

VNET Group, Inc.

Investor Presentation

May 2024

世纪互联
VNET

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1Q 2024 Highlights



Financials (in RMB)

Revenue: 1,898 million (+5.1% YoY)
 - Wholesale IDC Business: 361 million (+59.1% YoY)

Adjusted EBITDA: 540 million (+22.6% QoQ)



Liquidity (in RMB)

Unused Credit Line: 2,565 million

Cash Position ⁽¹⁾ : 2,090 million



Wholesale IDC Business Updates

Capacity in service **332 MW**

Capacity utilized **236 MW**

Utilization rate **71.0%**

- UR of mature wholesale capacity ⁽²⁾ **94.6%**



Retail IDC Business Updates

Capacity in service **52,068 R**

Capacity utilized **33,312 R**

Utilization rate **64.0%**

- UR of mature retail capacity ⁽³⁾ **72.8%**

Source: Company data as of March 31, 2024.

Notes:

1. Cash position refers to cash, cash equivalents and restricted cash.
2. Mature wholesale capacity refers to wholesale data centers in which utilization rate is at or above 80%.
3. Mature retail capacity refers to retail data centers that came into service prior to the past 24 months.

Largest Customer Order Wins

Region	IDC Code	Capacity Contracted / Under MoU (MW)	Signing Time of Contract / MoU	Customer Sector	Project Type
Yangtze River Delta	E-JS04	15	1Q24	Cloud Service	Wholesale
Yangtze River Delta	E-JS Campus 01 Phase 2	2.5	1Q24	Local Service	Wholesale
Greater Beijing Area	N-HB01	1.5	1Q24	Local Service	Retail



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A Pioneer and Leader in China's Fast Growing IDC Market

Pioneer and Leader

- ✓ A **leading carrier- and cloud-neutral data center services provider in China** with 28 years of experience
- ✓ **~10% ⁽¹⁾ market share** of China's carrier-neutral data center services market
- ✓ **275 approved and pending patents** and **335 copyright registrations ⁽²⁾**

Market Potential

- ✓ China's carrier-neutral data center services market is **fast growing**
- ✓ **Growing demand for IDC services from generative AI** as training and optimizing AI models require massive computing power
- ✓ The pandemic **accelerates enterprises' digital transformation** — either scaling the transformative efforts or rapidly pivoting to innovate, catch up and, maintain operations

Future Upside

- ✓ **Dual-core strategy** addressing both wholesale and retail IDC market opportunities
- ✓ **Accelerate capacity roll-out** and enrich value-added services
- ✓ Investment in **technology**

Sources:

1. Frost & Sullivan 2023 report issued in April 2024.

2. Company data as of December 31, 2023.

ESG Initiatives – Commitment to Sustainability



Commitment to achieve both targets of operational **carbon neutrality** and **100% renewable energy usage** by 2030



Received **A** rating by MSCI, representing the **highest** ranking to-date in China's Internet Services & Infrastructure industry



Scored **53** by the S&P Corporate Sustainability Assessment, ranking the **highest** among China's IT Services industry and in the top **11%** in the industry globally



Achieved **B** rating from CDP's climate change questionnaire, exceeding that of **94%** of participating companies in China



The average annual power usage effectiveness (PUE) of data centers with stabilized operations in 2023 was 1.29.

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Differentiated Business Model with Comprehensive Offerings

Managed Hosting Services (IDC)

Cloud Services

VPN Services¹



Services

- Co-location
- Interconnectivity
- Hybrid IT Services
- Other Value-added Services
- Customized, High-power Density Solutions



- Multi-protocol Label Switching (MPLS) & Software-defined Wide Area Network (SD-WAN)
- Internet Access & Network Security Solutions
- Cloud & SaaS Solutions



Strengths

- ✓ Multi-carrier & multi-cloud connectivity
- ✓ High-performing facility & network
- ✓ Turn-key solutions tailored to customer needs
- ✓ Long track record of outstanding operation performance

- ✓ Long-term strategic partnership with Microsoft in mainland China for public and hybrid cloud services
- ✓ IaaS, PaaS, and SaaS to enterprise and individual end customers

- ✓ Best-in-class, enterprise-grade network services
- ✓ 226 POPs² across Asia
- ✓ Customized VPN solutions for enterprise customers across various verticals

Broad-based and high quality solution suite to meet customers' mission critical needs

Source: Company information.

Notes:

1. VPN refers to virtual private network.

2. POP refers to point of presence as of March 31, 2024.

Dual-Core Growth Strategy of IDC Business

Wholesale

Hyperscale IDC



Interconnectivity Services

Targeting **hyperscalers** which require huge amount of space and power to support massive scaling needs



Our Strengths:

- ✓ Dedicated team with 28 years of experience and reputation in datacenter design, construction, and operations
- ✓ Providing tailormade solutions suitable for clients' needs
- ✓ Established supply chain as well as comprehensive planning and service capabilities

Retail

Retail Colocation



Full-stack Services

Focusing on those verticals which require colocation interconnectivity, bare-metal, and other value-added services



Our Strengths:

- ✓ Scalable IDCs located in Tier-1 metros, surrounding areas, and satellite cities, providing premium colocation and interconnectivity offerings
- ✓ Full-stack managed services for enterprise customers, addressing various digital transformation needs
- ✓ All-round industry ecosystem, providing additional add-on solutions



