and related revenue | 18,803 | 12,372 |
| Power revenue | 6,240 | 2,384 |
| Total revenue | 25,043 | 14,756 |

| 6 months ended 30 June 2007 | Cost of revenues<br>£ '000 | Selling, general and administrative<br>£ '000 | Total<br>£ '000 |
|---|---|---|---|
| Depreciation | 3,627 | 19 | 3,646 |
| Amortisation | 134 | 0 | 134 |
| | 3,761 | 19 | 3,780 |

| 6 months ended 30 June 2006 | Cost of revenues<br>£ '000 | Selling, general and administrative<br>£ '000 | Total<br>£ '000 |
|---|---|---|---|
| Depreciation | 2,365 | 14 | 2,379 |

**Guarantor Arrangements**

The Company has agreements whereby the Company indemnifies its directors for certain events or occurrences while the officer or director is, or was serving, at the Company's request in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a director and officer insurance policy that limits the Company's exposure and enables the Company to recover a portion of any future amounts paid. As a result of the Company's insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal. The Company has no significant liabilities recorded for these agreements as of 30 June 2007.

The Company has service level commitment obligations to certain of its customers. As a result, certain service interruptions such as power, temperature or humidity, whether or not within the Company's control, could result in service level commitments to these customers. The Company's liability insurance may not be adequate to cover those expenses. There were no significant service level credits recorded during the year ended 31 December 2006. The Company generally has the ability to determine such service level credits prior to the associated revenue being recognised. The Company has no significant liabilities in connection with service level credits as of 30 June 2007.

**Share Options**

Under the terms of the IXEurope Founders Share Option Scheme adopted on 30 June 2006, two Directors have been granted options to subscribe for Ordinary Shares of the Company as set out below:

| | Maximum no of shares over which the Option is held | Options price per Ordinary share | Date of Grant of Option |
|---|---|---|---|
| Guy Willner | 2,500,000 | 1p | 30 June 2006 |
| Christophe de Buchet | 2,500,000 | 1p | 30 June 2006 |
| | 5,000,000 | | |

The Options may be exercised:

i. as to 50% of the Ordinary Shares subject to the Option provided that the market value of an Ordinary Share reaches 40p on or after 18 months have elapsed since the admission of the Ordinary Shares to trading on AIM (irrespective of the share price subsequently); and

ii. as to the remaining 50% of the Ordinary Shares subject to the Option provided that the market value of an Ordinary Share reaches 50p on or after 30 months have elapsed since the admission of the Ordinary Shares to trading on AIM (irrespective of the share price subsequently).

The Options will lapse, if not exercised, on the tenth anniversary of the date of grant.

Under the terms of the Company's Unapproved Share Option Scheme adopted on 22 March 2006, Directors and certain senior employees have been awarded Options to subscribe for Ordinary Shares of the Company as set out in the table below.

| | Date of Grant | Options held at 1 January 2006 | Options held at 31 December 2006 | Market price at date of grant | Exercise price | Earliest exercise date | Expiry date |
|---|---|---|---|---|---|---|---|
| Guy Willner | 07/04/06 | — | 1,258,427 | 30p | 22p | 07/04/09 | 06/04/16 |
| Christophe de Buchet | 07/04/06 | — | 1,258,427 | 30p | 22p | 07/04/09 | 06/04/16 |
| Karen Bach | 07/04/06 | — | 1,258,247 | 30p | 22p | 07/04/09 | 06/04/16 |
| Senior Employees | 07/04/06 | — | 3,415,732 | 30p | 22p | 07/04/09 | 06/04/16 |
| | | | 7,191,013 | | | | |

The Options will vest in three equal portions upon the signing of the 2006, 2007 and 2008 statutory accounts based on performance criteria of EBITDA and space targets.

EBITDA targets will govern 75% of the options available following each financial year. If the target is not reached in 2006, the awards will still vest if the combined EBITDA targets are met for 2006 and 2007. If the target is not reached in 2007, the awards will still vest if the combined EBITDA targets are met for 2007 and 2008.

Space targets will govern the vesting of 25% of the options available following each financial year. If the target is not reached in 2006 the awards will still vest if the target is met for 2007. If the target is not reached in 2007 the awards will still vest if the target is met for 2008.

Under the terms of the Company's Unapproved Share Option Scheme, awards were made to employees as detailed below:

| Date of Grant | Options held at 1 January 2007 | Options held at 30 June 2007 | Market price at date of grant | Exercise Price | Earliest exercise date | Expiry date |
|---|---|---|---|---|---|---|
| 09/10/06 | 749,250 | 749,250 | 45p | 43p | 09/10/09 | 09/10/16 |
| 16/03/07 | — | 377,500 | 71p | 67p | 16/03/10 | 16/03/17 |

The following information is relevant in the determination of the fair value of options granted during the year. There were no share options granted in 2005.

| | Unapproved Scheme | IXEurope Founders Share Option Scheme | Unapproved Scheme | Unapproved |
|---|---|---|---|---|
| Date of Grant | 07/04/06 | 30/06/06 | 09/10/06 | 16/03/07 |
| Option pricing model used | Binomial | Binomial | Binomial | Binomial |
| Adjusted bid price at date of grant | 20.75p | 29.44p | 44.00p | 69.42p |
| Exercise price | 22p | 1p | 43p | 67p |
| Option life | 10 years | 10 years | 10 years | 10 years |
| Expected volatility | 44% | 44% | 44% | 44% |
| Risk-free interest rate | 4.39% | 4.74% | 4.80% | 5.14% |

The volatility assumption is based on the annualised volatility of IXEurope plc and a weighted average of comparative companies.

The performance based measures on the Unapproved Scheme granted on 7 April 2006 are modelled using an estimate of the probability of the non-market based performance criteria being met.

The equity settled element of the IXEurope Founders Share Option Scheme is modelled using the absolute values adjusted for the success probability derived for the required performance condition.

The cash settled element of the IXEurope Founders Share Option Scheme is modelled on the fair value of cash receivable based on estimates of the probability of the market conditions being met.

| | Number of shares outstanding | Weighted average exercise price per share | Weighted average fair value at date of grant per share |
|---|---|---|---|
| | | £ | £ |
| Share options outstanding at 1 January 2007 | 12,940,263 | 0.15 | |
| Share options granted | 377,500 | 0.67 | 0.29 |
| Share options cancelled | (14,500) | 0.43 | |
| Share options outstanding at 30 June 2007 | 12,940,263 | 0.15 | |

Share option models assumed no dividend growth in the period of the calculation.

As at 30 June 2007 and 30 June 2006 the aggregate intrinsic value of share options was £14.4m and £2.0m, respectively.

As at 30 June 2007 the total compensation cost relating to non-vested not yet recognised was £0.9m and the weighted average period over which it is expected to be recognised is 1.3 years.

