



GDS 万国数据

GDS Holdings Limited Reports Third Quarter 2018 Results

November 13, 2018

SHANGHAI, China, Nov. 13, 2018 (GLOBE NEWSWIRE) -- GDS Holdings Limited ("GDS Holdings", "GDS" or the "Company") (NASDAQ: GDS), a leading developer and operator of high-performance data centers in China, today announced its unaudited financial results for the quarter ended September 30, 2018.

Third Quarter 2018 Financial Highlights

- Net revenue increased by 79.7% year-over-year ("Y-o-Y") to RMB762.8 million (US\$111.1 million) in the third quarter of 2018 (3Q2017: RMB424.4 million).
- Service revenue increased by 77.9% Y-o-Y to RMB752.6 million (US\$109.6 million) in the third quarter of 2018 (3Q2017: RMB423.0 million).
- Net loss was RMB119.4 million (US\$17.4 million) in the third quarter of 2018, compared with a net loss of RMB90.3 million in the third quarter of 2017.
- Adjusted EBITDA (non-GAAP) increased by 125.3% Y-o-Y to RMB301.2 million (US\$43.8 million) in the third quarter of 2018 (3Q2017: RMB133.7 million). See "Non-GAAP Disclosure" and "Reconciliations of GAAP and non-GAAP results" elsewhere in this earnings release.
- Adjusted EBITDA margin (non-GAAP) increased to 39.5% in the third quarter of 2018 (3Q2017: 31.5%).

Operating Highlights

- Total area committed increased by 95.3% Y-o-Y to 161,799 square meters ("sqm") as of September 30, 2018 (September 30, 2017: 82,850 sqm).
- Area utilized (or revenue generating space) increased by 99.1% Y-o-Y to 100,679 sqm as of September 30, 2018 (September 30, 2017: 50,579 sqm).
- Area in service increased by 89.3% Y-o-Y to 147,342 sqm as of September 30, 2018 (September 30, 2017: 77,832 sqm).
- Commitment rate for area in service was 96.3% as of September 30, 2018 (September 30, 2017: 89.8%) and utilization rate was 68.3% as of September 30, 2018 (September 30, 2017: 65.0%).
- Area under construction was 43,718 sqm as of September 30, 2018 (September 30, 2017: 37,478 sqm).
- Pre-commitment rate for area under construction was 45.4% as of September 30, 2018 (September 30, 2017: 34.6%).

"We had another outstanding quarter in terms of new business, signing up nearly 19,000 sqm of additional customer commitments and staying on track to achieve twice what we did last year," said Mr. William Huang, Chairman and Chief Executive Officer. "Despite macro market conditions, we continue to see strong demand for high-performance data center capacity in China from across our customer franchise, driven mainly by cloud adoption and AI deployment. Through our deep relationships with hyperscale customers and the strategically located resource which we have secured for capacity expansion, GDS is strongly positioned for the coming opportunities."

"Once again, we have delivered year on year adjusted EBITDA growth of well over 100%," said Mr. Dan Newman, Chief Financial Officer. "Our adjusted EBITDA margin in the third quarter was eight percentage points higher than a year ago, as we continued to realize significant operating leverage. We are further raising our full year 2018 revenue and adjusted EBITDA guidance to reflect the continued out-performance."

Third Quarter 2018 Financial Results

Net revenue in the third quarter of 2018 was RMB762.8 million (US\$111.1 million), a 79.7% increase over the third quarter of 2017 of RMB424.4 million and a 19.7% increase over the second quarter of 2018 of RMB637.5 million. Service revenue in the third quarter of 2018 was RMB752.6 million (US\$109.6 million), a 77.9% increase over the third quarter of 2017 of RMB423.0 million and a 20.2% increase over the second quarter of 2018 of RMB626.3 million. The increase was mainly due to full quarter revenue contribution from additional area utilized in the previous quarter and the contribution from 14,014 sqm of net additional area utilized in the third quarter of 2018 which mainly related to the Beijing 2 ("BJ2"), Guangzhou 3 ("GZ3") Phase 1, Hebei 2 ("HB2") and Hebei 3 ("HB3") data centers. Revenue from IT equipment sales was RMB10.2 million (US\$1.5 million), compared with RMB1.4 million in the third quarter of 2017 and RMB11.2 million in the second quarter of 2018.