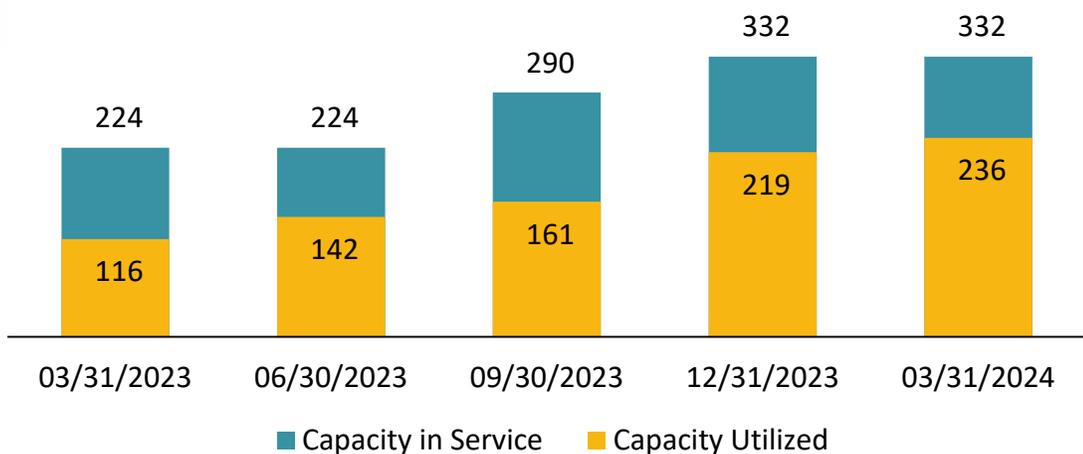
2024 Resource Pipeline to Support IDC Growth



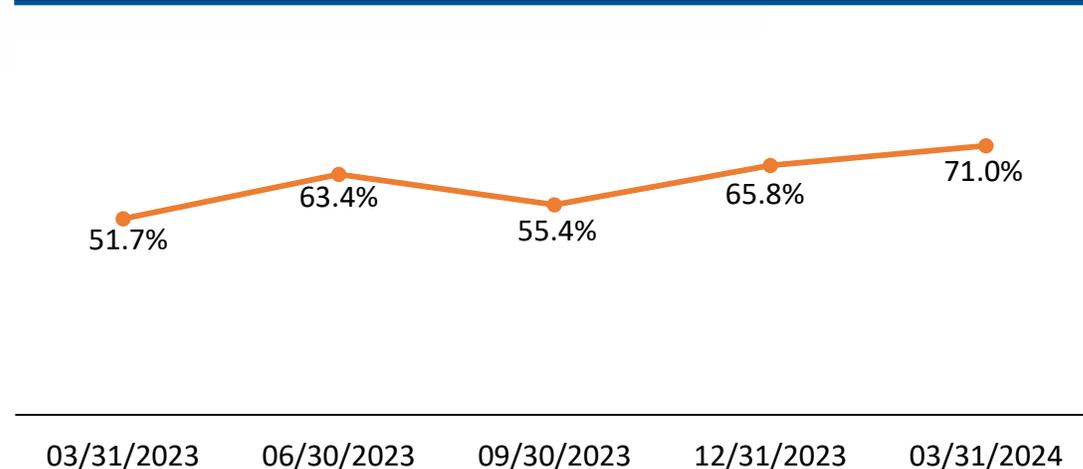
Region	IDC Code	Tenure	Status	Capacity (MW)
	E-JS Campus 02 D	Owned	Under Construction	26
Yangtze River Delta	E-JS Campus 02 E	Owned	Under Construction	60
	E-JS04	Leased	Under Construction	15
Greater Beijing Area	N-HB Campus 01 B	Owned	Under Construction	38
Secured Resources				139
Expansion Target (**New**)				100-140

Wholesale Data Centers at a Glance - New Growth Driver

Total Capacity in Service & Capacity Utilized (MW)



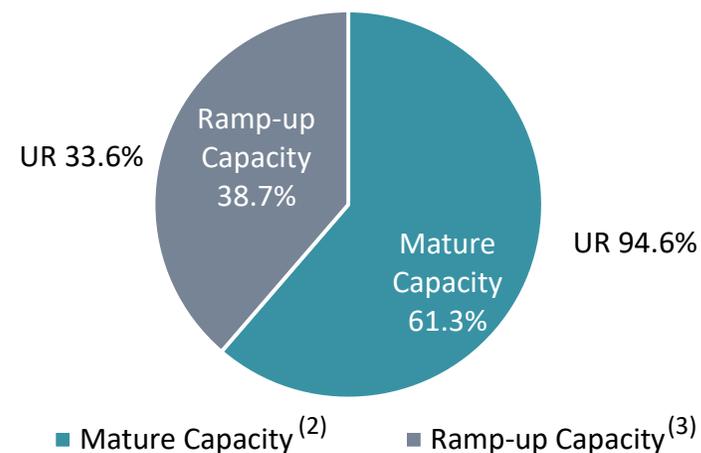
Utilization Rate ⁽¹⁾



Capacity by Region

Region	Total Capacity in Service (MW)	% Contribution
Yangtze River Delta	174	52.2%
Greater Beijing Area	68	20.3%
Other Regions	91	27.5%
Total	332	100.0%

Mature & Ramp-up Capacity Contribution & Utilization Rate



Source: Company data as of March 31, 2024.

Notes:

1. The utilization rate ("UR") is calculated by dividing utilized capacity by the capacity in service.
2. Mature wholesale capacity refers to wholesale data centers in which utilization rate is at or above 80%.
3. Ramp-up capacity for wholesale data centers refers to the wholesale data centers with a utilization rate below 80%.

Wholesale Capacity in Service – Yangtze River Delta



Region	IDC Code	Tenure	Capacity in Service (MW)	Capacity Utilized (MW)	Total Capacity Committed ⁽¹⁾ (MW)	Utilization Rate ⁽²⁾	Commitment Rate ⁽³⁾
Yangtze River Delta	E-JS Campus 01 Phase 1	Owned	28	26	28	91.1%	99.7%
	E-JS Campus 01 Phase 2	Owned	16	8	12	50.1%	75.2%
	E-JS Campus 02 A	Owned	25	24	25	96.0%	100.0%
	E-JS Campus 02 B	Owned	24	22	24	89.6%	100.0%
	E-JS Campus 02 C	Owned	26	0	26	0.0%	100.0%
	E-JS02 A	Leased	13	12	13	95.0%	100.0%
	E-JS02 B	Leased	13	12	13	95.5%	100.0%
	E-JS02 C	Leased	13	12	13	95.0%	100.0%
	E-JS03	Leased	15	5	15	31.8%	100.0%
Subtotal			174	121	169	69.5%	97.1%

Source: Company data as of March 31, 2024.