**Exhibit 99.5**

## UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The following unaudited pro forma combined consolidated condensed financial statements have been prepared to give effect to the acquisition by Equinix, Inc. ("Equinix" or the "Company") of IXEurope plc ("IXEurope") using the purchase method of accounting and the related financings to fund this acquisition with the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined consolidated condensed financial statements, as well as certain significant transactions of the Company that have occurred subsequent to June 30, 2007 consisting of (i) additional advances under the Chicago IBX Financing, (ii) the completion of the San Jose Property Acquisition and (iii) the Asia-Pacific Financing. These pro forma statements were prepared as if the acquisition and related financings and other transactions described above had been completed as of January 1, 2006 for statements of operations purposes and as of June 30, 2007 for balance sheet purposes. The combined company will operate under the Equinix name with the current management teams in place in the U.S., Europe and Asia-Pacific.

The unaudited pro forma combined consolidated condensed financial statements are presented for illustrative purposes only and are not necessarily indicative of the financial position or results of operations that would have actually been reported had the acquisition and related financings and other transactions described above occurred on January 1, 2006 for statements of operation purposes and as of June 30, 2007 for balance sheet purposes, nor is it necessarily indicative of the future financial position or results of operations of the combined company. The unaudited pro forma combined consolidated condensed financial statements include adjustments, which are based upon preliminary estimates, to reflect the allocation of the purchase price to the acquired assets and assumed liabilities of IXEurope. The final allocation of the purchase price will be determined after the completion of the acquisition and will be based upon actual net tangible and intangible assets acquired as well as liabilities assumed. The preliminary purchase price allocation for IXEurope is subject to revision as more detailed analysis is completed and additional information on the fair values of IXEurope's assets and liabilities becomes available. Any change in the fair value of the net assets of IXEurope will change the amount of the purchase price allocable to goodwill. Additionally, changes in IXEurope's working capital, including the results of operations from June 30, 2007 through September 14, 2007, the date the transaction was completed, will change the amount of goodwill recorded. Final purchase accounting adjustments may differ materially from the pro forma adjustments presented here.

These unaudited pro forma combined condensed financial statements are based upon the respective historical consolidated financial statements of Equinix and IXEurope, adjusted to generally accepted accounting principles in the United States of America, and should be read in conjunction with the historical consolidated financial statements of Equinix and IXEurope and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Equinix and IXEurope incorporated in this document by reference.

**UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET**
**AS OF JUNE 30, 2007**

**(In thousands)**

| | Historical | | Pro Forma | | | |
|---|---|---|---|---|---|---|
| | Equinix | IXEurope (Note 2) | IXEurope Acquisition Related Adjustments (Note 9) | Combined | Other Adjustments (Note 10) | Combined |
| **ASSETS** | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | $ 234,598 | $ 7,806 | $ 43,069(a) | $ 285,473 | $ (14,919)(p) | $ 270,554 |
| Short-term investments | 67,728 | — | — | 67,728 | — | 67,728 |
| Accounts receivable, net | 28,140 | 12,016 | — | 40,156 | — | 40,156 |
| Prepaid expenses and other current assets | 9,599 | 5,364 | — | 14,963 | — | 14,963 |
| Total current assets | 340,065 | 25,186 | 43,069 | 408,320 | (14,919) | 393,401 |
| Long-term investments | 21,640 | — | — | 21,640 | — | 21,640 |
| Property and equipment, net | 760,175 | 90,755 | 44,161(b) | 895,091 | 63,708(q) | 958,799 |
| Goodwill | 16,914 | 6,513 | 399,720(c) | 423,147 | — | 423,147 |
| Intangible assets, net | 385 | 408 | 62,642(d) | 63,435 | — | 63,435 |
| Debt issuance costs, net | 14,603 | 4,912 | 924(e) | 20,439 | 614(r) | 21,053 |
| Other assets | 21,669 | 12,085 | — | 33,754 | (6,500)(s) | 27,254 |
| Total assets | $ 1,175,451 | $ 139,859 | $ 550,516 | $ 1,865,826 | $ 42,903 | $ 1,908,729 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and accrued expenses | $ 35,425 | $ 20,614 | $ 17,516(f) | $ 73,555 | $ 614(t) | $ 74,169 |
| Accrued property and equipment | 71,216 | 9,432 | — | 80,648 | — | 80,648 |
| Current portion of accrued restructuring charges | 13,687 | — | — | 13,687 | — | 13,687 |
| Current portion of capital lease and other financing obligations | 2,197 | 1,143 | — | 3,340 | — | 3,340 |
| Current portion of mortgage and loan payable | 2,288 | 490 | — | 2,778 | — | 2,778 |
| Other current liabilities | 11,903 | 9,754 | (562)(g) | 21,095 | — | 21,095 |
| Total current liabilities | 136,716 | 41,433 | 16,954 | 195,103 | 614 | 195,717 |
| Accrued restructuring charges, less current portion | 22,729 | — | — | 22,729 | — | 22,729 |
| Capital lease and other financing obligations, less current portion | 91,557 | 2,990 | — | 94,547 | — | 94,547 |
| Mortgage and loan payable, less current portion | 164,841 | 38,653 | — | 203,494 | 43,813(u) | 247,307 |
| Convertible debt | 282,250 | — | 300,000(h) | 582,250 | — | 582,250 |
| Deferred rent and other liabilities | 34,684 | 7,846 | (2,187)(i) | 40,343 | (1,524)(v) | 38,819 |
| Total liabilities | 732,777 | 90,922 | 314,767 | 1,138,466 | 42,903 | 1,181,369 |
| Stockholders' equity: | | | | | | |
| Total stockholders' equity | 442,674 | 48,937 | 235,749(j) | 727,360 | — | 727,360 |
| Total liabilities and stockholders' equity | $ 1,175,451 | $ 139,859 | $ 550,516 | $ 1,865,826 | $ 42,903 | $ 1,908,729 |

