



## 21Vianet Group, Inc. Reports Unaudited Second Quarter 2020 Financial Results

August 19, 2020

BEIJING, Aug. 19, 2020 (GLOBE NEWSWIRE) -- 21Vianet Group, Inc. (Nasdaq: VNET) ("21Vianet" or the "Company"), a leading carrier- and cloud-neutral Internet data center services provider in China, today announced its unaudited financial results for the second quarter ended June 30, 2020. The Company will hold a conference call at 8:00 A.M. on August 19, 2020, U.S. Eastern Time to discuss the financial results. Dial-in details are provided at the end of this release.

### Second Quarter 2020 Financial Highlights

- Net revenues increased by 28.8% to RMB1.14 billion (US\$161.9 million) from RMB888.0 million in the same period of 2019.
- Adjusted cash gross profit (non-GAAP) increased by 15.8% to RMB467.6 million (US\$66.2 million) from RMB403.8 million in the same period of 2019. Adjusted cash gross margin (non-GAAP) was 40.9%, compared to 45.5% in the same period of 2019 and 38.2% in the first quarter of 2020.
- Adjusted EBITDA (non-GAAP) increased by 17.5% to RMB306.4 million (US\$43.4 million) from RMB260.7 million in the same period of 2019. Adjusted EBITDA margin (non-GAAP) was 26.8%, compared to 29.4% in the same period of 2019 and 23.8% in the first quarter of 2020.

### Second Quarter 2020 Operational Highlights

- Retail IDC MRR<sup>1</sup> per cabinet increased slightly to RMB8,953 in the second quarter of 2020, compared to RMB8,663 in the same period of 2019 and RMB8,747 in the first quarter of 2020.
- Total cabinets under management net increased by 4,404 to 44,050 as of June 30, 2020, compared to 39,646 as of March 31, 2020, and 31,111 as of June 30, 2019.
- Compound utilization rate in the second quarter of 2020 improved to 61.4% from 60.4% in the first quarter of 2020, mainly reflecting the ongoing ramp-up of different stages of cabinets.
  - Utilization rate for mature IDCs delivered prior to 2019 improved to 73.6% in the second quarter of 2020 from 72.3% in the first quarter of 2020.
  - Utilization rate for newly-built and ramp-up IDCs delivered since 2019 improved to 30.1% in the second quarter of 2020, compared to 12.3% in the first quarter of 2020.

<sup>1</sup>Retail IDC MRR: Refers to Monthly Recurring Revenues for the retail IDC business.

Mr. Alvin Wang, Chief Executive Officer and President of the Company, stated, "We concluded the second quarter of 2020 with strong financial and operational results despite the lingering impact of COVID-19. This solid quarterly performance was mainly driven by our on-track expansion of cabinet capacity in strategic markets as well as our strong sales momentum in both the wholesale and retail IDC space. During the quarter, we expanded our IDC capacity by 4,404 cabinets, continued to fortify our resources and pipeline capacity, as well as appointed a seasoned industry veteran to oversee our Retail IDC Business Group. We believe that these are clear-cut demonstrations of our team's strong execution capabilities. In light of these advances, we remain confident in our ability to meet our growth target and continue satisfying customer demand."

Ms. Sharon Liu, Chief Financial Officer of the Company, commented, "As illustrated by the significant improvement to our bottom line, we achieved a strong financial performance in the second quarter of 2020. During the quarter, we continued to expand our cabinet capacity in line with our long-term growth plan, adding 4,404 new cabinets in the period. We also improved our operating efficiency and continued to serve first-rate companies to increase our utilization rates. The Blackstone investment and increasing lines of credit from banks that we received in the quarter have further endorsed our industry leadership and development potential going forward. Looking ahead, we plan to maintain our consistent growth trajectory while also gradually improving our profitability to deliver increasing shareholder returns over the long term."