Notes:

1. Total capacity committed is the capacity committed to customers pursuant to customer agreements remaining in effect.
2. Utilization rate is calculated by dividing utilized capacity by customers by the capacity in service. For the purpose of calculating of utilization rate of wholesale capacity, certain projects hosted in E-JS02 data center with an aggregate of 27MW capacity were excluded and are expected to be continuously excluded from in-service wholesale due to pending commercial discussion with the client on potential repurchase of the projects by the client. Such projects were included as in-service wholesale from the first quarter of 2021 to the fourth quarter of 2023, given such projects had been delivered to the client based on the terms of MOU.
3. Commitment rate is calculated by total capacity committed divided by total capacity in service.

Wholesale Capacity in Service – Greater Beijing Area & Other Regions



Region	IDC Code	Tenure	Capacity in Service (MW)	Capacity Utilized (MW)	Total Capacity Committed ⁽¹⁾ (MW)	Utilization Rate ⁽²⁾	Commitment Rate ⁽³⁾
Greater Beijing Area	BJ15	Owned	9	4	7	39.6%	77.7%
	N-HB02 Phase 1	Owned	28	28	28	98.2%	99.3%
	N-HB02 Phase 2	Leased	19	13	19	70.8%	99.8%
	N-HB03	Leased	12	5	12	42.7%	100.0%
Other Regions	N-OR02	Leased	29	28	29	97.1%	100.0%
	N-OR04	Leased	14	14	14	95.2%	100.0%
	N-OR05	Leased	16	15	16	93.4%	100.0%
	N-OR06	Leased	32	9	32	27.2%	100.0%
Total			332	236	326	71.0%	98.1%

Source: Company data as of March 31, 2024.

Notes:

1. Total capacity committed is the capacity committed to customers pursuant to customer agreements remaining in effect.
2. Utilization rate is calculated by dividing utilized capacity by customers by the capacity in service. For the purpose of calculating of utilization rate of wholesale capacity, certain projects hosted in E-JS02 data center with an aggregate of 27MW capacity were excluded and are expected to be continuously excluded from in-service wholesale due to pending commercial discussion with the client on potential repurchase of the projects by the client. Such projects were included as in-service wholesale from the first quarter of 2021 to the fourth quarter of 2023, given such projects had been delivered to the client based on the terms of MOU.
3. Commitment rate is calculated by total capacity committed divided by total capacity in service.

Wholesale Capacity Under Construction & Held for Future Development

Under Construction

Region	IDC Code	Tenure	Capacity Under Construction (MW)	Total Capacity Pre-committed (MW) ⁽¹⁾	Pre-commitment rate ⁽²⁾
	E-JS Campus 02 D	Owned	26	26	100.0%
Yangtze River Delta	E-JS Campus 02 E	Owned	60	60	100.0%
	E-JS04	Leased	15	15	100.0%
Greater Beijing Area	N-HB Campus 01 B	Owned	38	3	6.6%
Total			139	104	74.5%

Held for Future Development

Region	Capacity (MW)
Greater Beijing Area	314
Yangtze River Delta	114
Other Regions	129
Total	557

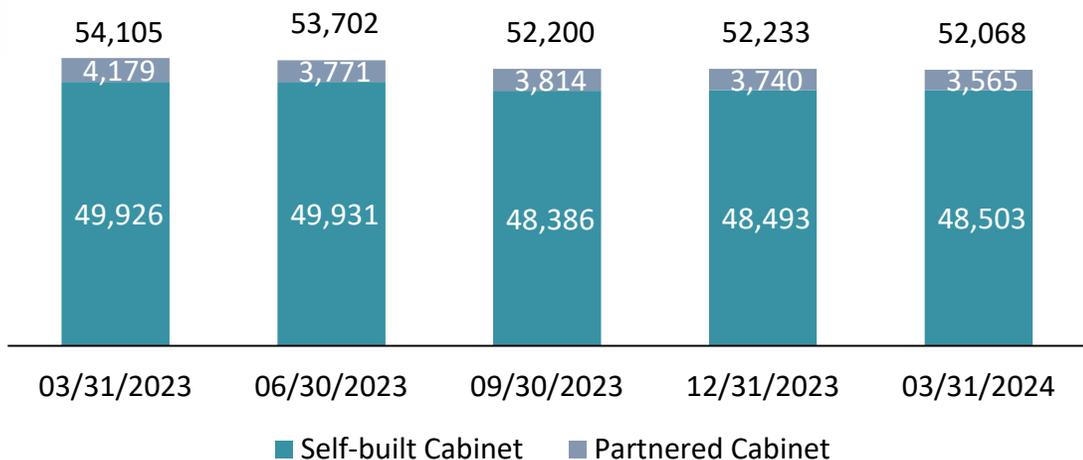
Source: Company data as of March 31, 2024.

Notes:

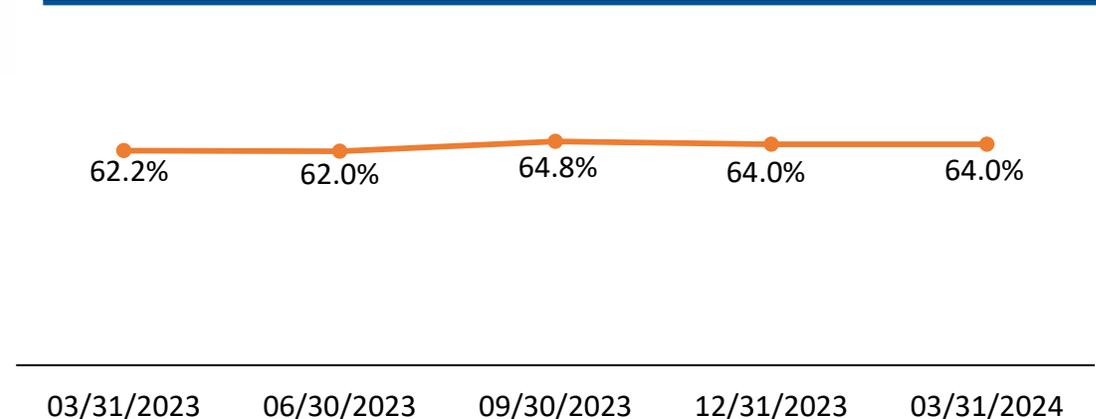
1. Total capacity pre-committed is the capacity under construction which is pre-committed to customers pursuant to customer agreements remaining in effect.
2. Pre-commitment rate is calculated by total capacity pre-committed divided by total capacity under construction.