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

## UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
## FOR THE YEAR ENDED DECEMBER 31, 2006

**(In thousands, except per share data)**

| | Historical | | Pro Forma | | | |
|---|---|---|---|---|---|---|
| | Equinix | IXEurope (Note 3) | IXEurope Acquisition Related Adjustments (Note 9) | Combined | Other Adjustments (Note 10) | Combined |
| Revenues | $286,915 | $65,115 | $ — | $352,030 | $ — | $352,030 |
| Costs and operating expenses: | | | | | | |
| Cost of revenues | 188,379 | 49,095 | 3,876(k) | 241,350 | 1,791(w) | 243,141 |
| Selling, general and administrative | 104,742 | 21,348 | 5,461(l) | 131,551 | — | 131,551 |
| Restructuring charges | 1,527 | — | — | 1,527 | — | 1,527 |
| Gain on Honolulu IBX sale | (9,647) | — | — | (9,647) | — | (9,647) |
| Total costs and operating expenses | 285,001 | 70,443 | 9,337 | 364,781 | 1,791 | 366,572 |
| Income (loss) from operations | 1,914 | (5,328) | (9,337) | (12,751) | (1,791) | (14,542) |
| Interest income | 6,627 | 405 | — | 7,032 | — | 7,032 |
| Interest expense | (14,875) | (3,063) | (8,743)(m) | (26,681) | (9,131)(x) | (35,812) |
| Loss on extinguishment of debt | — | — | (2,864)(n) | (2,864) | — | (2,864) |
| Income taxes | (439) | 1,446 | — | 1,007 | — | 1,007 |
| Cumulative effect of a change in accounting principle | 376 | — | — | 376 | — | 376 |
| Net loss | $ (6,397) | $ (6,540) | $ (20,944) | $ (33,881) | $ (10,922) | $ (44,803) |
| Net loss per share—basic and diluted | $ (0.22) | | | $ (1.05) | | $ (1.39) |
| Shares used in per share calculation—basic and diluted | 28,551 | | 3,663(o) | 32,214 | | 32,214 |

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

**UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2007**

**(In thousands, except per share data)**

| | Historical | | Pro Forma | | | |
|---|---|---|---|---|---|---|
| | Equinix | IXEurope (Note 3) | IXEurope Acquisition Related Adjustments (Note 9) | Combined | Other Adjustments (Note 10) | Combined |
| Revenues | $176,946 | $49,465 | $ — | $226,411 | $ — | $226,411 |
| Costs and operating expenses: | | | | | | |
| Cost of revenues | 108,374 | 35,078 | 2,078(k) | 145,530 | 874(w) | 146,404 |
| Selling, general and administrative | 64,912 | 12,345 | 2,928(l) | 80,185 | — | 80,185 |
| Restructuring charges | 407 | — | — | 407 | — | 407 |
| Total costs and operating expenses | 173,693 | 47,423 | 5,006 | 226,122 | 874 | 226,996 |
| Income (loss) from operations | 3,253 | 2,042 | (5,006) | 289 | (874) | (585) |
| Interest income | 7,031 | 537 | — | 7,568 | — | 7,568 |
| Interest expense | (9,577) | (1,503) | (4,371)(m) | (15,451) | (2,852)(x) | (18,303) |
| Loss on conversion of debt | (3,395) | — | — | (3,395) | — | (3,395) |
| Income taxes | (551) | (415) | — | (966) | — | (966) |
| Net income (loss) | $ (3,239) | $ 661 | $ (9,377) | $ (11,955) | $ (3,726) | $ (15,681) |
| Net loss per share—basic and diluted | $ (0.11) | | | $ (0.35) | | $ (0.46) |
| Shares used in per share calculation—basic and diluted | 30,424 | | 3,663(o) | 34,087 | | 34,087 |

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

## NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The unaudited pro forma combined consolidated condensed financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission.

### 1. BASIS OF PRO FORMA PRESENTATION

In June 2007, a wholly-owned subsidiary of the Company announced an offer to purchase all of the entire issued and to be issued share capital of IXEurope ("the IXEurope Acquisition"). Under the final terms of the IXEurope Acquisition, IXEurope shareholders will receive 140 British pence in cash for each IXEurope share valuing the share capital of IXEurope on a fully diluted basis at approximately 270,100,000 British pounds or approximately $540,632,000 (as translated using effective exchange rates at June 30, 2007); however, fully-diluted shares of IXEurope held by IXEurope's two top officers representing 1,974,000 British pounds of the total purchase price will not be paid in cash upon closing. Instead, equity awards of the Company's Stock with a fair value of 1,974,000 British pounds or approximately $3,951,000 (as translated using effective exchange rates at June 30, 2007) will be issued to the two top officers of IXEurope and are subject to vesting based on continuous employment through the end of 2008, as well as certain performance criteria of IXEurope (the "IXEurope Equity Compensation"). The IXEurope Equity Compensation will not be accounted for as part of the purchase price of IXEurope. Rather, the IXEurope Equity Compensation will be expensed into operations of the combined company post-acquisition as stock-based compensation over the vesting life of such awards. As a result, the actual cash purchase price for the IXEurope Acquisition is 268,126,000 British pounds or approximately $536,681,000 (also as translated using effective exchange rates at June 30, 2007). IXEurope operates data centers in the United Kingdom, France, Germany and Switzerland. The combined company will operate under the Equinix name with the current management teams in place in the U.S., Europe and Asia-Pacific. The IXEurope Acquisition will be accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standard No. 141, "Business Combinations" ("SFAS 141").

Although the IXEurope Acquisition closed on the morning of September 14, 2007, the Company does not have to pay the consideration for the IXEurope Acquisition until September 28, 2007. In addition, the Company will not have completed its preliminary accounting for the IXEurope Acquisition until it reports its 2007 third quarter results in the Company's quarterly report on Form 10-Q for the quarterly period ended September 30, 2007.

In order to provide cash to fund the IXEurope Acquisition, the Company entered into the Senior Bridge Loan for a principal amount of $500,000,000 in June 2007. However, the Company does not intend to use the Senior Bridge Loan to pay for the IXEurope Acquisition. Instead, the Company intends to pay for the IXEurope Acquisition with the proceeds from a combination of (i) the proposed sale of 3,662,556 shares of the Company's common stock at an assumed offering price of $81.91 per share (the "Common Stock Offering") and (ii) the proposed sale of the Company's Convertible Subordinated Notes due 2014 (the "Convertible Debt Offering") (collectively, the "New Public Offerings"). For purposes of the pro forma results contained herein, the Company has assumed that the Senior Bridge Loan will be terminated unused (the Senior Bridge Loan and New Public Offerings are collectively referred to herein as the "IXEurope Acquisition Financings"). It is possible that, based on market conditions, the Company may increase or decrease the aggregate principal amount of the notes offered in the Convertible Debt Offering and increase or decrease the number of shares offered in its Common Stock Offering or do one offering without the other. In any event, through both offerings the Company intends to raise gross proceeds of approximately $600.0 million (up to $690.0 million if the underwriters' over-allotment option for each offering is exercised in full). To the extent the Company enters into underwriting agreements for both offerings, the completion of each offering will be conditioned upon the concurrent completion of the other offering.

**NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (continued)**

In addition to the IXEurope Acquisition and IXEurope Acquisition Financings, the pro forma results contained herein also reflect the following significant transactions of the Company that have occurred subsequent to June 30, 2007 consisting of (i) additional advances under the Chicago IBX Financing, (ii) the completion of the San Jose Property Acquisition and (iii) the Asia-Pacific Financing as more fully discussed below (collectively, the "Other Significant Subsequent Events").