### Second Quarter 2020 Financial Results

**NET REVENUES:** Net revenues in the second quarter of 2020 increased by 28.8% to RMB1.14 billion (US\$161.9 million) from RMB888.0 million in the second quarter of 2019, representing an increase of 4.9% from RMB1.09 billion in the first quarter of 2020. This increase was mainly due to the growing demand for IDC services, which was caused by the long-term trend of corporate digitization across China.

**GROSS PROFIT:** Gross profit in the second quarter of 2020 was RMB272.3 million (US\$38.5 million), representing an increase of 19.3% from RMB228.2 million in the same period of 2019 and an increase of 16.3% from RMB234.1 million in the first quarter of 2020. Gross margin in the second quarter of 2020 was 23.8%, compared to 25.7% in the same period of 2019 and 21.5% in the first quarter of 2020. The year-over-year decrease in gross margin was mainly due to the delivery of additional IDC capacity and the fact that the utilization rates of these newly-added cabinets require additional time to ramp up.

**ADJUSTED CASH GROSS PROFIT**, which excludes depreciation, amortization, and share-based compensation expenses, was RMB467.6 million

(US\$66.2 million) in the second quarter of 2020, compared to RMB403.8 million in the same period of 2019 and RMB417.1 million in the first quarter of 2020. Adjusted cash gross margin in the second quarter of 2020 was 40.9%, compared to 45.5% in the same period of 2019 and 38.2% in the first quarter of 2020.

**OPERATING EXPENSES:** Total operating expenses in the second quarter of 2020 were RMB193.5 million (US\$27.4 million), compared to RMB168.2 million in the same period of 2019 and RMB197.4 million in the first quarter of 2020. As a percentage of net revenues, total operating expenses decreased to 16.9% in the second quarter of 2020 from 18.9% in the same period of 2019 and 18.1% in the first quarter of 2020.

**Sales and marketing expenses** in the second quarter of 2020 were RMB51.7 million (US\$7.3 million), representing an increase of 10.8% from RMB46.6 million in the same period of 2019 and an increase of 6.0% from RMB48.7 million in the first quarter of 2020. The increase in sales and marketing expenses was due to the Company's efforts to grow its customer base, strengthen its relationships with large-scale customers, and further develop its value-added services.

**Research and development expenses** in the second quarter of 2020 were RMB23.7 million (US\$3.4 million), representing an increase of 25.9% from RMB18.8 million in the same period of 2019 and an increase of 12.8% from RMB21.0 million in the first quarter of 2020. The increase was mainly attributable to the Company's ongoing investments in technology upgrades.

**General and administrative expenses** in the second quarter of 2020 were RMB119.5 million (US\$16.9 million), representing an increase of 16.8% from RMB102.3 million in the same period of 2019 and a decrease of 4.6% from RMB125.2 million in the first quarter of 2020. The year-over-year increase in general and administrative expenses was mainly attributable to increased share-based compensation expenses in connection with the employment of more experienced staff, while the quarter-over-quarter decrease in general and administrative expenses was mainly attributable to the Company's ongoing work to improve its operating efficiency.

**ADJUSTED OPERATING EXPENSES**, which exclude share-based compensation expenses, increased to RMB182.5 million (US\$25.8 million) in the second quarter of 2020, representing an increase of 13.1% from RMB161.3 million in the second quarter of 2019 and an increase of 2.6% from RMB177.8 million in the first quarter of 2020. As a percentage of net revenues, adjusted operating expenses reduced to 15.9% in the second quarter of 2020 from 18.2% in the same period of 2019 and 16.3% in the first quarter of 2020.

**ADJUSTED EBITDA:** Adjusted EBITDA in the second quarter of 2020 increased to RMB306.4 million (US\$43.4 million), representing an increase of 17.5% from RMB260.7 million in the same period of 2019 and an increase of 18.1% from RMB259.4 million in the first quarter of 2020. Adjusted EBITDA in the second quarter of 2020 excluded share-based compensation expenses of RMB11.6 million (US\$1.6 million). Adjusted EBITDA margin was 26.8% in the second quarter of 2020, compared to 29.4% in the same period of 2019 and 23.8% in the first quarter of 2020.