Retail Data Centers at a Glance - Solid Foundation

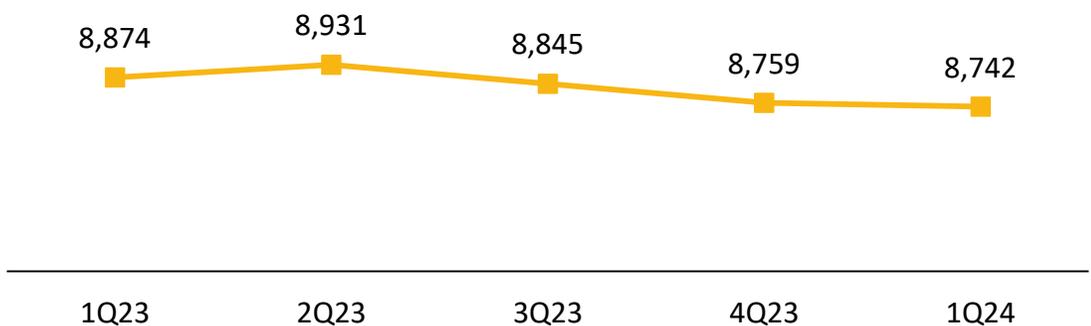
Total Capacity in Service (Cabinet)



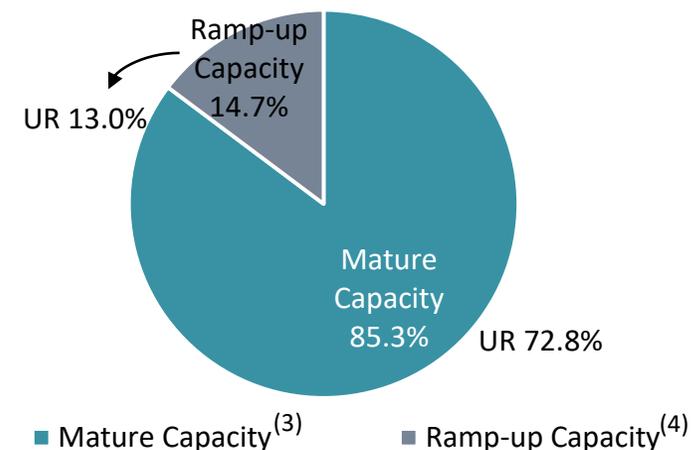
Utilization Rate ⁽¹⁾



MRR per Retail Cabinet ⁽²⁾



Mature & Ramp-up Capacity Contribution & Utilization Rate



Source: Company data as of March 31, 2024.

Notes:

- Utilization rate is calculated by dividing utilized capacity by customers by the capacity in service.
- MRR per retail cabinet refers to monthly recurring revenues per cabinet for the retail IDC business.
- Mature capacity for retail data centers refers to the retail data centers that came into service prior to the past 24 months.
- Ramp-up retail capacity refers to retail data centers that came into service within the past 24 months, or mature retail data centers that have undergone improvements within the past 24 months.

Large and Diversified Customer Base with Strong Loyalty

- **>7,500** enterprise customers, of which **>1,500** customers have enjoyed our colocation, connectivity, bare metal, hybrid cloud and maintenance services, etc.
- Around **90%** of net revenues have been recurring revenues since IPO
- Low churn rate for core IDC business, constantly **below 1%** demonstrating our high customer retention
- Maintain low concentration risk with top 20 customers contributing **42.7%** of total revenues in 1Q24



Sources:
Company data as of March 31, 2024.

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1Q24 Financial Highlights



RMB MM	1Q23	4Q23	1Q24	YoY	QoQ
Net revenues	1,806	1,898	1,898	5.1%	-0.02%
Gross profit	352	291	411	16.6%	41.2%
Adjusted cash gross profit ⁽¹⁾	754	742	766	1.5%	3.2%
<i>Adjusted cash gross margin</i>	41.8%	39.1%	40.3%	-1.5 pps	1.2 pps
Adjusted EBITDA ⁽²⁾	556	440	540	-2.9%	22.6%
<i>Adjusted EBITDA margin</i>	30.8%	23.2%	28.4%	-2.4 pps	5.2 pps

Source: Company data as of March 31, 2024.

