

Internap Network Services Corporation
For the Quarter Ended March 31, 2009
In thousands, except per share data

	Q108	Q208	Q308	Q408	Q109
<u>SEGMENT GROSS PROFIT AND SEGMENT GROSS MARGIN (1)(2)</u>					
Revenues:					
Internet protocol (IP) services	\$ 31,124	\$ 30,395	\$ 31,660	\$ 30,089	\$ 28,593
Data center services	25,185	26,511	28,738	29,245	30,617
Content delivery network (CDN) services	5,744	5,419	5,001	4,878	4,714
Total	\$ 62,053	\$ 62,325	\$ 65,399	\$ 64,212	\$ 63,924
Direct cost of network, sales and services, exclusive of depreciation and amortization:					
IP services	11,290	11,401	11,347	11,744	11,336
Data center services	18,124	20,028	22,061	21,796	22,255
CDN services	1,949	2,055	1,996	2,086	2,074
Total	31,363	33,484	35,404	35,626	35,665
Segment gross profit [(non-GAAP)] (1):					
IP services	19,834	18,994	20,313	18,345	17,257
Data center services	7,061	6,483	6,677	7,449	8,362
CDN services	3,795	3,364	3,005	2,792	2,640
Total	\$ 30,690	\$ 28,841	\$ 29,995	\$ 28,586	\$ 28,259
Segment gross margin [(non-GAAP)] (2):					
IP services	63.7%	62.5%	64.2%	61.0%	60.4%
Data center services	28.0%	24.5%	23.2%	25.5%	27.3%
CDN services	66.1%	62.1%	60.1%	57.2%	56.0%
Total	49.5%	46.3%	45.9%	44.5%	44.2%
<u>ADJUSTED OPERATING EXPENSE (3)</u>					
Total operating costs and expenses (GAAP)	\$ 61,445	\$ 65,898	\$ 167,071	\$ 64,742	\$ 70,272
Total operating costs and expenses as % of revenue	99.0%	105.7%	255.5%	100.8%	109.9%
Direct cost of network and sales, exclusive of depreciation and amortization					
	(31,363)	(33,484)	(35,404)	(35,626)	(35,665)
Depreciation and amortization					
	(6,610)	(6,928)	(9,195)	(7,781)	(8,036)
Impairments and restructuring					
	-	-	(100,415)	(1,026)	(870)
Stock-based compensation expense					
	(2,375)	(2,074)	(1,922)	(1,128)	(2,056)
Executive transition (4)					
	-	-	-	-	(1,427)
Adjusted operating expense (non-GAAP)	\$ 21,097	\$ 23,412	\$ 20,135	\$ 19,181	\$ 22,218
Adjusted operating expense (non-GAAP) as % of revenue	34.0%	37.6%	30.8%	29.9%	34.8%
<u>STOCK-BASED COMPENSATION EXPENSE SUMMARY</u>					
Direct cost of customer support	\$ 486	\$ 326	\$ 277	\$ 280	\$ 254
Product development	252	157	135	144	158
Sales and marketing	474	474	448	386	372
General and administrative	1,163	1,117	1,062	318	457
Executive transition (4)	-	-	-	-	815
Total	\$ 2,375	\$ 2,074	\$ 1,922	\$ 1,128	\$ 2,056
<u>ADJUSTED EBITDA (5)</u>					
Net income (loss) (GAAP)	\$ 739	\$ (3,237)	\$ (101,405)	\$ (910)	\$ (6,608)
Stock-based compensation expense	2,375	2,074	1,922	1,128	2,056
Impairments and restructuring (6)	-	-	102,265	1,026	870
Depreciation and amortization (7)	6,610	6,928	7,345	7,781	8,036
Provision (benefit) for income taxes	251	46	(65)	(58)	45
Interest (income) expense, net	(391)	(327)	(103)	188	88
Adjusted EBITDA (non-GAAP)	\$ 9,584	\$ 5,484	\$ 9,959	\$ 9,155	\$ 4,487
Adjusted EBITDA Margin (non-GAAP) (8)	15.4%	8.8%	15.2%	14.3%	7.0%

	Q108	Q208	Q308	Q408	Q109
NORMALIZED NET INCOME (LOSS) (9) AND BASIC AND					
DILUTED NORMALIZED NET INCOME (LOSS) PER SHARE (10)					
Net income (loss) (GAAP)	\$ 739	\$ (3,237)	\$ (101,405)	\$ (910)	\$ (6,608)
Stock-based compensation expense	2,375	2,074	1,922	1,128	2,056
Impairments and restructuring (6)	-	-	102,265	1,026	870
Normalized net income (loss) (non-GAAP)	\$ 3,114	\$ (1,163)	\$ 2,782	\$ 1,244	\$ (3,682)
Net income (loss) available to common stockholders (GAAP) (11)	\$ 728	\$ (3,237)	\$ (101,405)	\$ (910)	\$ (6,608)
Normalized net income (loss) available to common stockholders (non-GAAP) (11)	\$ 3,069	\$ (1,163)	\$ 2,731	\$ 1,222	\$ (3,682)
Weighted average shares outstanding used in per share calculation:					
Basic (GAAP)	49,110	49,208	49,294	49,338	49,414
Participating securities (GAAP) (11)	717	1,147	928	871	874
Diluted (GAAP)	49,276	49,208	49,294	49,338	49,414
Add potentially dilutive securities	-	-	7	4	-
Less dilutive effect of SFAS No. 123R under the treasury stock method	(117)	-	-	-	-
Normalized diluted shares (non-GAAP) (12)	49,159	49,208	49,301	49,342	49,414
Net income (loss) per share (GAAP):					
Basic	\$ 0.01	\$ (0.07)	\$ (2.06)	\$ (0.02)	\$ (0.13)
Diluted	\$ 0.01	\$ (0.07)	\$ (2.06)	\$ (0.02)	\$ (0.13)
Normalized net income (loss) per share (non-GAAP) (10):					
Basic	\$ 0.06	\$ (0.02)	\$ 0.06	\$ 0.02	\$ (0.07)
Diluted	\$ 0.06	\$ (0.02)	\$ 0.06	\$ 0.02	\$ (0.07)

Notes:

- (1) 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 acquired technologies, direct costs of customer support or any other depreciation or amortization associated with direct costs.
- (2) Segment gross margin is defined as segment gross profit as a percentage of revenues.
- (3) 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 (4).
- (4) 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.
- (5) Adjusted EBITDA is defined as net income (loss) plus stock-based compensation, impairments and restructuring, depreciation and amortization, provision (benefit) for income taxes and net interest expense (income).
- (6) Impairments and restructuring for the quarter ended September 30, 2008 includes an impairment charge of \$1,850 for developed technology. Except as otherwise noted, this impairment is included in the captions "Direct costs of amortization of acquired technologies" and "Depreciation and amortization."
- (7) Depreciation and amortization for the quarter ended September 30, 2008 does not include an impairment charge of \$1,850 for developed technology, as described in note (6) above.
- (8) Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of revenues.
- (9) Normalized net income (loss) is defined as net income (loss) plus stock-based compensation, impairments and restructuring.
- (10) Normalized net income (loss) per share is defined as normalized net income (loss) divided by basic and normalized diluted shares.
- (11) 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.
- (12) 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.