The unaudited pro forma combined consolidated condensed balance sheet as of June 30, 2007, was prepared by combining the historical unaudited consolidated condensed balance sheet data as of June 30, 2007 for Equinix and IXEurope, as adjusted to comply with generally accepted accounting principles in the United States or U.S. GAAP, as if the IXEurope Acquisition, IXEurope Acquisition Financings and Other Significant Subsequent Events had been consummated on that date. In addition to certain U.S. GAAP adjustments, certain balance sheet reclassifications have also been reflected in order to conform IXEurope's balance sheet with the company's balance sheet presentation. Refer to Note 2 for a discussion of these U.S. GAAP and reclassification adjustments.

The unaudited pro forma combined consolidated condensed statement of operations for the year ended December 31, 2006 and for the six months ended June 30, 2007 combines the results of operations of Equinix and IXEurope, as adjusted to comply with U.S. GAAP, as if the IXEurope Acquisition, IXEurope Acquisition Financings and Other Significant Subsequent Events had been consummated on January 1, 2006. In addition to certain U.S. GAAP adjustments, certain statements of operations reclassifications have also been reflected in order to conform with the Company's statements of operations presentation. Refer to Note 3 for a discussion of these U.S. GAAP and reclassification adjustments.

In July and August 2007, the Company entered into forward contracts to purchase 265,156,000 British pounds at an average forward rate of 2.020007, or the equivalent of $541,617,000, to be delivered in September 2007, for purposes of hedging a portion of the purchase price of the IXEurope Acquisition (the "IXEurope Acquisition Foreign Exchange Hedge"). The Company will be accounting for these forward contracts under the Company's current accounting policies for hedging activities as disclosed in the Company's last annual report on Form 10-K, which are based on the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The effects of the IXEurope Acquisition Foreign Exchange Hedge have not been reflected in the pro forma statements of operations as the hedge is directly attributable to the acquisition and is non-recurring. Upon closing and completing its accounting for the IXEurope Acquisition, the Company will record a foreign exchange gain or loss in its statement of operations based on the prevailing exchange rate between U.S. dollars and British pounds on such date. For example, if on the closing date the exchange rate increases 5%, the Company will record a foreign exchange gain of $26.8 million; however, if the exchange rate decreases 5%, the Company will record a foreign exchange loss of $26.8 million.

**2. IXEUROPE BALANCE SHEET**

IXEurope's consolidated financial statements were prepared in accordance with international financial reporting standards or IFRS, which differ in certain material respects from U.S. GAAP. IXEurope also classified certain amounts differently than Equinix in their consolidated balance sheet. The following schedule summarizes the necessary material adjustments to conform the IXEurope consolidated balance sheet as of June 30, 2007 to U.S. GAAP and to reclassify certain amounts to Equinix's basis of presentation (in thousands):

| | Local Currency—GBP | | | USD |
|---|---|---|---|---|
| | Local GAAP IXEurope | Adjustments | U.S. GAAP IXEurope | U.S. GAAP IXEurope |
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | £ 5,976 | £ (2,076)(i) | £ 3,900 | $ 7,806 |
| Accounts receivable, net | 8,683 | (2,680)(ii) | 6,003 | 12,016 |
| Prepaid expenses and other current assets | — | 2,680(ii) | 2,680 | 5,364 |
| Total current assets | 14,659 | (2,076) | 12,583 | 25,186 |
| Property and equipment, net | 43,141 | 2,200(iii) | 45,341 | 90,755 |
| Goodwill | — | 3,254(iv) | 3,254 | 6,513 |
| Intangible assets, net | 3,726 | (3,522)(iv) | 204 | 408 |
| Debt issuance costs, net | — | 2,454(v) | 2,454 | 4,912 |
| Deferred tax asset | 626 | (626)(vi) | — | — |
| Other assets | 3,336 | 2,702(vii) | 6,038 | 12,085 |
| Total assets | £65,488 | £ 4,386 | £69,874 | $139,859 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | £18,603 | £ (8,304)(viii) | £10,299 | $ 20,614 |
| Accrued property and equipment | — | 4,712(ix) | 4,712 | 9,432 |
| Current portion of capital lease and other financing obligations | — | 571(x) | 571 | 1,143 |
| Current portion of mortgage and loan payable | 816 | (571)(x) | 245 | 490 |
| Other current liabilities | 57 | 4,816(xi) | 4,873 | 9,754 |
| Total current liabilities | 19,476 | 1,224 | 20,700 | 41,433 |
| Capital lease and other financing obligations, less current portion | — | 1,494(xii) | 1,494 | 2,990 |
| Mortgage and loan payable, less current portion | 18,351 | 960(xiii) | 19,311 | 38,653 |
| Provisions | 36 | (36)(xiv) | — | — |
| Deferred rent and other liabilities | 1,595 | 2,325(xv) | 3,920 | 7,846 |
| Total liabilities | 39,458 | 5,967 | 45,425 | 90,922 |
| Stockholders' equity: | | | | |
| Total stockholders' equity | 26,030 | (1,581)(xvi) | 24,449 | 48,937 |
| Total liabilities and stockholders' equity | £65,488 | £ 4,386 | £69,874 | $139,859 |

IXEurope's balance sheet has been translated into U.S. dollars at the June 30, 2007 exchange rate of GBP £1.00. = USD $2.0016

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

(i) Reflects a U.S. GAAP reclassification of restricted cash totaling £2,076,000 to other assets.

(ii) Reflects a reclassification adjustment to segregate prepaid expenses and other current assets totaling £2,680,000 from accounts receivables, which IXEurope refers to as trade receivables.

(iii) Reflects the following U.S. GAAP adjustments (in thousands):

| | |
|---|---|
| Installation costs | £2,976 |
| Business combinations | (776) |
| | £2,200 |

Under IFRS, installation costs related to installation fees charged to customers are expensed as incurred. Under U.S. GAAP, installation costs are deferred and amortized over the same period as the related installation fee revenue. The adjustment totaling £2,976,000 reflects the deferral of such installation costs.

Under IFRS, negative goodwill arising from a business combination is recognized directly in the statement of operations. Under U.S. GAAP, negative goodwill is allocated against the carrying value of the assets acquired, which in IXEurope's case, was predominantly property and equipment. The adjustment totaling £776,000 reflects the net impact of the allocation of negative goodwill to property and equipment.

