

	Q108	Q208	Q308	Q408	Q109	Q209
SEGMENT GROSS PROFIT (1)(2) AND SEGMENT GROSS MARGIN (3)						
Revenues:						
Internet protocol (IP) services	\$ 35,684	\$ 34,636	\$ 35,467	\$ 33,950	\$ 32,209	\$ 32,099
Data center services	26,369	27,689	29,932	30,262	31,715	32,273
Total	\$ 62,053	\$ 62,325	\$ 65,399	\$ 64,212	\$ 63,924	\$ 64,372
Direct cost of network, sales and services, exclusive of depreciation and amortization:						
IP services	13,040	13,146	12,654	13,045	12,384	12,414
Data center services	18,323	20,338	22,750	22,581	23,281	24,165
Total	31,363	33,484	35,404	35,626	35,665	36,579
Segment gross profit (2):						
IP services	22,644	21,490	22,813	20,905	19,825	19,685
Data center services	8,046	7,351	7,182	7,681	8,434	8,108
Total	\$ 30,690	\$ 28,841	\$ 29,995	\$ 28,586	\$ 28,259	\$ 27,793
Segment gross margin (3):						
IP services	63.5%	62.0%	64.3%	61.6%	61.6%	61.3%
Data center services	30.5%	26.5%	24.0%	25.4%	26.6%	25.1%
Total	49.5%	46.3%	45.9%	44.5%	44.2%	43.2%
ADJUSTED OPERATING EXPENSE (4)						
Total operating costs and expenses (GAAP)	\$ 61,445	\$ 65,898	\$ 167,071	\$ 64,742	\$ 70,272	\$ 124,576
Total operating costs and expenses as % of revenue	99.0%	105.7%	255.5%	100.8%	109.9%	193.5%
Direct cost of network and sales, exclusive of depreciation and amortization	(31,363)	(33,484)	(35,404)	(35,626)	(35,665)	(36,579)
Depreciation and amortization (5)	(6,610)	(6,928)	(9,195)	(7,781)	(8,036)	(11,937)
Impairments and restructuring (6)	-	-	(100,415)	(1,026)	(870)	(53,735)
Stock-based compensation expense	(2,375)	(2,074)	(1,922)	(1,128)	(2,056)	(1,308)
Executive transition (7)	-	-	-	-	(1,427)	-
Adjusted operating expense (4) (non-GAAP)	\$ 21,097	\$ 23,412	\$ 20,135	\$ 19,181	\$ 22,218	\$ 21,017
Adjusted operating expense (non-GAAP) as % of revenue	34.0%	37.6%	30.8%	29.9%	34.8%	32.6%
STOCK-BASED COMPENSATION EXPENSE SUMMARY						
Direct cost of customer support	\$ 486	\$ 326	\$ 277	\$ 280	\$ 254	\$ 288
Sales and marketing	474	474	448	386	372	368
General and administrative (7)	1,415	1,274	1,197	462	1,430	652
Total	\$ 2,375	\$ 2,074	\$ 1,922	\$ 1,128	\$ 2,056	\$ 1,308
ADJUSTED EBITDA (8)						
Income (loss) from operations (GAAP)	\$ 608	\$ (3,573)	\$ (101,672)	\$ (530)	\$ (6,348)	\$ (60,204)
Stock-based compensation expense	2,375	2,074	1,922	1,128	2,056	1,308
Depreciation and amortization (5)	6,610	6,928	9,195	7,781	8,036	11,937
Impairments and restructuring (6)	-	-	100,415	1,026	870	53,735
Adjusted EBITDA (8) (non-GAAP)	\$ 9,593	\$ 5,429	\$ 9,860	\$ 9,405	\$ 4,614	\$ 6,776
Adjusted EBITDA Margin (9)(non-GAAP)	15.5%	8.7%	15.1%	14.6%	7.2%	10.5%