**NET PROFIT/LOSS:** Net loss attributable to ordinary shareholders in the second quarter of 2020 was RMB2.12 billion (US\$300.5 million), compared to RMB102.1 million in the same period of 2019 and RMB138.8 million in the first quarter of 2020. Net loss attributable to ordinary shareholders in the second quarter of 2020 mainly included changes in the fair value of convertible promissory notes of RMB1.61 billion (US\$228.2 million) due to the rise in the Company's stock price, and a deemed distribution of RMB470.6 million (US\$66.6 million) from the issuance of Series A perpetual convertible preferred shares, both of which were non-operation related and non-cash loss.

**PROFIT/LOSS PER SHARE:** Basic and diluted loss per share were RMB3.21 (US\$0.45) in the second quarter of 2020, which represents the equivalent of RMB19.26 (US\$2.70) per American depositary share ("ADS"). Each ADS represents six Class A ordinary shares. Diluted loss per share is calculated using net loss attributable to ordinary shareholders divided by the weighted average number of diluted shares outstanding.

As of June 30, 2020, the aggregate amount of the Company's **cash and cash equivalents, restricted cash, and short-term investments** were RMB4.98 billion (US\$704.9 million).

**Net cash generated from operating activities** in the second quarter of 2020 was RMB161.8 million (US\$22.9 million), compared to RMB127.1 million in the same period of 2019 and RMB58.7 million in the first quarter of 2020. The Company paid off the remaining US\$131 million of its 2020 Notes in early August.

### **Financial Outlook**

For the third quarter of 2020, the Company expects net revenues to be in the range of RMB1,230 million to RMB1,250 million. Adjusted EBITDA is expected to be in the range of RMB340 million to RMB360 million.

For the full year of 2020, the Company expects net revenues to be in the range of RMB4,700 million to RMB4,900 million. Adjusted EBITDA is expected to be in the range of RMB1,280 million to RMB1,380 million. The midpoints of the Company's updated estimates imply an increase of 26.7% year over year both in net revenues and adjusted EBITDA.

The forecast reflects the Company's current and preliminary view on the market and its operational conditions, which do not factor in any of the potential future impacts caused by the COVID-19 pandemic, and are subject to change.

### **Conference Call**

The Company will hold a conference call at 8:00 A.M. on Wednesday, August 19, 2020, U.S. Eastern Time, or 8:00 P.M. on Wednesday, August 19, 2020, Beijing Time, to discuss the financial results.

In advance of the conference call, all participants must use the following link to complete the online registration process to receive a unique registrant ID and a set of participant dial-in numbers to join the conference call.

Conference ID: 1157085  
Registration Link: <http://apac.directeventreg.com/registration/event/1157085>

The replay will be accessible through August 26, 2020, by dialing the following numbers:

United States Toll Free: +1-855-452-5696  
International: +61-2-8199-0299  
Conference ID: 1157085

A live and archived webcast of the conference call will be available through the Company's investor relations website at <http://ir.21vianet.com>.

### **Non-GAAP Disclosure**

In evaluating its business, 21Vianet considers and uses the following non-GAAP measures defined as non-GAAP financial measures by the Securities and Exchange Commission as a supplemental measure to review and assess its operating performance: adjusted cash gross profit, adjusted cash gross margin, adjusted operating expenses, adjusted EBITDA, adjusted EBITDA margin. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. 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.

The non-GAAP financial measures are provided as additional information to help investors compare business trends among different reporting periods on a consistent basis and to enhance investors' overall understanding of the Company's current financial performance and prospects for the future. These non-GAAP financial measures should be considered in addition to results prepared in accordance with U.S. GAAP, but should not be considered a substitute for, or superior to, U.S. GAAP results. In addition, the Company's calculation of the non-GAAP financial measures may be different from the calculation used by other companies, and therefore comparability may be limited.

### **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 RMB7.0651 to US\$1.00, the noon buying rate in effect on June 30, 2020, 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. For analytical presentation, all percentages are calculated using the numbers presented in the financial statements contained in this earnings release.