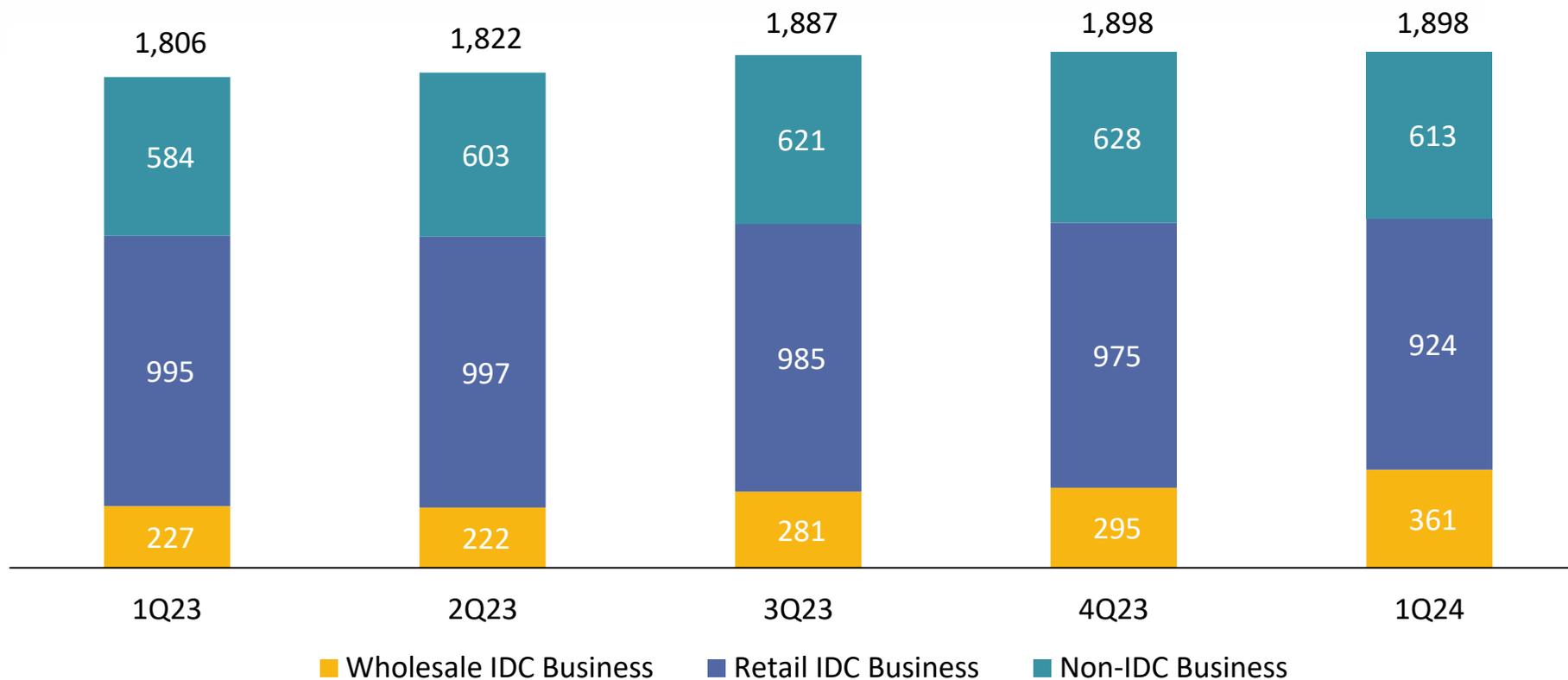
Notes:

1. Adjusted cash gross profit defined as gross profit excluding depreciation, amortization and share-based compensation expenses.

2. Adjusted EBITDA is calculated as operating profit plus depreciation and amortization, share-based compensation expenses, allowance of loan receivables, impairment of long-lived assets and impairment of goodwill.

Total Revenue Breakdown

(RMB MM)



Source: Company data as of March 31, 2024.

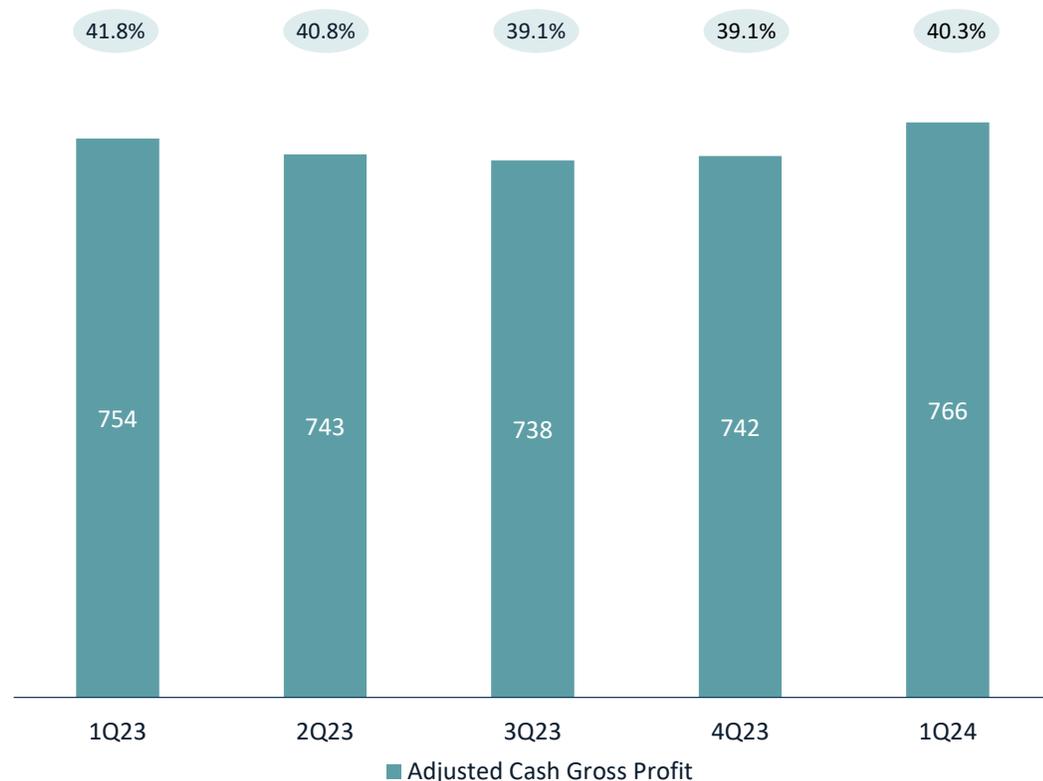
Notes:

1. IDC business refers to managed hosting services, consisting of the wholesale IDC business and the retail IDC business. Beginning in the first quarter of 2024, our IDC business was subdivided into wholesale IDC business and retail IDC business according to the nature and scale of our data center projects. Prior to 2024, the subdivision was based on customer contract types.
2. Non-IDC business consists of cloud services and VPN services.

Healthy Margins Through Efficiency Enhancement

Adjusted Cash Gross Profit & Margin ⁽¹⁾

(RMB MM)



Adjusted EBITDA & Margin ⁽²⁾

(RMB MM)



Source: Company data as of March 31, 2024.