Cost of revenue in the third quarter of 2018 was RMB591.0 million (US\$86.0 million), an 83.7% increase over the third quarter of 2017 of RMB321.7 million and a 18.2% increase over the second quarter of 2018 of RMB500.0 million. The increase over the previous quarter was mainly due to an increase in utility cost as a result of higher area utilized, as well as an increase in depreciation and amortization costs and other related costs such as personnel, outsourcing and building rent as a result of the completion of the Shenzhen 5 ("SZ5") Phase 2, Hebei 1 ("HB1"), GZ3 Phase 1 and Shanghai 11 ("SH11") data centers which came into service late in the previous quarter, and the completion of the Shanghai 8 ("SH8"), Chengdu 2

("CD2") Phase 1, HB2 and HB3 data centers which came into service during the third quarter.

Gross profit was RMB171.9 million (US\$25.0 million) in the third quarter of 2018, a 67.3% increase over the third quarter of 2017 of RMB102.7 million, and a 25.0% increase over the second quarter of 2018 of RMB137.5 million. Gross profit margin was 22.5% in the third quarter of 2018, compared with 24.2% in the third quarter of 2017, and 21.6% in the second quarter of 2018. The increase in gross profit margin over the previous quarter was primarily due to the leverage effect realized on fixed-cost components of cost of revenue.

Adjusted Net Operating Income ("Adjusted NOI") (non-GAAP) is defined as net loss (computed in accordance with GAAP), excluding net interest expenses, income tax expenses (benefits), depreciation and amortization, accretion expenses for asset retirement costs, share-based compensation expenses, selling and marketing expenses, general and administrative expenses, research and development expenses, foreign currency exchange loss (gain) and others. Adjusted NOI was RMB366.9 million (US\$53.4 million) in the third quarter of 2018, an 81.7% increase over the third quarter of 2017 of RMB201.9 million and a 26.2% increase over the second quarter of 2018 of RMB290.8 million.

Adjusted NOI margin (non-GAAP) was 48.1% in the third quarter of 2018, compared with 47.6% in the third quarter of 2017, and 45.6% in the second quarter of 2018. The increase over the previous quarter was mainly due to the leverage effect realized on fixed-cost components of cost of revenue.

Selling and marketing expenses, excluding share-based compensation expenses of RMB7.1 million (US\$1.0 million), were RMB22.2 million (US\$3.2 million) in the third quarter of 2018, a 22.6% increase from the third quarter of 2017 of RMB18.1 million (excluding share-based compensation of RMB4.7 million) and a 24.5% increase from the second quarter of 2018 of RMB17.8 million (excluding share-based compensation of RMB4.3 million). The increase over the previous quarter was primarily due to an increase in personnel cost as a result of business expansion.

General and administrative expenses, excluding share-based compensation expenses of RMB14.1 million (US\$2.1 million) and depreciation and amortization expenses of RMB17.8 million (US\$2.6 million), were RMB57.3 million (US\$8.3 million) in the third quarter of 2018, a 20.4% increase over the third quarter of 2017 of RMB47.6 million (excluding share-based compensation of RMB7.2 million and depreciation and amortization expenses of RMB9.2 million) and a 16.2% increase from the second quarter of 2018 of RMB49.3 million (excluding share-based compensation of RMB21.8 million and depreciation and amortization expenses of RMB15.6 million). The increase in general and administrative expenses over the previous quarter was primarily due to increases in personnel cost, professional fees and other office expenses.

Research and development costs were RMB3.3 million (US\$0.5 million) in the third quarter of 2018, compared with RMB2.1 million in the third quarter 2017 and RMB3.2 million in the second quarter of 2018.

Net interest expenses for the third quarter of 2018 were RMB182.2 million (US\$26.5 million), a 72.3% increase over the third quarter of 2017 of RMB105.7 million and a 32.7% increase over the second quarter of 2018 of RMB137.3 million. The increase over the previous quarter was mainly due to an increase of total debt to finance data center capacity expansion as well as the convertible senior notes offering completed in June 2018.

Foreign currency exchange gain for the third quarter of 2018 was RMB13.4 million (US\$2.0 million), compared with a loss of RMB1.6 million in the third quarter of 2017 and a gain of RMB9.8 million in the second quarter of 2018. The foreign currency gain was mainly due to the appreciation of USD against RMB.

Net loss in the third quarter of 2018 was RMB119.4 million (US\$17.4 million), compared with a net loss of RMB90.3 million in the third quarter of 2017 and a net loss of RMB102.1 million in the second quarter of 2018.