(iv) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

| | |
|---|---|
| Total goodwill and net intangible assets under IFRS | £(3,726) |
| Intangible asset reclassification adjustment | 204 |
| | £(3,522) |

The above reflects a reclassification separating net intangible assets from goodwill in order to conform IXEurope's balance sheet presentation to Equinix's balance sheet presentation.

| | |
|---|---|
| Reclassification adjustment per above | £3,522 |
| Business combinations U.S. GAAP adjustment | (268) |
| | £3,254 |

Prior to adopting IFRS in 2005, IXEurope's consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United Kingdom or U.K. GAAP. Under IFRS, IXEurope accounts for all business combinations by applying the acquisition method. In respect of business combinations that have occurred since January 1, 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. IXEurope elected not to apply IFRS 3, "Business Combinations", to business combinations that were recognized on or before January 1, 2004. As a result, the carrying value of purchased goodwill recognized under U.K. GAAP was treated as a deemed cost upon the transition to IFRS. Under U.K. GAAP, goodwill arising from acquisitions was capitalized and amortized over the period of its expected useful life of ten years. Goodwill is no longer amortized since the transition to IFRS but is

tested annually for impairment. Under U.S. GAAP, goodwill ceased to be an amortizable asset effective January 1, 2002. Therefore, there is a difference between U.S. GAAP and U.K. GAAP in accounting for the amortization of goodwill prior to IXEurope's adoption of IFRS, resulting in higher carrying values for goodwill under U.S. GAAP compared to IFRS. This increase in goodwill is offset by another IFRS to U.S. GAAP adjustment relating to the benefit of pre-acquisition tax losses carry-forward positions that are recognized subsequently and adjusted against the historically recognized goodwill, then intangible assets and finally reduce income tax expenses. The above adjustment totaling £268,000 represents the net adjustment to goodwill under U.S. GAAP.

(v) Reflects a U.S. GAAP reclassification of debt issuance costs totaling £2,454,000, which are netted against the associated debt under IFRS.

(vi) Reflects a reclassification adjustment to conform IXEurope's balance sheet presentation to Equinix's balance sheet adjustment by presenting deferred tax assets totaling £626,000 with other assets.

(vii) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

| | |
|---|---|
| U.S. GAAP restricted cash reclassification adjustment | £ 2,076 |
| Deferred tax asset reclassification adjustment | 626 |
| | £ 2,702 |

The U.S. GAAP restricted cash and deferred tax asset reclassification adjustments are described above.

(viii) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

| | |
|---|---|
| Accrued property and equipment reclassification adjustment | £(4,712) |
| Other liabilities reclassification adjustment | (2,873) |
| Stock options U.S. GAAP adjustment | (719) |
| | £(8,304) |

The accrued property and equipment reclassification adjustment is made to conform IXEurope's balance sheet presentation to Equinix's balance sheet presentation by presenting this liability separately.

The other liabilities reclassification adjustment is made to conform IXEurope's balance sheet presentation to Equinix's balance sheet presentation by presenting these liabilities within other current and non-current liabilities.

The stock options U.S. GAAP adjustment reverses a liability accrued under IFRS as a liability for payroll taxes which is not recognized under U.S. GAAP until it is crystallized, which is typically when the stock option is exercised.

(ix) Reflects the accrued property and equipment reclassification adjustment totaling £4,712,000 described above.

(x) Reflects a reclassification adjustment totaling £571,000 in order to segregate the current portion of capital lease obligations separately from other debt in order to conform IXEurope's balance sheet presentation to Equinix's balance sheet presentation.

(xi) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

| | |
|---|---|
| Other liabilities reclassification adjustment | £ 4,254 |
| Installation revenue U.S. GAAP adjustment | 562 |
| | £ 4,816 |

The other liabilities reclassification adjustment is made to conform IXEurope's balance sheet presentation to Equinix's balance sheet presentation by presenting these various other liabilities (noted in notes viii and xv) within other current liabilities.

Under IFRS, installation revenue related to installation fees is recognized upon completion of the installation and acceptance by the customer. Under U.S. GAAP, installation revenue is deferred and amortized into revenue over the longer of the contract period or the estimated customer life. The installation revenue U.S. GAAP adjustment totaling £562,000 represents the current portion of this deferred installation revenue.

(xii) Reflects a reclassification adjustment totaling £1,494,000 in order to segregate the non-current portion of capital lease obligations separately from other debt in order to conform IXEurope's balance sheet presentation to Equinix's balance sheet presentation.

(xiii) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

| | |
|---|---|
| U.S. GAAP debt issuance cost reclassification adjustment | £ 2,454 |
| Capital lease obligation reclassification adjustment | (1,494) |
| | £ 960 |

The U.S. GAAP debt issuance cost and capital lease obligation reclassification adjustments are described above.

(xiv) Represents a reclassification adjustment totaling £36,000 made to conform IXEurope's balance sheet presentation to Equinix's balance sheet presentation by presenting these provisions within other liabilities.

(xv) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

| | |
|---|---|
| Installation revenue U.S. GAAP adjustment | £ 3,670 |
| Provisions reclassification adjustment | 36 |
| Other liabilities reclassification adjustment | (1,381) |
| | £ 2,325 |

The installation revenue U.S. GAAP adjustment totaling £3,670,000 represents the non-current portion of this deferred installation revenue adjustment described above.

The provisions and other liabilities reclassification adjustments are described above.

(xvi) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

| | |
|---|---|
| Stock options U.S. GAAP adjustment | £ 719 |
| Business combination U.S. GAAP adjustment | (761) |
| Installation revenue and cost U.S. GAAP adjustment | (845) |
| Valuation allowance for deferred tax on U.S. GAAP adjustments | (694) |
| | £(1,581) |

The stock options, business combination and installation revenue and cost U.S. GAAP adjustments are described above. These amounts represent the net impact of such adjustments to stockholders' equity.

The valuation allowance for deferred tax on U.S. GAAP adjustments represents the cumulative impact of the various U.S. GAAP adjustments.

**3. IXEUROPE STATEMENTS OF OPERATION**

IXEurope's consolidated financial statements were prepared in accordance with IFRS, which differ in certain material respects from U.S. GAAP. IXEurope also classified certain amounts differently than Equinix in their consolidated statements of operations. The following schedule summarizes the necessary material adjustments to conform the IXEurope consolidated statements of operations for the year ended December 31, 2006 and the six months ended June 30, 2007 to U.S. GAAP and to reclassify certain amounts to Equinix's basis of presentation (in thousands):