### **Statement Regarding Unaudited Condensed Financial Information**

The unaudited financial information set forth above 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 condensed financial information.

### **About 21Vianet**

21Vianet Group, Inc. is a leading carrier- and cloud-neutral Internet data center services provider in China. 21Vianet provides hosting and related services, including IDC services, cloud services, and VPN services to improve the reliability, security and speed of its customers' Internet infrastructure. Customers may locate their servers and equipment in 21Vianet's data centers and connect to China's Internet backbone. 21Vianet operates in more than 20 cities throughout China, servicing a diversified and loyal base of over 6,000 hosting and related enterprise customers that span numerous industries ranging from Internet companies to government entities and blue-chip enterprises to small- to mid-sized enterprises.

### **Safe Harbor Statement**

This announcement contains forward-looking statements. These forward-looking statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among other things, quotations from management in this announcement as well as 21Vianet's strategic and operational plans contain forward-looking statements. 21Vianet may also make written or oral forward-looking statements in its reports filed with, or furnished to, the U.S. Securities and Exchange Commission, in its annual reports to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about 21Vianet's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: 21Vianet's goals and strategies; 21Vianet's expansion plans; the expected growth of the data center services market; expectations regarding demand for, and market acceptance of, 21Vianet's services; 21Vianet's expectations regarding keeping and strengthening its relationships with customers; 21Vianet's plans to invest in research and development to enhance its solution and service offerings; and general economic and business conditions in the regions where 21Vianet provides solutions and services. Further information regarding these and other risks is included in 21Vianet's reports filed with, or furnished to, the Securities and Exchange Commission. All information provided in this press release and in the attachments is as of the date of this press release, and 21Vianet undertakes no duty to update such information, except as required under applicable law.

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**21VIANET GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Amount in thousands of Renminbi (“RMB”) and US dollars (“US\$”))

	As of December 31, 2019 RMB (Audited)	As of June 30, 2020 RMB      US\$ (Unaudited)    (Unaudited)	
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	1,808,483	4,325,324	612,210
Restricted cash	478,873	427,415	60,497
Accounts and notes receivable, net	657,158	958,133	135,615
Short-term investments	363,856	157,546	22,299
Prepaid expenses and other current assets	1,618,149	1,777,856	251,638
Amounts due from related parties	301,665	78,290	11,081
<b>Total current assets</b>	<u>5,228,184</u>	<u>7,724,564</u>	<u>1,093,340</u>
<b>Non-current assets:</b>			
Property and equipment, net	5,443,565	6,522,239	923,163
Intangible assets, net	410,595	421,029	59,593
Land use rights, net	233,154	259,426	36,719
Operating lease right-of-use assets, net	1,221,616	1,148,669	162,584
Goodwill	989,530	995,200	140,861
Long-term investments	169,653	162,457	22,994
Amounts due from related parties	20,654	69,632	9,856
Restricted cash	69,821	69,628	9,855
Deferred tax assets	209,366	213,856	30,269
Other non-current assets	277,568	318,358	45,061
<b>Total non-current assets</b>	<u>9,045,522</u>	<u>10,180,494</u>	<u>1,440,955</u>
<b>Total assets</b>	<u>14,273,706</u>	<u>17,905,058</u>	<u>2,534,295</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities:</b>			
Short-term bank borrowings	234,500	238,500	33,757
Accounts and notes payable	303,128	337,402	47,756
Accrued expenses and other payables	978,935	1,592,434	225,394
Deferred revenue	57,625	54,327	7,689
Advances from customers	1,068,692	1,187,661	168,103
Income taxes payable	48,032	42,683	6,041
Amounts due to related parties	166,935	67,574	9,564
Current portion of long-term bank borrowings	32,500	44,500	6,299
Current portion of finance lease liabilities	227,115	302,012	42,747
Current portion of deferred government grant	2,595	2,074	294
Current portion of bonds payable	911,147	927,636	131,298
Current portion of operating lease liabilities	437,817	489,851	69,333
<b>Total current liabilities</b>	<u>4,469,021</u>	<u>5,286,654</u>	<u>748,275</u>
<b>Non-current liabilities:</b>			
Long-term borrowings	79,500	460,347	65,158
Amounts due to related parties	745,899	780,309	110,446
Unrecognized tax benefits	2,443	3,729	528
Deferred tax liabilities	202,572	254,064	35,960
Non-current portion of finance lease liabilities	896,927	996,267	141,012
Non-current portion of deferred government grant	5,906	5,002	708
Bonds payable	2,060,708	2,099,814	297,209
Non-current portion of operating lease liabilities	579,102	444,113	62,860
Convertible promissory notes	-	3,038,867	430,124