Adjusted EBITDA (non-GAAP) is defined as net loss excluding net interest expenses, income tax expenses (benefits), depreciation and amortization, accretion expenses for asset retirement costs and share-based compensation expenses. Adjusted EBITDA was RMB301.2 million (US\$43.8 million) in the third quarter of 2018, a 125.3% increase over the third quarter of 2017 of RMB133.7 million and a 29.7% increase over the second quarter of 2018 of RMB232.3 million.

Adjusted EBITDA margin (non-GAAP) was 39.5% in the third quarter of 2018, compared with 31.5% in the third quarter of 2017, and 36.4% in the second quarter of 2018. The increase over the previous quarter was mainly due to leverage realized on general and administrative expenses as well as on other fixed-cost components of cost of revenue as data centers ramp up.

Basic and diluted loss per ordinary share in the third quarter of 2018 was RMB0.12 (US\$0.02), compared with RMB0.12 in the third quarter of 2017, and RMB0.10 in the second quarter of 2018.

Basic and diluted loss per American Depositary Share ("ADS") in the third quarter of 2018 was RMB0.96 (US\$0.14), compared with RMB0.95 in the third quarter of 2017, and RMB0.82 in the second quarter of 2018. Each ADS represents eight Class A ordinary shares.

Sales

Total area committed at the end of the third quarter of 2018 was 161,799 sqm, compared with 82,850 sqm at the end of the third quarter of 2017 and 143,065 sqm at the end of the second quarter of 2018, an increase of 95.3% Y-o-Y and 13.1% quarter-over-quarter ("Q-o-Q"). In the third quarter of 2018, net additional total area committed was 18,734 sqm, including significant contributions from the SH8, Shanghai 9 ("SH9") and Beijing 5 ("BJ5") Phase 1 & Phase 2 data centers. The sales increase was driven primarily by booming Cloud adoption in China leading to higher demand from Cloud service providers, as well as significant new commitments from large Internet and financial service institution customers.

Data Center Resources

Area in service at the end of the third quarter of 2018 was 147,342 sqm, compared with 77,832 sqm at the end of the third quarter of 2017 and 127,984 sqm at the end of the second quarter of 2018, an increase of 89.3% Y-o-Y and 15.1% Q-o-Q. In the third quarter of 2018, the SH8, CD2 Phase 1, HB2 and HB3 data centers came into service.

Area under construction at the end of the third quarter of 2018 was 43,718 sqm, compared with 37,478 sqm at the end of the third quarter of 2017 and 41,023 sqm at the end of the second quarter of 2018, an increase of 16.6% Y-o-Y and 6.6% Q-o-Q. In the third quarter of 2018, as previously disclosed, construction has commenced on the Shanghai 10 ("SH10"), Beijing 6 ("BJ6") and Shenzhen 5 ("SZ5") Phase 3 data centers. In addition, construction has also commenced on the BJ5 Phase 2 data center.

Commitment rate of area in service was 96.3% at the end of the third quarter of 2018, compared with 89.8% at the end of the third quarter of 2017 and 95.6% at the end of second quarter 2018. Pre-commitment rate of area under construction was 45.4% at the end of the third quarter of 2018, compared with 34.6% at the end of the third quarter of 2017 and 50.6% at the end of the second quarter of 2018.

Area utilized at the end of the third quarter of 2018 was 100,679 sqm, compared with 50,579 sqm at the end of the third quarter of 2017 and 86,665 sqm at the end of the second quarter of 2018, an increase of 99.1% Y-o-Y and 16.2% Q-o-Q. Net additional area utilized was 14,014 sqm in the third quarter, which mainly came from the additional area utilized in the BJ2, GZ3 Phase 1, HB2 and HB3 data centers.

Utilization rate of area in service was 68.3% at the end of the third quarter of 2018, compared with 65.0% at the end of the third quarter of 2017 and 67.7% at the end of the second quarter of 2018.