Notes:

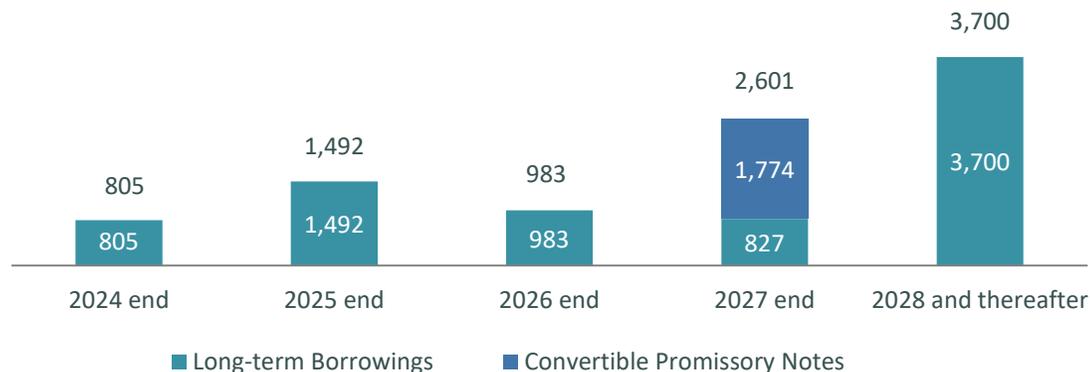
1. Adjusted cash gross profit defined as gross profit excluding depreciation, amortization and share-based compensation expenses.

2. Adjusted EBITDA is calculated as operating profit plus depreciation and amortization, share-based compensation expenses, compensation for postcombination employment in an acquisition, allowance of loan receivables, impairment of long-lived assets and impairment of goodwill.

Well Laddered Debt Profile and Strong Liquidity Position

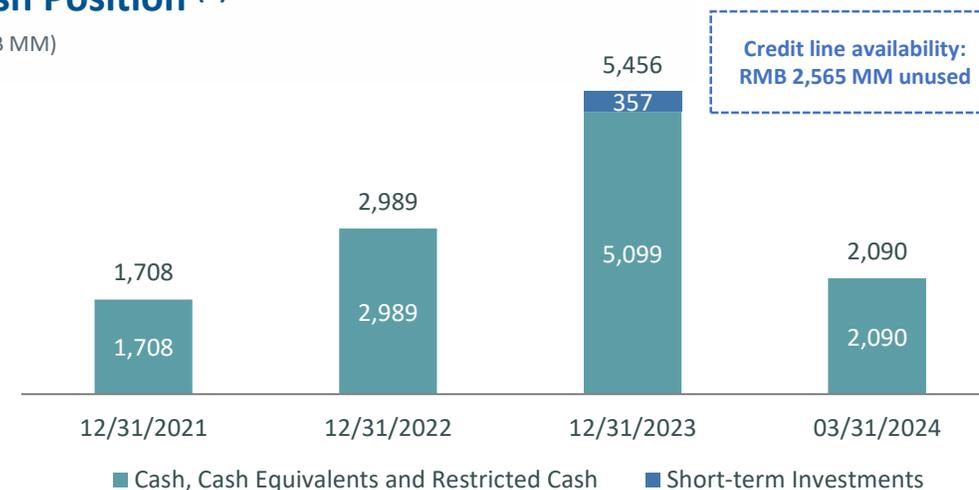
Debt Breakdown by Maturity

(RMB MM)



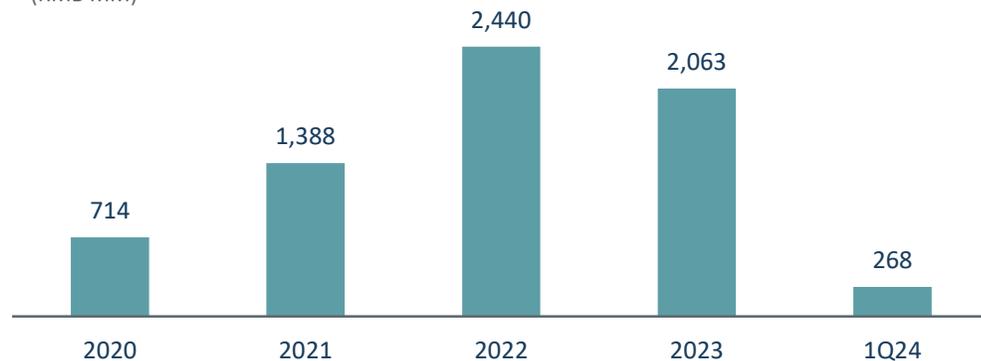
Cash Position (1)

(RMB MM)



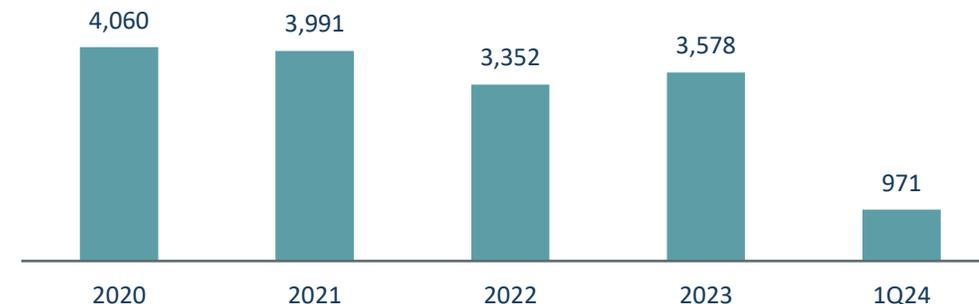
Operating Cash Flow

(RMB MM)



Capital Expenditure (2)

(RMB MM)



Source: Company data as of March 31, 2024.