| | Local Currency—GBP | | | USD |
|---|---|---|---|---|
| | Local GAAP IXEurope | Adjustments | U.S. GAAP IXEurope | U.S. GAAP IXEurope |
| **STATEMENT OF OPERATIONS FOR THE YEAR ENDING DECEMBER 31, 2006** | | | | |
| Revenues | £37,335 | £ (1,981)(i) | £35,354 | $65,115 |
| Costs and operating expenses: | | | | |
| Cost of revenues | 22,537 | 4,119(ii) | 26,656 | 49,095 |
| Selling, general and administrative | 9,869 | 1,722(iii) | 11,591 | 21,348 |
| IPO related expenses | 1,179 | (1,179)(iv) | — | — |
| Share option charges | 510 | (510)(iv) | — | — |
| Depreciation and amortization | 5,764 | (5,764)(v) | — | — |
| Total costs and operating expenses | 39,859 | (1,612) | 38,247 | 70,443 |
| Loss from operations | (2,524) | (369) | (2,893) | (5,328) |
| Interest income | 138 | 82(vi) | 220 | 405 |
| Interest expense | (1,863) | 200(vii) | (1,663) | (3,063) |
| Income taxes | 809 | (24)(viii) | 785 | 1,446 |
| Net loss | £ (3,440) | £ (111) | £ (3,551) | $ (6,540) |
| **STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDING JUNE 30, 2007** | | | | |
| Revenues | £25,816 | £ (773)(i) | £25,043 | $49,465 |
| Costs and operating expenses: | | | | |
| Cost of revenues | 14,498 | 3,261(ii) | 17,759 | 35,078 |
| Selling, general and administrative | 5,866 | 384(iii) | 6,250 | 12,345 |
| Share option charges | 1,084 | (1,084)(iv) | — | — |
| Depreciation and amortization | 3,872 | (3,872)(v) | — | — |
| Total costs and operating expenses | 25,320 | (1,311) | 24,009 | 47,423 |
| Income from operations | 496 | 538 | 1,034 | 2,042 |
| Interest income | 151 | 121(vi) | 272 | 537 |
| Interest expense | (761) | — | (761) | (1,503) |
| Income taxes | (210) | — | (210) | (415) |
| Net (loss) income | £ (324) | £ 659 | £ 335 | $ 661 |

IXEurope's statement of operations for the year ended December 31, 2006 has been translated into U.S. dollars at a rate of GBP £1.00 = USD $1.8418, the average exchange rate for the year ended December 31, 2006.

IXEurope's statement of operations for the six months ended June 30, 2007 has been translated into U.S. dollars at a rate of GBP £1.00 = USD $1.9752, the average exchange rate for the six months ended June 30, 2007.

The adjustments presented above to IXEurope's statements of operations are as follows:

(i) Under IFRS, installation revenue related to installation fees is recognized upon completion of the installation and acceptance by the customer. Under U.S. GAAP, installation revenue is deferred and amortized into revenue over the longer of the contract period or the estimated customer life. These adjustments totaling £1,981,000 for the year ended December 31, 2006 and £773,000 for the six months ended June 30, 2007 represent the impact of deferring this installation revenue.

(ii) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

| | Year ended December 31, 2006 | Six months ended June 30, 2007 |
|---|---|---|
| Depreciation and amortization reclassification adjustment | £ 5,638 | £ 3,761 |
| Installation cost U.S. GAAP adjustment | (1,519) | (500) |
| | £ 4,119 | £ 3,261 |

Reflects a reclassification of a portion of depreciation and amortization expense to cost of revenues as noted below.

Under IFRS, installation costs related to installation fees charged to customers are expensed as incurred. Under U.S. GAAP, installation costs are capitalized and amortized over the same period as the related installation fee revenue. The installation cost U.S. GAAP adjustments noted above reflects the capitalization of such installation costs.

(iii) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

| | Year ended December 31, 2006 | Six months ended June 30, 2007 |
|---|---|---|
| Share option charge reclassification adjustment | £ 510 | £ 1,084 |
| Stock options U.S. GAAP adjustment | — | (719) |
| IPO related expenses reclassification adjustment | 1,179 | — |
| Depreciation and amortization reclassification adjustment | 33 | 19 |
| | £ 1,722 | £ 384 |

Reflects a reclassification of share option charges to selling, general and administrative expenses.

The stock options U.S. GAAP adjustment totaling £719,000 for the six months ended June 30, 2007 is described above in Note 2.

Reflects a reclassification of IPO related expenses totaling £1,179,000 for the year ended December 31, 2006 to selling, general and administrative expenses.

Reflects a reclassification of a portion of depreciation and amortization expense to selling, general and administrative expenses as noted below.

(iv) Reflects the reclassifications to selling, general and administrative expenses as described above.

(v) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

| | Year ended December 31, 2006 | Six months ended June 30, 2007 |
|---|---|---|
| Depreciation and amortization per IFRS | £ 5,764 | £ 3,872 |
| Business combinations U.S. GAAP adjustment | (93) | (92) |
| Total depreciation and amortization under U.S. GAAP | £ 5,671 | £ 3,780 |
| Cost of revenues | £ 5,638 | £ 3,761 |
| Selling, general and administrative | 33 | 19 |
| Total depreciation and amortization under U.S. GAAP | £ 5,671 | £ 3,780 |

Under IFRS, negative goodwill arising from a business combination is recognized directly in the statement of operations. Under U.S. GAAP, negative goodwill is allocated against the carrying value of the long-lived assets acquired, which in IXEurope's case, was property and equipment. The business combinations U.S. GAAP adjustments above reflect the depreciation impact of the allocation of this negative goodwill to property and equipment for both periods presented.

(vi) Under IFRS, gains and losses arising from changes in the fair value of a derivative are recognized as they arise in profit or loss unless the derivative is the hedging instrument in a qualifying hedge. IXEurope entered into one hedge relationship using interest rate swaps to hedge the variability in cash flows on variable rate debt (cash flow hedges). U.S. GAAP principles are similar to IFRS. There are, however, differences in their detailed application. In particular, U.S. GAAP requires effectiveness testing to be performed at least quarterly. As a result, the IXEurope has not designated any hedge relationships for U.S. GAAP purposes. Therefore, all changes in fair value of the interest rate swaps are recognized in the statements of operation. As a result, these adjustments reflect the changes in fair value of such interest rate swaps, which is an increase to interest income for both periods presented.

(vii) Under IFRS, a shareholder loan and some convertible deep discount bonds that IXEurope had outstanding during the first half of 2006 were recorded at fair value on January 1, 2005, being the transition date for International Accounting Standard or, IAS 32, "Financial Instruments: Presentation" and IAS 39, "Financial Instruments: Recognition and Measurement." The fair value at that date was then allocated between the liability and equity components. Subsequently the debt component is accounted for as a financial liability measured at amortized cost and the amount credited directly to equity is not subsequently remeasured. Under U.S. GAAP, the conversion features are not separated from the shareholder loan and convertible deep discount bonds. Under U.S. GAAP since the shareholder loan is non-interest bearing, the difference between the proceeds received and the present value of the repayments due has been recorded as a capital contribution. The adjustment totaling £200,000 for the year ended December 31, 2006 represents a corresponding adjustment to interest expense under U.S. GAAP related to this shareholder loan and convertible deep discount bonds, which were converted into equity during the first half of 2006.

(viii) Represents the income tax effects of the various U.S. GAAP adjustments.

**4. PURCHASE PRICE—IXEUROPE**

The following represents the preliminary allocation of the purchase price over the historical net book values of the acquired assets and assumed liabilities of IXEurope as of June 30, 2007, and is for illustrative purposes only. Actual fair values will be based on financial information as of the acquisition date.