Liquidity

As of September 30, 2018, cash was RMB3,491.7 million (US\$508.4 million). Total short-term debt was RMB1,460.0 million (US\$212.6 million), comprised of short-term borrowings and the current portion of long-term borrowings of RMB1,311.0 million (US\$190.9 million) and the current portion of capital lease and other financing obligations of RMB149.0 million (US\$21.7 million). Total long-term debt was RMB10,846.7 million (US\$1,579.3 million), comprised of long-term borrowings (excluding current portion) of RMB4,749.2 million (US\$691.5 million), convertible bonds of RMB2,005.0 million (US\$291.9 million) and the non-current portion of capital lease and other financing obligations of RMB4,092.5 million (US\$595.9 million). During the third quarter of 2018, the Company obtained new debt facilities of RMB792.0 million (US\$115.3 million).

Updated Business Outlook

For the full year of 2018, the Company now expects its total revenues to be not less than RMB2,750 million, an increase of approximately 4.3% from the top end of the previously guided range of RMB2,636 million; and adjusted EBITDA to be not less than RMB1,020 million, an increase of approximately 5.9% from the top end of the previously guided range of RMB963 million. The updated estimates imply an increase of not less than 70.2% year-over-year in total revenues and not less than 99.1% year-over-year in adjusted EBITDA. The previous guidance of capital expenditures of around RMB4,000 million for the full year of 2018 remains unchanged.

This forecast reflects the Company's current and preliminary view on the current business situation and market conditions, which are subject to change.

Conference Call

Management will hold a conference call at 8:00 a.m. Eastern Time on Tuesday, November 13, 2018 (9:00 p.m. Beijing Time on November 13, 2018) to discuss financial results and answer questions from investors and analysts. Listeners may access the call by dialing:

United States: 1-845-675-0437

International: +65-6713-5090

Hong Kong: +852-3018-6771

China: 400-620-8038

Conference ID: 5886079

A telephone replay will be available approximately two hours after the call until November 21, 2018 07:59 AM U.S. ET by dialing:

United States: 1-646-254-3697

International: +61-2-8199-0299

Hong Kong: +852-3051-2780

China: 400-632-2162

Replay Access Code: 5886079

A live and archived webcast of the conference call will be available on the Company's investor relations website at investors.gds-services.com.

Non-GAAP Disclosure

Our management and board of directors use adjusted NOI, adjusted NOI margin, adjusted EBITDA and adjusted EBITDA margin, which are non-GAAP financial measures, to evaluate our operating performance, establish budgets and develop operational goals for managing our business. In particular, we believe that the exclusion of the expenses eliminated in calculating adjusted NOI and adjusted EBITDA can provide a useful measure of our core operating performance.

We also present these non-GAAP measures because we believe these non-GAAP measures are frequently used by securities analysts, investors and other interested parties as measures of the financial performance of companies in our industry.

These non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. These non-GAAP financial measures have limitations as analytical tools, and when assessing our operating performance, cash flows or our liquidity, investors should not consider them in isolation, or as a substitute for net income (loss), cash flows used in operating activities or other consolidated statements of operations and cash flow data prepared in accordance with U.S. GAAP. There are a number of limitations related to the use of these non-GAAP financial measures instead of their nearest GAAP equivalent. First, adjusted EBITDA, adjusted EBITDA margin, adjusted NOI, and adjusted NOI margin are not substitutes for net income (loss), cash flows used in operating activities or other consolidated statements of operation and cash flow data prepared in accordance with U.S. GAAP. Third, other companies may calculate these non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of these non-GAAP financial measures as tools for comparison. Finally, these non-GAAP financial measures do not reflect the impact of net interest expenses, incomes tax benefits (expenses), depreciation and amortization, accretion expenses for asset retirement costs, and share-based compensation expenses, each of which have been and may continue to be incurred in our business.

We mitigate these limitations by reconciling the non-GAAP financial measure to the most comparable U.S. GAAP performance measure, all of which should be considered when evaluating our performance.

For more information on these non-GAAP financial measures, please see the table captioned "Reconciliations of GAAP and non-GAAP results" set forth at the end of this press release.

Exchange Rate

This announcement contains translations of certain RMB amounts into U.S. dollars ("USD") at specified rates solely for the convenience of the reader. Unless otherwise stated, all translations from RMB to USD were made at the rate of RMB6.868 to US\$1.00, the noon buying rate in effect on September 28, 2018 in the H.10 statistical release of the Federal Reserve Board. The Company makes no representation that the RMB or USD amounts referred could be converted into USD or RMB, as the case may be, at any particular rate or at all.

Statement Regarding Preliminary Unaudited Financial Information

The unaudited financial information set out in this earnings release is preliminary and subject to potential adjustments. Adjustments to the consolidated financial statements may be identified when audit work has been performed for the Company's year-end audit, which could result in significant differences from this preliminary unaudited financial information.