<b>Total non-current liabilities</b>	4,573,057	8,082,512	1,144,005
<b>Shareholders' equity</b>			
Treasury stock	(349,523)	(349,523)	(49,472)
Ordinary shares	46	46	7
Additional paid-in capital	9,202,567	9,709,414	1,374,278
Accumulated other comprehensive gain	77,904	86,951	12,307
Statutory reserves	60,469	59,177	8,377
Accumulated deficit	(4,038,390)	(6,301,594)	(891,933)
Series A perpetual convertible preferred shares	-	1,044,913	147,898
<b>Total 21Vianet Group, Inc. shareholders' equity</b>	<u>4,953,073</u>	<u>4,249,384</u>	<u>601,462</u>
Noncontrolling interest	278,555	286,508	40,553
<b>Total shareholders' equity</b>	<u>5,231,628</u>	<u>4,535,892</u>	<u>642,015</u>
<b>Total liabilities and shareholders' equity</b>	<u><u>14,273,706</u></u>	<u><u>17,905,058</u></u>	<u><u>2,534,295</u></u>

**21VIANET GROUP, INC.**

**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				Six months ended		
	June 30, 2019	March 31, 2020	June 30, 2020		June 30, 2019	June 30, 2020	
	RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)	US\$ (Unaudited)	RMB (Unaudited)	RMB (Unaudited)	US\$ (Unaudited)
Net revenues	888,020	1,090,797	1,144,061	161,931	1,759,879	2,234,858	316,324
Cost of revenues	(659,772)	(856,686)	(871,729)	(123,385)	(1,290,856)	(1,728,415)	(244,641)
<b>Gross profit</b>	<u>228,248</u>	<u>234,111</u>	<u>272,332</u>	<u>38,546</u>	<u>469,023</u>	<u>506,443</u>	<u>71,683</u>
<b>Operating expenses</b>							
Sales and marketing	(46,626)	(48,710)	(51,652)	(7,311)	(90,722)	(100,362)	(14,205)
Research and development	(18,790)	(20,984)	(23,665)	(3,350)	(41,354)	(44,649)	(6,320)
General and administrative	(102,341)	(125,202)	(119,494)	(16,913)	(223,137)	(244,696)	(34,634)
(Allowance) reversal for doubtful debt	(457)	(2,521)	1,338	189	(479)	(1,183)	(167)
<b>Total operating expenses</b>	<u>(168,214)</u>	<u>(197,417)</u>	<u>(193,473)</u>	<u>(27,385)</u>	<u>(355,692)</u>	<u>(390,890)</u>	<u>(55,326)</u>
<b>Operating profit</b>	60,034	36,694	78,859	11,161	113,331	115,553	16,357
Interest income	12,389	9,382	11,713	1,658	24,240	21,095	2,986
Interest expense	(91,202)	(102,258)	(102,742)	(14,542)	(160,644)	(205,000)	(29,016)
Other income	8,958	859	8,197	1,160	12,033	9,056	1,282
Other expense	(4,177)	(21,833)	(2,158)	(305)	(4,235)	(23,991)	(3,396)
Changes in the fair value of convertible promissory notes	-	-	(1,612,054)	(228,171)	-	(1,612,054)	(228,171)
Foreign exchange (loss) gain	(39,853)	(41,747)	275	39	(10,315)	(41,472)	(5,870)
Loss on debt extinguishment	(17,804)	-	-	-	(17,804)	-	-
<b>Loss before income taxes and (loss) gain from equity method investments</b>	<u>(71,655)</u>	<u>(118,903)</u>	<u>(1,617,910)</u>	<u>(229,000)</u>	<u>(43,394)</u>	<u>(1,736,813)</u>	<u>(245,828)</u>
Income tax expenses	(9,343)	(22,486)	(20,410)	(2,889)	(20,084)	(42,896)	(6,072)
(Loss) gain from equity method investments	(18,277)	3,867	(10,457)	(1,480)	(29,215)	(6,590)	(933)
<b>Net loss</b>	<u>(99,275)</u>	<u>(137,522)</u>	<u>(1,648,777)</u>	<u>(233,369)</u>	<u>(92,693)</u>	<u>(1,786,299)</u>	<u>(252,833)</u>
Net gain attributable to noncontrolling interest	(2,785)	(1,241)	(3,573)	(506)	(3,727)	(4,814)	(681)
<b>Net loss attributable to 21Vianet Group, Inc.</b>	<u>(102,060)</u>	<u>(138,763)</u>	<u>(1,652,350)</u>	<u>(233,875)</u>	<u>(96,420)</u>	<u>(1,791,113)</u>	<u>(253,514)</u>
Deemed distribution to Series A perpetual convertible preferred shareholders	-	-	(470,643)	(66,615)	-	(470,643)	(66,615)