The unaudited pro forma combined consolidated condensed financial statements reflect an estimated purchase price of approximately $543,669,000, consisting of (a) 268,126,000 British pounds or approximately $536,681,000 (as translated using effective exchange rates at June 30, 2007), which is payable in cash and (b) estimated direct transaction costs of $6,988,000. The final purchase price is dependent on the exchange rates in effect at closing and actual direct acquisition costs. The final purchase price will be determined upon completion of the IXEurope Acquisition.

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

| | |
|---|---|
| Cash and cash equivalents | $ 7,806 |
| Accounts receivable | 12,016 |
| Other current assets | 5,364 |
| Property and equipment | 134,916 |
| Goodwill | 406,233 |
| Intangible asset—customer contracts | 63,050 |
| Other assets | 12,085 |
| Total assets acquired | 641,470 |
| Accounts payable and accrued expenses | (20,614) |
| Accrued property and equipment | (9,432) |
| Current portion of capital leases | (1,143) |
| Current portion of loan payable | (490) |
| Other current liabilities | (9,192) |
| Capital leases, less current portion | (2,990) |
| Loan payable | (38,653) |
| Unfavorable leases | (1,483) |
| Other liabilities | (4,176) |
| Estimated IXEurope transaction costs | (9,628) |
| Net assets acquired | $ 543,669 |

A preliminary estimate of $63,050,000 has been allocated to customer contracts, an intangible asset with an estimated useful life of eleven years. A preliminary estimate of $1,483,000 has been allocated to unfavorable lease liability with an estimated life of 7.5 years.

A preliminary estimate of $406,233,000 has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," goodwill will not be amortized and will be tested for impairment at least annually. The preliminary purchase price allocation for IXEurope is subject to revision as more detailed analysis is completed and additional information on the fair values of IXEurope's assets and liabilities becomes available. Any changes in the fair value of the net assets of IXEurope will change the amount of the purchase price allocable to goodwill. Additionally, changes in IXEurope's working capital, including the results of operations from June 30, 2007 through the date the transaction is completed, will also change the amount of goodwill recorded. Final purchase accounting adjustments may therefore differ materially from the pro forma adjustments presented here.

There were no historical transactions between Equinix and IXEurope. Certain reclassifications have been made to conform IXEurope's historical amounts to Equinix's financial statement presentation.

The pro forma adjustments do not reflect any integration adjustments to be incurred in connection with the acquisition or operating efficiencies and cost savings that may be achieved with respect to the combined entity as these costs are not directly attributable to the purchase agreement.

**5. IXEUROPE ACQUISITION FINANCINGS**

The unaudited pro forma combined consolidated condensed financial statements reflect the Senior Bridge Loan being terminated unused as described above.

As of June 30, 2007, the Company had incurred $2,864,000 of debt issuance costs in securing the Senior Bridge Loan. Upon termination of the Senior Bridge Loan, the Company will, therefore, record a loss on extinguishment of debt totaling $2,864,000 reflecting the immediate write-off of all such debt issuance costs.

The Common Stock Offering reflects the proposed sale of 3,622,556 shares of the Company's common stock at an assumed offering price of $81.91 per share, resulting in anticipated net proceeds to the Company of $287,550,000 after deducting underwriting discounts and commissions and estimated offering expenses. For purposes of these pro forma financials, the Company has assumed an estimated offering price of $81.91, which was the closing price of the Company's common stock on September 13, 2007.

The Convertible Debt Offering reflects the proposed sale of the Company's Convertible Subordinated Notes due 2014, resulting in anticipated net proceeds to the Company of $291,300,000 after deducting underwriting discounts and commissions and estimated offering expenses. The total assumed debt issuance costs of $8,700,000 will be amortized to interest expense over the seven-year term of the Convertible Subordinated Notes due 2014. For purposes of these pro forma financials, the Company has assumed an interest rate of 2.50% per annum, which was the interest rate of the Company's prior convertible debt offering in March 2007. The actual interest rate of the notes will be determined at the time of the offering of the notes and may differ.

It is possible that, based on market conditions, the Company may increase or decrease the aggregate principal amount of the notes offered in the Convertible Debt Offering and increase or decrease the number of shares offered in its Common Stock Offering or complete one offering without the other. In any event, through both offerings the Company intends to raise gross proceeds of approximately $600.0 million (up to $690.0 million if the underwriters' over-allotment option for each offering is exercised in full). To the extent the Company enters into underwriting agreements for both offerings, the completion of each offering will be conditioned upon the concurrent completion of the other offering.

**6. CHICAGO IBX FINANCING**

In July and August 2007, the Company received additional advances under the Chicago IBX Financing totaling $19,063,000, bringing the cumulative Loan Payable to date to $88,326,000 with a blended interest rate of 8.125% per annum. As a result, the remaining amount available to borrow from the Chicago IBX Financing totals $21,674,000. The unaudited pro forma combined consolidated condensed statements of operations reflect the total Loan Payable under the Chicago IBX Financing totaling $88,326,000 as if it had been outstanding on January 1, 2006.

**7. SAN JOSE PROPERTY ACQUISITION**

In July 2007, the Company closed on the San Jose Property Acquisition and, as a result, took title to the property and paid the remaining amount due of $58,732,000, including closing costs, in cash following the $6,500,000 cash deposit paid in January 2007. In conjunction with the purchase of this property, which it formerly leased, the Company wrote-off the associated deferred rent and asset retirement obligation totaling $1,386,000 and $138,000, respectively, and as a result recorded property and equipment totaling $63,708,000. The Company assessed the building, site improvements and land elements of the San Jose Property Acquisition and then assigned the relative fair value to each element. The unaudited pro forma combined consolidated condensed statements of operations reflect the San Jose Property Acquisition as if it had been purchased on January 1, 2006 and reflects increased depreciation and property tax expense, offset partially by the rent expense savings.

**8. ASIA-PACIFIC FINANCING**

In August 2007, two wholly-owned subsidiaries of the Company, located in Singapore and Tokyo, Japan, entered into an approximately $40,000,000 multi-currency credit facility agreement or the Asia-Pacific Financing. The Asia-Pacific Financing has a four-year term that allows these two subsidiaries to borrow up to 23,250,000 Singapore dollars and 2,932,500 Japanese yen, respectively, during the first 12-month period with repayment to occur over the remaining three years in twelve equal quarterly installments. The combined total amount available for borrowing under the two currencies is approximately equal to $40,000,000. Amounts undrawn at the end of the first 12-month period shall be canceled. The Asia-Pacific Financing has a commitment fee of 0.3% on unutilized amounts during the 12-month draw period and bears interest at a floating rate (the relevant three-month local cost of funds for Singapore and Japan, as applicable, plus 1.85%-2.50% depending on the ratio of the Company's senior indebtedness to its earnings before interest, taxes, deprecation and amortization, or EBITDA, with interest payable quarterly. The Asia-Pacific Financing may be used by these two subsidiaries to fund capital expenditures on leasehold improvements, equipment, and other installation costs related to expansion plans in Singapore and Tokyo. The Asia-Pacific Financing has several financial covenants, with which the Company must comply quarterly, is guaranteed by Equinix and is secured by certain of Equinix's Asia-Pacific assets. In September 2007, the Company borrowed 18,282,000 Singapore dollars at an initial interest rate per annum of 4.6625% and 1,476,833,000 Japanese yen at an initial interest rate per annum of 2.687%. Collectively the amounts borrowed equal approximately $24,750,000 leaving approximately $15,250,000 remaining to borrow under the Asia-Pacific Financing.