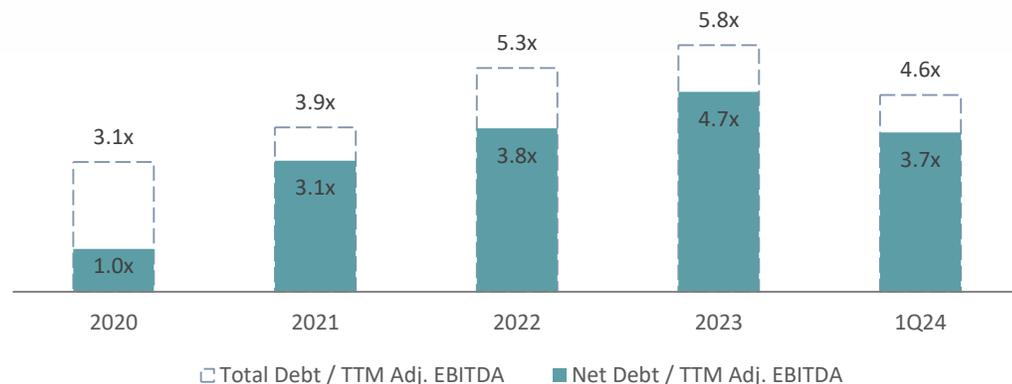
Notes:

1. Cash position refers to cash, cash equivalents, restricted cash and short-term investments.

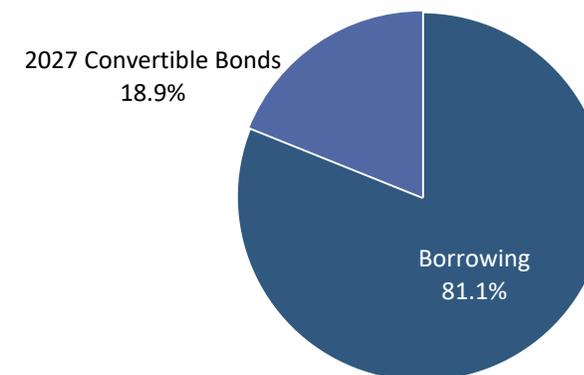
2. Capital expenditure refers to the overall outflow of funds for acquiring property and equipment, intangible assets, land use rights, engaging in mergers and acquisitions as well as long-term investments.

Healthy Capital Structure

Total Debt & Net Debt / TTM Adj. EBITDA¹

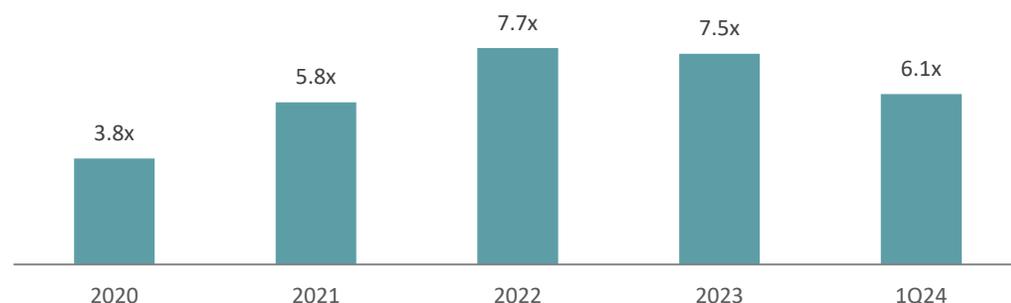


Debt Structure as of March 31, 2024



Total Debt: RMB 9,364 MM

TTM Adjusted EBITDA Interest Coverage²



Diversified Financing Channels

- Diversified financing channels with current debt structure of a balanced mix of bank borrowings, bond payables and convertible notes
- Received Blackstone's investment of US\$150 million in the form of preferred shares in June 2020
- Raised ~US\$400 million from equity follow-on offering in August 2020
- Raised ~US\$600 million from convertible note offering in January 2021³
- Signed a master joint venture investment agreement with a sovereign wealth fund in December 2021
- Received Blackstone's investment of US\$250 million in the form of convertible note in January 2022
- Received US\$299 million strategic investment from Shandong Hi-Speed Holdings Group Limited in December 2023

Source: Company data as of March 31, 2024.

Notes:

1. Total Debt = Short-term and long-term bank borrowings + Convertible Notes; Net Debt = Total Debt – Cash and Cash Equivalent; TTM Adj. EBITDA is calculated by the sum of the Adjusted EBITDA over the last 12 months; Adjusted EBITDA is calculated as operating profit plus depreciation and amortization, share-based compensation expenses, compensation for postcombination employment in an acquisition, allowance of loan receivables, impairment of long-lived assets and impairment of goodwill.

2. TTM Adjusted EBITDA Interest Coverage = TTM Adjusted EBITDA / Net Interest Expense (interest expense - interest income).

3. The Company has completed the repurchase right offer relating to its 0.00% Convertible Senior Notes due 2026 on February 1, 2024.

Guidance

RMB MM	2023 Actual	2024 Guidance	Implied YoY
Revenues	7,413	7,800 - 8,000	5.2% - 7.9%
Adjusted EBITDA	2,039	2,220 - 2,280	8.9% - 11.8%

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Key P&L Items

Amount in thousands	Three months ended			
	March 31, 2023	December 31, 2023	March 31, 2024	
	RMB	RMB	RMB	US\$
Net revenues	1,805,782	1,898,480	1,898,126	262,887
Cost of revenues	(1,453,402)	(1,607,602)	(1,487,405)	(206,003)
Gross profit	352,380	290,878	410,721	56,884
Sales and marketing expenses	(65,776)	(73,286)	(71,743)	(9,936)
Research and development expenses	(79,750)	(80,671)	(75,389)	(10,441)
General and administrative expenses	(127,447)	(148,455)	(226,297)	(31,342)
Operating profit (loss)	115,235	(2,211,589)	46,416	6,429
Net Interest expense	(64,105)	(65,681)	(125,553)	(17,389)
Other, Net	(2,428)	3,253	3,392	470
Changes in the fair value of financial liabilities	21,298	(187,648)	3,858	534
Foreign exchange gain (loss)	78,633	89,426	(28,361)	(3,928)
Income (loss) before income taxes and (loss) gain from equity method investments	148,633	(2,372,290)	(100,248)	(13,884)
Income tax expenses	(44,886)	(50,626)	(61,384)	(8,502)
(Loss) gain from equity method investments	(174)	(372)	2,606	361
Net income (loss)	103,573	(2,423,288)	(159,026)	(22,025)