**Net loss attributable to the Company's ordinary shareholders**

	<u>(102,060)</u>	<u>(138,763)</u>	<u>(2,122,993)</u>	<u>(300,490)</u>	<u>(96,420)</u>	<u>(2,261,756)</u>	<u>(320,129)</u>
Loss per share							
Basic	(0.15)	(0.18)	(3.21)	(0.45)	(0.14)	(3.42)	(0.48)
Diluted	(0.15)	(0.18)	(3.21)	(0.45)	(0.14)	(3.42)	(0.48)
Shares used in loss per share computation							
Basic*	677,802,980	669,545,073	660,949,226	660,949,226	677,689,041	660,543,890	660,543,890
Diluted*	677,802,980	669,545,073	660,949,226	660,949,226	677,689,041	660,543,890	660,543,890
Loss per ADS (6 ordinary shares equal to 1 ADS)							
Basic	(0.90)	(1.08)	(19.26)	(2.70)	(0.84)	(20.52)	(2.88)
Diluted	(0.90)	(1.08)	(19.26)	(2.70)	(0.84)	(20.52)	(2.88)

\* Shares used in (loss) profit per share/ADS computation were computed under weighted average method.

**21VIANET GROUP, INC.**  
**RECONCILIATIONS OF GAAP AND NON-GAAP RESULTS**  
**(Amount in thousands of Renminbi ("RMB") and US dollars ("US\$"))**

	Three months ended				Six months ended		
	June 30, 2019	March 31, 2020	June 30, 2020		June 30, 2019	June 30, 2020	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
Gross profit	228,248	234,111	272,332	38,546	469,023	506,443	71,683
Plus: depreciation and amortization	175,102	182,556	194,651	27,551	340,523	377,207	53,390
Plus: share-based compensation expenses	459	460	569	81	933	1,029	145
<b>Adjusted cash gross profit</b>	<u>403,809</u>	<u>417,127</u>	<u>467,552</u>	<u>66,178</u>	<u>810,479</u>	<u>884,679</u>	<u>125,218</u>
<b>Adjusted cash gross margin</b>	45.5%	38.2%	40.9%	40.9%	46.1%	39.6%	39.6%
Operating expenses	(168,214)	(197,417)	(193,473)	(27,385)	(355,692)	(390,890)	(55,326)
Plus: share-based compensation expenses	6,932	19,628	11,005	1,558	23,097	30,633	4,336
<b>Adjusted operating expenses</b>	<u>(161,282)</u>	<u>(177,789)</u>	<u>(182,468)</u>	<u>(25,827)</u>	<u>(332,595)</u>	<u>(360,257)</u>	<u>(50,990)</u>
Operating profit	60,034	36,694	78,859	11,161	113,331	115,553	16,357
Plus: depreciation and amortization	193,302	202,607	215,981	30,570	376,834	418,588	59,247
Plus: share-based compensation expenses	7,391	20,088	11,574	1,638	24,030	31,662	4,481
<b>Adjusted EBITDA</b>	<u>260,727</u>	<u>259,389</u>	<u>306,414</u>	<u>43,369</u>	<u>514,195</u>	<u>565,803</u>	<u>80,085</u>
<b>Adjusted EBITDA margin</b>	29.4%	23.8%	26.8%	26.8%	29.2%	25.3%	25.3%