About GDS Holdings Limited

GDS Holdings Limited (Nasdaq: GDS) is a leading developer and operator of high-performance data centers in China. The Company's facilities are strategically located in China's primary economic hubs where demand for high-performance data center services is concentrated. The Company's data centers have large net floor area, high power capacity, density and efficiency, and multiple redundancy across all critical systems. GDS is carrier and cloud neutral, which enables customers to connect directly to all major PRC telecommunications carriers and to the largest PRC and global cloud service providers hosted by GDS in many of its facilities. The Company has a 17-year track record of service delivery, successfully fulfilling the requirements of some of the largest and most demanding customers for outsourced data center services in China. The Company's base of customers consists predominantly of hyper-scale cloud service providers, large internet companies, financial institutions, telecommunications and IT service providers, and large domestic private sector and multinational corporations.

Safe Harbor

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "aim," "anticipate," "believe," "continue," "estimate," "expect," "future," "guidance," "intend," "is/are likely to," "may," "ongoing," "plan," "potential," "target," "will," and similar statements. Among other things, statements that are not historical facts, including statements about GDS Holdings' beliefs and expectations regarding the growth of its businesses and its revenue for the full fiscal year, the business outlook and quotations from management in this announcement, as well as GDS Holdings' strategic and operational plans, are or contain forward-looking statements. GDS Holdings may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the "SEC") on Forms 20-F and 6-K, in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause GDS Holdings' actual results or financial performance to differ materially from those contained in any forward-looking statement, including but not limited to the following: GDS Holdings' goals and strategies; GDS Holdings' future business development, financial condition and results of operations; the expected growth of the market for high-performance data centers, data center solutions and related services in China; GDS Holdings' expectations regarding demand for and market acceptance of its high-performance data centers, data center solutions and related services; GDS Holdings' expectations regarding building, strengthening and maintaining its relationships with new and existing customers; the continued adoption of cloud computing and cloud service providers in China; risks and uncertainties associated with increased investments in GDS Holdings' business and new data center initiatives; risks and uncertainties associated with strategic acquisitions and investments; GDS Holdings' ability to maintain or grow its revenue or business; fluctuations in GDS Holdings' operating results; changes in laws, regulations and regulatory environment that affect GDS Holdings' business operations; competition in GDS Holdings' industry in China; security breaches; power outages; and fluctuations in general economic and business conditions in China and globally and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks, uncertainties or factors is included in the GDS Holdings' filings with the SEC, including its registration statement on Form F-1, as amended. All information provided in this press release is as of the date of this press release and are based on assumptions that GDS Holdings believes to be reasonable as of such date, and GDS Holdings does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

For investor and media inquiries, please contact:

GDS Holdings Limited

Laura Chen
Phone: +86 (21) 2033-0295
Email: ir@gds-services.com

The Piacente Group, Inc.

Ross Warner
Phone: +86 (10) 5730-6200
Email: GDS@tpg-ir.com

Brandi Piacente
Phone: +1 (212) 481-2050
Email: GDS@tpg-ir.com

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(Amount in thousands of Renminbi ("RMB") and US dollars ("US\$"))