The debt issuance costs related to the Asia-Pacific Financing totaling approximately $614,000 were capitalized and will be amortized to interest expense using the effective interest method over the four-year life of the Asia-Pacific Financing.

The unaudited pro forma combined consolidated condensed statements of operations reflect the advances to date under the Asia-Pacific Financing totaling $24,750,000 as if they had been outstanding on January 1, 2006.

**9. IXEUROPE ACQUISITION RELATED PRO FORMA ADJUSTMENTS**

The accompanying unaudited pro forma combined financial statements have been prepared as if the IXEurope Acquisition and IXEurope Acquisition Financing transactions described above were completed on June 30, 2007 for balance sheet purposes and as of January 1, 2006 for statement of operations purposes.

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

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

| | |
|---|---|
| Purchase price for IXEurope | $ (536,681) |
| Assumed proceeds from Common Stock Offering, net of underwriting discounts and commissions | 288,000 |
| Assumed proceeds from Convertible Subordinated Notes due 2014, net of underwriting discounts and commissions | 291,750 |
| | $ 43,069 |

(b) Represents a net adjustment to IXEurope's property and equipment to fair value of $44,161,000.

(c) Represents goodwill of $406,233,000 created in the acquisition of IXEurope, offset by the $6,513,000 write-off of IXEurope's existing goodwill on its balance sheet.

(d) Represents the addition of the customer contract intangible asset of $63,050,000, offset by the $408,000 write-off of IXEurope's existing intangible asset on its balance sheet.

(e) Represents the new debt issuance costs in conjunction with the Convertible Subordinated Notes due 2014 totaling $8,700,000, offset by the $2,864,000 write-off of debt issuance costs in conjunction with the retirement of the Senior Bridge Loan and a fair value adjustment to write-off IXEurope's debt issuance costs totaling $4,912,000.

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

| | |
|---|---|
| Accrual for Equinix's IXEurope transaction costs | $ 6,988 |
| Accrual for IXEurope's transaction costs | 9,628 |
| Accrual for assumed additional issuance costs in connection with the Common Stock Offering | 450 |
| Accrual for assumed additional issuance costs in connection with the Convertible Subordinated Notes due 2014 offering | 450 |
| | $ 17,516 |

(g) Represents an adjustment of IXEurope's other current liabilities to fair value ($562,000) in connection with deferred installation revenue with no remaining performance obligations.

(h) Represents the gross proceeds from the Convertible Subordinated Notes due 2014 offering.

(i) Represents the following adjustments to deferred rent and other liabilities (in thousands):

| | |
|---|---|
| Value attributed to IXEurope's unfavorable leases | $ 1,483 |
| Write-off of IXEurope's non-current deferred installation revenue with no remaining performance obligation | (3,670) |
| | $(2,187) |

(j) Represents the following adjustments to stockholders' equity (in thousands):

| | |
|---|---|
| Elimination of IXEurope's historical stockholders' equity | $ (48,937) |
| Net proceeds from common stock offering | 287,550 |
| Write-off of debt issuance costs in connection with repayment of the Senior Bridge Loan | (2,864) |
| | $235,749 |

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

(k) Represents additional depreciation expense in connection with the fair value adjustment to IXEurope's property and equipment offset by a nominal amount of rent expense savings as a result of the unfavorable lease liability amortization recorded in connection with the IXEurope Acquisition (in thousands):

| | Year ended December 31, 2006 | Six months ended June 30, 2007 |
|---|---|---|
| Additional depreciation expense in connection with IXEurope Acquisition | $ 4,058 | $ 2,176 |
| IXEurope unfavorable lease liability amortization | (182) | (98) |
| | $ 3,876 | $ 2,078 |

(l) Represents (i) the amortization of the IXEurope customer contract intangible in connection with the IXEurope Acquisition over an estimated useful life of ten years and (ii) additional depreciation expense in connection with the fair value adjustment to IXEurope's property and equipment as noted below (in thousands):

| | Year ended December 31, 2006 | Six months ended June 30, 2007 |
|---|---|---|
| IXEurope customer contract intangible amortization | $ 5,274 | $ 2,828 |
| Additional depreciation expense in connection with IXEurope acquisition | 187 | 100 |
| | $ 5,461 | $ 2,928 |

(m) Represents the additional interest expense associated with the Convertible Subordinated Notes due 2014.

(n) Represents the write-off of the debt issuance costs in connection with the termination of the Senior Bridge Loan.

(o) Represents the shares of common stock associated with new common stock offering as if they were outstanding as of January 1, 2006.

## 10. OTHER PRO FORMA ADJUSTMENTS

The accompanying unaudited pro forma combined financial statements have been prepared as if the Other Significant Subsequent Events transactions described above were completed on June 30, 2007 for balance sheet purposes and as of January 1, 2006 for statement of operations purposes.

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

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

| | |
|---|---|
| Additional proceeds from the Chicago IBX financing | $ 19,063 |
| Purchase of San Jose property acquisition | (58,732) |
| Proceeds from Asia-Pacific financing | 24,750 |
| | $ (14,919) |

(q) Represents an adjustment to property and equipment as a result of the San Jose property acquisition totaling $63,708,000.

(r) Represents the new debt issuance costs in conjunction with the Asia-Pacific Financing totaling $614,000.

(s) Represents the reclassification of the $6,500,000 deposit for the San Jose Property Acquisition paid in January 2007 to property and equipment in connection with the closing of this transaction.

(t) Represents the accrual for the new debt issuance costs in conjunction with the Asia-Pacific Financing.

(u) Represents the additional proceeds from the Chicago IBX Financing of $19,063,000 and proceeds from the Asia-Pacific Financing of $24,750,000.

(v) Represents the write-off of deferred rent and asset retirement obligations in connection with the purchase of property in connection with the San Jose property acquisition totaling $1,524,000.

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

(w) Represents the additional depreciation and property tax expense as a result of the San Jose Property Acquisition offset by some savings in rent expense on this property that was previously rented.

(x) Represents additional interest expense associated with (i) the cumulative advances from the Chicago IBX Financing and (ii) the Asia-Pacific Financing.