**21VIANET GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(Amount in thousands of Renminbi ("RMB") and US dollars ("US\$"))**

	Three months ended			
	June 30, 2019	March 31, 2020	June 30, 2020	
	RMB	RMB	RMB	US\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss	(99,275)	(137,522)	(1,648,777)	(233,369)
<b>Adjustments to reconcile net loss to net cash generated from operating activities:</b>				
Depreciation and amortization	193,302	202,607	215,981	30,570
Stock-based compensation expenses	7,391	20,088	11,574	1,638
Others	69,061	42,108	1,776,114	251,392
<b>Changes in operating assets and liabilities</b>				
Accounts and notes receivable	(119,144)	(202,262)	(79,036)	(11,187)
Prepaid expenses and other current assets	(50,381)	(8,239)	(126,703)	(17,934)
Accounts and notes payable	14,644	71,295	(37,021)	(5,240)
Accrued expenses and other payables	2,298	97,263	41,951	5,938
Deferred revenue	936	15,433	(18,731)	(2,651)
Advances from customers	125,227	89,629	29,340	4,153
Others	(16,949)	(131,746)	(2,905)	(411)
<b>Net cash generated from operating activities</b>	<u>127,110</u>	<u>58,654</u>	<u>161,787</u>	<u>22,899</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of property and equipment	(208,520)	(436,034)	(478,231)	(67,689)
Purchases of intangible assets	(6,990)	(529)	(15,707)	(2,223)
(Payments for) proceeds from investments	(127,148)	207,690	68,989	9,765
Proceeds from (payments for) other investing activities	11,575	(18,351)	9,484	1,342
<b>Net cash used in investing activities</b>	<u>(331,083)</u>	<u>(247,224)</u>	<u>(415,465)</u>	<u>(58,805)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

(Repayments of) proceeds from bank borrowings	(27,779)	192,869	203,978	28,871
Payments for finance lease	(66,316)	(77,336)	(73,165)	(10,356)
Repurchase of 2020 Notes	(1,021,539)	-	-	-
Proceeds from issuance of 2021 Notes	2,012,084	-	-	-
Payment of issuance cost of 2021 Notes	(35,427)	-	-	-
Proceeds from issuance of convertible promissory notes	-	899,808	509,577	72,126
Proceeds from Series A perpetual convertible preferred shares	-	-	1,058,325	149,796
(Payments for) proceeds from other financing activities	(3,542)	61,008	107,796	15,258
<b>Net cash generated from financing activities</b>	<u>857,481</u>	<u>1,076,349</u>	<u>1,806,511</u>	<u>255,695</u>

**Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash**

	56,386	13,800	10,778	1,526
<b>Net increase in cash, cash equivalents and restricted cash</b>	709,894	901,580	1,563,610	221,315
<b>Cash, cash equivalents and restricted cash at beginning of period</b>	<u>2,375,506</u>	<u>2,357,177</u>	<u>3,258,757</u>	<u>461,247</u>
<b>Cash, cash equivalents and restricted cash at end of period</b>	<u><u>3,085,400</u></u>	<u><u>3,258,757</u></u>	<u><u>4,822,367</u></u>	<u><u>682,562</u></u>