| | As of December 31, 2017 RMB | As of September 30, 2018 RMB | US\$ |
|---|-----------------------------------|------------------------------------|------------------|
| Assets | | | |
| Current assets | | | |
| Cash | 1,873,446 | 3,491,694 | 508,400 |
| Accounts receivable, net of allowance for doubtful accounts | 364,654 | 625,087 | 91,014 |
| Value-added-tax ("VAT") recoverable | 112,067 | 142,106 | 20,691 |
| Prepaid expenses and other current assets | 103,861 | 200,981 | 29,263 |
| Total current assets | 2,454,028 | 4,459,868 | 649,368 |
| Property and equipment, net | 8,165,601 | 12,581,602 | 1,831,916 |
| Goodwill and intangible assets, net | 1,919,221 | 2,249,763 | 327,572 |
| Other non-current assets | 605,717 | 925,827 | 134,804 |
| Total assets | 13,144,567 | 20,217,060 | 2,943,660 |
| Liabilities and Shareholders' Equity | | | |
| Current liabilities | | | |
| Short-term borrowings and current portion of long-term borrowings | 790,484 | 1,310,991 | 190,884 |
| Accounts payable | 1,110,411 | 1,033,466 | 150,476 |
| Accrued expenses and other payables | 424,233 | 667,274 | 97,157 |
| Capital lease and other financing obligations, current | 97,943 | 148,980 | 21,692 |
| Total current liabilities | 2,423,071 | 3,160,711 | 460,209 |
| Long-term borrowings, excluding current portion | 3,459,765 | 4,749,184 | 691,494 |
| Convertible bonds payable | 0 | 2,004,993 | 291,933 |
| Capital lease and other financing obligations, non-current | 2,303,044 | 4,092,532 | 595,884 |
| Other long-term liabilities | 483,175 | 612,051 | 89,116 |
| Total liabilities | 8,669,055 | 14,619,471 | 2,128,636 |
| Shareholders' equity | | | |
| Ordinary shares | 320 | 341 | 50 |
| Additional paid-in capital | 5,861,445 | 7,232,029 | 1,053,003 |
| Accumulated other comprehensive loss | (200,688) | (142,585) | (20,761) |
| Accumulated deficit | (1,185,565) | (1,492,196) | (217,268) |
| Total shareholders' equity | 4,475,512 | 5,597,589 | 815,024 |
| Commitments and contingencies | | | |
| Total liabilities and shareholders' equity | 13,144,567 | 20,217,060 | 2,943,660 |

Note:

The Company adopted Accounting Standards Codification ("ASC") 606 Revenue from Contracts with Customers on January 1, 2018 using the cumulative effect method and made an adjustment to decrease the opening balance of accumulated deficit at January 1, 2018 by RMB0.7 million. Therefore, the comparative information was not adjusted.

GDS HOLDINGS LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amount in thousands of Renminbi ("RMB") and US dollars ("US\$"))
except for number of shares and per share data)

| | Three months ended | | | | Nine months ended | | |
|--|--------------------|------------------|--------------------|-----------------|-------------------|--------------------|-----------------|
| | September 30, | June 30, | September 30, 2018 | | September 30, | September 30, 2018 | |
| | 2017 | 2018 | RMB | US\$ | 2017 | RMB | US\$ |
| | RMB | RMB | RMB | US\$ | RMB | RMB | US\$ |
| Net revenue | | | | | | | |
| Service revenue | 423,042 | 626,347 | 752,620 | 109,584 | 1,098,197 | 1,930,440 | 281,077 |
| Equipment sales | 1,391 | 11,163 | 10,201 | 1,485 | 12,493 | 32,116 | 4,676 |
| Total net revenue | 424,433 | 637,510 | 762,821 | 111,069 | 1,110,690 | 1,962,556 | 285,753 |
| Cost of revenue | (321,709) | (499,989) | (590,956) | (86,045) | (820,407) | (1,530,253) | (222,809) |
| Gross profit | 102,724 | 137,521 | 171,865 | 25,024 | 290,283 | 432,303 | 62,944 |
| Operating expenses | | | | | | | |
| Selling and marketing expenses | (22,854) | (22,132) | (29,320) | (4,269) | (67,618) | (78,301) | (11,401) |
| General and administrative expenses | (63,972) | (86,737) | (89,267) | (12,998) | (160,473) | (238,940) | (34,790) |
| Research and development expenses | (2,059) | (3,201) | (3,318) | (483) | (4,720) | (9,191) | (1,338) |
| Income from operations | 13,839 | 25,451 | 49,960 | 7,274 | 57,472 | 105,871 | 15,415 |
| Other income (expenses): | | | | | | | |
| Net interest expenses | (105,733) | (137,274) | (182,152) | (26,522) | (270,096) | (434,480) | (63,262) |
| Foreign currency exchange (loss) gain, net | (1,638) | 9,778 | 13,420 | 1,954 | (5,473) | 19,979 | 2,909 |
| Others, net | 866 | 1,903 | 3,197 | 465 | 2,702 | 5,709 | 831 |
| Loss before income taxes | (92,666) | (100,142) | (115,575) | (16,829) | (215,395) | (302,921) | (44,107) |
| Income tax benefits (expenses) | 2,337 | (1,935) | (3,779) | (550) | 5,038 | (4,436) | (646) |
| Net loss | (90,329) | (102,077) | (119,354) | (17,379) | (210,357) | (307,357) | (44,753) |
| Net loss attributable to ordinary shareholders | (90,329) | (102,077) | (119,354) | (17,379) | (210,357) | (307,357) | (44,753) |
| Loss per ordinary share | | | | | | | |
| Basic and diluted | (0.12) | (0.10) | (0.12) | (0.02) | (0.28) | (0.31) | (0.05) |
| Weighted average number of ordinary share outstanding | | | | | | | |
| Basic and diluted | 761,737,609 | 992,452,334 | 997,967,316 | 997,967,316 | 760,795,203 | 986,825,604 | 986,825,604 |