	Q108	Q208	Q308	Q408	Q109	Q209
NORMALIZED NET INCOME (LOSS) (10) AND BASIC AND DILUTED NORMALIZED NET INCOME (LOSS) PER SHARE (11)						
Net income (loss) (GAAP)	\$ 739	\$ (3,237)	\$ (101,405)	\$ (910)	\$ (6,608)	\$ (60,645)
Stock-based compensation expense	2,375	2,074	1,922	1,128	2,056	1,308
Impairments and restructuring (6)	-	-	100,415	1,026	870	53,735
Additional impairments included in depreciation and amortization (5)(6)	-	-	1,850	-	-	4,134
Normalized net income (loss) (10)(non-GAAP)	\$ 3,114	\$ (1,163)	\$ 2,782	\$ 1,244	\$ (3,682)	\$ (1,468)
Net income (loss) available to common stockholders (GAAP) (12)	\$ 728	\$ (3,237)	\$ (101,405)	\$ (910)	\$ (6,608)	\$ (60,645)
Normalized net income (loss) available to common stockholders (non-GAAP) (12)	\$ 3,069	\$ (1,163)	\$ 2,731	\$ 1,222	\$ (3,682)	\$ (1,468)
Weighted average shares outstanding used in per share calculation:						
Basic (GAAP)	49,110	49,208	49,294	49,338	49,414	49,586
Participating securities (GAAP) (12)	717	1,147	928	871	874	1,203
Diluted (GAAP)	49,276	49,208	49,294	49,338	49,414	49,586
Add potentially dilutive securities	-	-	7	4	-	-
Less dilutive effect of SFAS No. 123R under the treasury stock method	(117)	-	-	-	-	-
Normalized diluted shares (non-GAAP) (13)	49,159	49,208	49,301	49,342	49,414	49,586
Net income (loss) per share (GAAP):						
Basic	\$ 0.01	\$ (0.07)	\$ (2.06)	\$ (0.02)	\$ (0.13)	\$ (1.22)
Diluted	\$ 0.01	\$ (0.07)	\$ (2.06)	\$ (0.02)	\$ (0.13)	\$ (1.22)
Normalized net income (loss) per share (non-GAAP) (11):						
Basic	\$ 0.06	\$ (0.02)	\$ 0.06	\$ 0.02	\$ (0.07)	\$ (0.03)
Diluted	\$ 0.06	\$ (0.02)	\$ 0.06	\$ 0.02	\$ (0.07)	\$ (0.03)

Internap Network Services Corporation
For the Quarter Ended June 30, 2009

Notes:

- (1) During the three months ended June 30, 2009, we changed how we view and manage our business. As a result, we now report our former CDN services segment within the IP services segment, except for the managed server portion of CDN services, which we now include within the data center services segment. We have reclassified financial information for 2008 to conform to the current period presentation.
- (2) Segment gross profit is defined as segment revenues less direct cost of network, sales and services, exclusive of depreciation and amortization, as presented in the notes to our financial statements filed with the United States Securities and Exchange Commission in Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. Segment gross profit does not include direct costs of amortization of customer support, direct costs of amortization of acquired technologies or any other depreciation or amortization associated with direct costs.
- (3) Segment gross margin is defined as segment gross profit as a percentage of revenues.
- (4) Adjusted operating expense is defined as operating expense less direct cost of network and sales, depreciation and amortization, impairments and restructuring, stock-based compensation expense and executive transition (7).
- (5) Depreciation and amortization for the quarters ended September 30, 2008 and June 30, 2009 include additional impairment charges of \$1,850 and \$4,134, respectively, for acquired developed technology, as described in note (6) below.
- (6) Impairments and restructuring for the quarters ended September 30, 2008 and June 30, 2009 do not include impairment charges of \$1,850 and \$4,134, respectively for acquired developed technology. These impairment charges are included herein with the caption "Depreciation and amortization" and in our financial statements with the caption "Direct costs of amortization of acquired technologies."
- (7) Executive transition represents costs associated with the succession of our President and Chief Executive Officer during the quarter ended March 31, 2009 and includes \$1,227 in cash compensation and \$200 in professional services. Executive transition as used herein does not include stock-based compensation of \$815 presented with other stock-based compensation on this schedule (included within general and administrative stock-based compensation expense).
- (8) Adjusted EBITDA is defined as income (loss) from operations plus stock-based compensation, depreciation and amortization, and impairments and restructuring. During the three months ended June 30, 2009 we changed the definition of adjusted EBITDA to exclude other non-operating income (expenses). We have reclassified financial information for 2008 to conform to the current period presentation. This change had a minimal impact on our adjusted EBITDA and adjusted EBITDA margin.
- (9) Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of revenues.
- (10) Normalized net income (loss) is defined as net income (loss) plus stock-based compensation, impairments and restructuring.
- (11) Normalized net income (loss) per share is defined as normalized net income (loss) divided by basic and normalized diluted shares.
- (12) Net income and normalized net income available to common stockholders excludes amounts allocated to unvested restricted stock awards, which, by definition, are participating securities. However, participating securities do not share in any net loss or normalized net loss.
- (13) Normalized diluted shares is defined as diluted common shares outstanding used in GAAP net income (loss) per share calculation, excluding the effect of SFAS No. 123R under the treasury stock method.