GAAP to Non-GAAP Reconciliations

Amount in thousands	Three months ended				
	March 31, 2023 RMB	December 31, 2023 RMB	RMB	March 31, 2024	US\$
Gross profit	352,380	290,878		410,721	56,884
Plus: depreciation and amortization	401,877	450,859		352,604	48,835
Plus: share-based compensation expenses	-	-		2,190	303
Adjusted cash gross profit	754,257	741,737		765,515	106,022
<i>Adjusted cash gross margin</i>	<i>41.8%</i>	<i>39.1%</i>		<i>40.3%</i>	<i>40.3%</i>
Operating profit (loss)	115,235	(2,211,589)		46,416	6,429
Plus: depreciation and amortization	432,629	483,579		379,551	52,567
Plus: share-based compensation expenses	8,336	9,479		113,871	15,771
Plus: allowance of loan receivable	-	287,900		-	-
Plus: impairment of long-lived assets	-	506,686		-	-
Plus: impairment of goodwill	-	1,364,191		-	-
Adjusted EBITDA	556,200	440,246		539,838	74,767
<i>Adjusted EBITDA margin</i>	<i>30.8%</i>	<i>23.2%</i>		<i>28.4%</i>	<i>28.4%</i>

Key Balance Sheet Items

Amount in thousands	As of		As of	
	December 31, 2023		March 31, 2024	
	RMB		RMB	US\$
Cash, cash equivalents and Restricted cash	5,098,987		2,089,926	289,452
Accounts and notes receivable, net	1,715,975		1,948,129	269,813
Property and equipment, net	13,024,393		13,778,444	1,908,292
Land use rights, net	602,503		597,906	82,809
Operating lease right-of-use assets, net	4,012,329		4,042,957	559,943
Total assets	30,385,903		28,149,214	3,898,620
Accounts and notes payable	696,177		773,845	107,176
Borrowings	5,866,846		7,590,496	1,051,271
Finance lease liabilities	1,275,331		1,242,936	172,145
Operating lease liabilities	4,050,923		4,113,955	569,776
Convertible promissory notes	5,978,441		1,773,055	245,565
Total liabilities	23,871,520		21,686,025	3,003,479
Total VNET Group, Inc. shareholders' equity	6,014,415		5,935,242	822,021
Noncontrolling interest	499,968		527,947	73,120
Total shareholders' equity	6,514,383		6,463,189	895,141
Total liabilities and shareholders' equity	30,385,903		28,149,214	3,898,620

Key Cash Flow Items

Amount in thousands	Three months ended				
	March 31, 2023	December 31, 2023	March 31, 2024		
	RMB	RMB	RMB	US\$	
Net cash generated from operating activities	455,011	730,680	267,587	37,060	
Net cash used in investing activities	(701,518)	(1,401,935)	(650,940)	(90,154)	
Net cash generated from (used in) financing activities	517,060	2,757,674	(2,605,658)	(360,879)	
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(17,205)	(11,645)	(20,050)	(2,777)	
Net increase (decrease) in cash, cash equivalents and restricted cash	253,348	2,074,774	(3,009,061)	(416,750)	
Cash, cash equivalents and restricted cash at beginning of period	2,989,494	3,024,214	5,098,987	706,202	
Cash, cash equivalents and restricted cash at end of period	3,242,842	5,098,988	2,089,926	289,452	

Definitions

Term	Definition
IDC Business	IDC business refers to managed hosting services, consisting of the wholesale IDC business and the retail IDC business. Beginning in the first quarter of 2024, our IDC business was subdivided into wholesale IDC business and retail IDC business according to the nature and scale of our data center projects. Prior to 2024, the subdivision was based on customer contract types.
Non-IDC Business	Non-IDC business consists of cloud services and VPN services
VPN Services	Virtual private network provided by VNET, including Multiprotocol Label Switching (“MPLS”), software-defined wide area network (“SD-WAN”), internet access and network security solutions, and fully managed network enabling connectivity to enterprises across various industries
Cloud Services	Microsoft’s cloud services, including Azure, Microsoft 365, Dynamics 365 and Power Platform, operated by VNET as strategic partner to customers in mainland China
Capacity in Service	Data centers which are ready for service
Capacity Under Construction	Data centers which are actively under construction and have not yet reached the stage of being ready for service
Capacity Held for Future Development	Refers to the secured IDC resources that have been reserved for future development purposes and are not currently active for construction.
Mature Capacity for Wholesale Data Centers	Refers to wholesale data centers in which utilization rate is at or above 80%.
Ramp-up Capacity for Wholesale Data Centers	Refers to wholesale data centers in which utilization rate is below 80%.
Mature Capacity for Retail Data Centers	Refers to retail data centers that came into service prior to the past 24 months.
Ramp-up Capacity for Retail Data Centers	Refers to retail data centers that came into service within the past 24 months, or mature retail data centers that have undergone improvements within the past 24 months.
Utilized Capacity	Capacity in service that is committed to customers and revenue generating pursuant to the terms of customer agreements remaining in effect
Utilization Rate	The utilization rate (“UR”) is calculated by dividing utilized capacity by customers by the capacity in service.
Total Capacity Committed	Total capacity committed is the capacity committed to customers pursuant to customer agreements remaining in effect.
Total Capacity Pre-committed	Total capacity pre-committed is the capacity under construction which is pre-committed to customers pursuant to customer agreements remaining in effect.
Commitment Rate	Commitment rate is calculated by total capacity committed divided by total capacity in service.
Pre-commitment Rate	Pre-commitment rate is calculated by total capacity pre-committed divided by total capacity under construction.
MRR per Retail Cabinet	MRR per retail cabinet refers to monthly recurring revenues per cabinet for the retail IDC business
MW	Megawatt
PUE	Power usage effectiveness, a ratio of the total power usage of a data center to the power usage of the IT equipment inside a data center

THANKS!

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