GDS HOLDINGS LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Amount in thousands of Renminbi ("RMB") and US dollars ("US\$"))

| | Three months ended | | | | Nine months ended | | |
|-----------------|--------------------|------------------|------------------|-----------------|-------------------|------------------|-----------------|
| | September 30, | June 30, | September 30, | | September 30, | September 30, | |
| | 2017 | 2018 | 2018 | US\$ | 2017 | 2018 | US\$ |
| | RMB | RMB | RMB | US\$ | RMB | RMB | US\$ |
| Net loss | (90,329) | (102,077) | (119,354) | (17,379) | (210,357) | (307,357) | (44,753) |

| | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|------------------|------------------|-----------------|
| Foreign currency translation adjustments, net of nil tax | 4,414 | 71,907 | 26,602 | 3,873 | 1,717 | 58,103 | 8,460 |
| Comprehensive loss | (85,915) | (30,170) | (92,752) | (13,506) | (208,640) | (249,254) | (36,293) |

GDS HOLDINGS LIMITED
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amount in thousands of Renminbi ("RMB") and US dollars ("US\$"))

| | Three months ended | | | | Nine months ended | | |
|---|---|-------------------------|------------------------------|------------------|---|------------------------------|------------------|
| | September 30, 2017 RMB Adjusted | June 30, 2018 RMB | September 30, 2018 RMB | US\$ | September 30, 2017 RMB Adjusted | September 30, 2018 RMB | US\$ |
| Net loss | (90,329) | (102,077) | (119,354) | (17,379) | (210,357) | (307,357) | (44,753) |
| Depreciation and amortization | 104,722 | 166,759 | 206,661 | 30,090 | 260,738 | 510,908 | 74,390 |
| Amortization of debt issuance cost and debt discount | 8,436 | 9,339 | 15,956 | 2,323 | 17,425 | 33,223 | 4,837 |
| Share-based compensation expense | 15,594 | 27,954 | 27,358 | 3,983 | 41,394 | 70,945 | 10,330 |
| Others | (5,478) | 1,318 | (2,411) | (351) | (11,438) | (3,870) | (564) |
| Changes in operating assets and liabilities | (88,473) | (121,601) | (90,750) | (13,214) | (236,955) | (428,126) | (62,334) |
| Net cash (used in) provided by operating activities | (55,528) | (18,308) | 37,460 | 5,452 | (139,193) | (124,277) | (18,094) |
| Purchase of property and equipment | (433,352) | (867,965) | (965,555) | (140,588) | (1,175,471) | (2,596,492) | (378,057) |
| Payments related to acquisitions | (10,338) | (289,487) | (110,556) | (16,097) | (50,318) | (443,850) | (64,625) |
| Net cash used in investing activities | (443,690) | (1,157,452) | (1,076,111) | (156,685) | (1,225,789) | (3,040,342) | (442,682) |
| Net proceeds from financing activities | 226,258 | 2,499,137 | 1,066 | 156 | 805,108 | 4,613,206 | 671,695 |
| Net cash provided by financing activities | 226,258 | 2,499,137 | 1,066 | 156 | 805,108 | 4,613,206 | 671,695 |
| Effect of exchange rate changes on cash and restricted cash | (19,470) | 153,167 | 115,650 | 16,841 | (51,884) | 211,181 | 30,748 |
| Net (decrease) increase of cash and restricted cash | (292,430) | 1,476,544 | (921,935) | (134,236) | (611,758) | 1,659,768 | 241,667 |
| Cash and restricted cash at the beginning of period | 1,519,664 | 3,052,759 | 4,529,303 | 659,479 | 1,838,992 | 1,947,600 | 283,576 |
| Cash and restricted cash at end of period | 1,227,234 | 4,529,303 | 3,607,368 | 525,243 | 1,227,234 | 3,607,368 | 525,243 |

Note 1:

The Company adopted Accounting Standards Update ("ASU") No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* on January 1, 2018 and retrospectively adjusted the unaudited condensed consolidated statements of cash flows for the three and nine months ended September 30, 2017 by excluding the movement of restricted cash of RMB0.5 million and RMB25.5 million, respectively.

GDS HOLDINGS LIMITED
UNAUDITED RECONCILIATIONS OF GAAP AND NON-GAAP RESULTS
(Amount in thousands of Renminbi ("RMB") and US dollars ("US\$"))
except for percentage data)

Three months ended

Nine months ended

| | September 30, 2017 RMB | June 30, 2018 RMB | September 30, 2018 RMB | US\$ | September 30, 2017 RMB | September 30, 2018 RMB | US\$ |
|--|------------------------------|-------------------------|------------------------------|-----------------|------------------------------|------------------------------|-----------------|
| Net loss | (90,329) | (102,077) | (119,354) | (17,379) | (210,357) | (307,357) | (44,753) |
| Net interest expenses | 105,733 | 137,274 | 182,152 | 26,522 | 270,096 | 434,480 | 63,262 |
| Income tax (benefits) expenses | (2,337) | 1,935 | 3,779 | 550 | (5,038) | 4,436 | 646 |
| Depreciation and amortization | 104,722 | 166,759 | 206,661 | 30,090 | 260,738 | 510,908 | 74,390 |
| Accretion expenses for asset retirement costs | 269 | 407 | 569 | 83 | 625 | 1,285 | 187 |
| Share-based compensation expenses | 15,594 | 27,954 | 27,358 | 3,983 | 41,394 | 70,945 | 10,330 |
| Selling and marketing expenses ⁽¹⁾ | 18,109 | 17,835 | 22,206 | 3,233 | 54,839 | 61,860 | 9,007 |
| General and administrative expenses ⁽¹⁾ | 47,595 | 49,318 | 57,319 | 8,347 | 118,584 | 150,595 | 21,926 |
| Research and development expenses ⁽¹⁾ | 1,764 | 3,093 | 2,829 | 412 | 3,890 | 8,262 | 1,203 |
| Foreign currency exchange loss (gain), net | 1,638 | (9,778) | (13,420) | (1,954) | 5,473 | (19,979) | (2,909) |
| Others, net | (866) | (1,903) | (3,197) | (465) | (2,702) | (5,709) | (831) |
| Adjusted NOI | 201,892 | 290,817 | 366,902 | 53,422 | 537,542 | 909,726 | 132,458 |
| Adjusted NOI margin | 47.6% | 45.6% | 48.1% | 48.1% | 48.4% | 46.4% | 46.4% |

Note 1:

Selling and marketing expenses, general and administrative expenses and research and development expenses exclude depreciation, amortization and share-based compensation expenses.

GDS HOLDINGS LIMITED
UNAUDITED RECONCILIATIONS OF GAAP AND NON-GAAP RESULTS
(Amount in thousands of Renminbi ("RMB") and US dollars ("US\$"))
except for percentage data)

| | Three months ended | | | | Nine months ended | | |
|---|------------------------------|-------------------------|------------------------------|-----------------|------------------------------|------------------------------|-----------------|
| | September 30, 2017 RMB | June 30, 2018 RMB | September 30, 2018 RMB | US\$ | September 30, 2017 RMB | September 30, 2018 RMB | US\$ |
| Net loss | (90,329) | (102,077) | (119,354) | (17,379) | (210,357) | (307,357) | (44,753) |
| Net interest expenses | 105,733 | 137,274 | 182,152 | 26,522 | 270,096 | 434,480 | 63,262 |
| Income tax (benefits) expenses | (2,337) | 1,935 | 3,779 | 550 | (5,038) | 4,436 | 646 |
| Depreciation and amortization | 104,722 | 166,759 | 206,661 | 30,090 | 260,738 | 510,908 | 74,390 |
| Accretion expenses for asset retirement costs | 269 | 407 | 569 | 83 | 625 | 1,285 | 187 |
| Share-based compensation expenses | 15,594 | 27,954 | 27,358 | 3,983 | 41,394 | 70,945 | 10,330 |
| Adjusted EBITDA | 133,652 | 232,252 | 301,165 | 43,849 | 357,458 | 714,697 | 104,062 |
| Adjusted EBITDA margin | 31.5% | 36.4% | 39.5% | 39.5% | 32.2% | 36.4% | 36.4% |

