

IRON MOUNTAIN INC
Form 10-Q
July 28, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the Quarterly Period Ended June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the Transition Period from _____ to _____

Commission file number 1-13045

IRON MOUNTAIN INCORPORATED
(Exact Name of Registrant as Specified in Its Charter)
Delaware 23-2588479
(State or other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)
One Federal Street, Boston, Massachusetts 02110
(Address of Principal Executive Offices, Including Zip Code)

(617) 535-4766
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | | |
|--|---|--|---|---|
| Large accelerated filer <input checked="" type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input type="checkbox"/> (Do not check if a | Smaller reporting company <input type="checkbox"/> | Emerging growth company <input type="checkbox"/> |
|--|---|--|---|---|

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smaller reporting
company)

If emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of the registrant's Common Stock outstanding at July 21, 2017: 264,390,702

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IRON MOUNTAIN INCORPORATED

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Part I. Financial Information

Item 1. Unaudited Condensed Consolidated Financial Statements

IRON MOUNTAIN INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, except Share and Per Share Data)

(Unaudited)

| | December 31, 2016 | June 30, 2017 |
|--|----------------------|------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$236,484 | \$291,019 |
| Accounts receivable (less allowances of \$44,290 and \$38,907 as of December 31, 2016 and June 30, 2017, respectively) | 691,249 | 730,366 |
| Prepaid expenses and other | 184,374 | 184,491 |
| Total Current Assets | 1,112,107 | 1,205,876 |
| Property, Plant and Equipment: | | |
| Property, plant and equipment | 5,535,783 | 5,826,538 |
| Less—Accumulated depreciation | (2,452,457) | (2,651,099) |
| Property, Plant and Equipment, Net | 3,083,326 | 3,175,439 |
| Other Assets, Net: | | |
| Goodwill | 3,905,021 | 3,988,762 |
| Customer relationships and customer inducements | 1,252,523 | 1,297,015 |
| Other | 133,823 | 147,601 |
| Total Other Assets, Net | 5,291,367 | 5,433,378 |
| Total Assets | \$9,486,800 | \$9,814,693 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities: | | |
| Current portion of long-term debt | \$172,975 | \$423,269 |
| Accounts payable | 222,197 | 247,134 |
| Accrued expenses | 450,257 | 579,070 |
| Deferred revenue | 201,128 | 225,133 |
| Total Current Liabilities | 1,046,557 | 1,474,606 |
| Long-term Debt, net of current portion | 6,078,206 | 6,028,985 |
| Other Long-term Liabilities | 99,540 | 85,948 |
| Deferred Rent | 119,834 | 128,883 |
| Deferred Income Taxes | 151,295 | 170,890 |
| Commitments and Contingencies (see Note 8) | | |
| Redeemable Noncontrolling Interests | 54,697 | 68,084 |
| Equity: | | |
| Iron Mountain Incorporated Stockholders' Equity: | | |
| Preferred stock (par value \$0.01; authorized 10,000,000 shares; none issued and outstanding) | — | — |
| Common stock (par value \$0.01; authorized 400,000,000 shares; issued and outstanding 263,682,670 shares and 264,379,608 shares as of December 31, 2016 and June 30, 2017, respectively) | 2,636 | 2,644 |
| Additional paid-in capital | 3,489,795 | 3,505,019 |
| (Distributions in excess of earnings) Earnings in excess of distributions | (1,343,311) | (1,498,285) |
| Accumulated other comprehensive items, net | (212,573) | (153,590) |
| Total Iron Mountain Incorporated Stockholders' Equity | 1,936,547 | 1,855,788 |

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| | | |
|------------------------------|-------------|-------------|
| Noncontrolling Interests | 124 | 1,509 |
| Total Equity | 1,936,671 | 1,857,297 |
| Total Liabilities and Equity | \$9,486,800 | \$9,814,693 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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IRON MOUNTAIN INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, except Per Share Data)
(Unaudited)

| | Three Months Ended June 30, | |
|---|--------------------------------|------------|
| | 2016 | 2017 |
| Revenues: | | |
| Storage rental | \$ 538,682 | \$ 590,239 |
| Service | 345,066 | 359,567 |
| Total Revenues | 883,748 | 949,806 |
| Operating Expenses: | | |
| Cost of sales (excluding depreciation and amortization) | 395,649 | 414,284 |
| Selling, general and administrative | 277,077 | 237,445 |
| Depreciation and amortization | 115,022 | 128,099 |
| (Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net | (626) | (216) |
| Total Operating Expenses | 787,122 | 779,612 |
| Operating Income (Loss) | 96,626 | 170,194 |
| Interest Expense, Net (includes Interest Income of \$2,144 and \$5,797 for the three months ended June 30, 2016 and 2017, respectively) | 74,866 | 89,966 |
| Other Expense (Income), Net | 25,641 | (19,366) |
| (Loss) Income from Continuing Operations Before Provision (Benefit) for Income Taxes and Gain on Sale of Real Estate | (3,881) | 99,594 |
| Provision (Benefit) for Income Taxes | 10,839 | 18,009 |
| Gain on Sale of Real Estate, Net of Tax | — | (1,563) |
| (Loss) Income from Continuing Operations | (14,720) | 83,148 |
| Income (Loss) from Discontinued Operations, Net of Tax | 1,587 | (2,026) |
| Net (Loss) Income | (13,133) | 81,122 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | 835 | 2,492 |
| Net (Loss) Income Attributable to Iron Mountain Incorporated | \$(13,968) | \$78,630 |
| (Losses) Earnings per Share—Basic: | | |
| (Loss) Income from Continuing Operations | \$(0.06) | \$0.31 |
| Total Income (Loss) from Discontinued Operations, Net of Tax | \$0.01 | \$(0.01) |
| Net (Loss) Income Attributable to Iron Mountain Incorporated | \$(0.06) | \$0.30 |
| (Losses) Earnings per Share—Diluted: | | |
| (Loss) Income from Continuing Operations | \$(0.06) | \$0.30 |
| Total Income (Loss) from Discontinued Operations, Net of Tax | \$0.01 | \$(0.01) |
| Net (Loss) Income Attributable to Iron Mountain Incorporated | \$(0.06) | \$0.30 |
| Weighted Average Common Shares Outstanding—Basic | 246,387 | 264,217 |
| Weighted Average Common Shares Outstanding—Diluted | 246,387 | 264,930 |
| Dividends Declared per Common Share | \$0.5174 | \$0.5504 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

IRON MOUNTAIN INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, except Per Share Data)
(Unaudited)

| | Six Months Ended June 30, | |
|---|------------------------------|-------------|
| | 2016 | 2017 |
| Revenues: | | |
| Storage rental | \$999,893 | \$1,162,518 |
| Service | 634,545 | 726,164 |
| Total Revenues | 1,634,438 | 1,888,682 |
| Operating Expenses: | | |
| Cost of sales (excluding depreciation and amortization) | 721,754 | 840,991 |
| Selling, general and administrative | 484,843 | 477,611 |
| Depreciation and amortization | 202,226 | 252,806 |
| (Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net | (1,077) | (675) |
| Total Operating Expenses | 1,407,746 | 1,570,733 |
| Operating Income (Loss) | 226,692 | 317,949 |
| Interest Expense, Net (includes Interest Income of \$3,431 and \$8,090 for the six months ended June 30, 2016 and 2017, respectively) | 141,928 | 176,021 |
| Other Expense (Income), Net | 13,704 | (25,730) |
| Income (Loss) from Continuing Operations Before Provision (Benefit) for Income Taxes and Gain on Sale of Real Estate | 71,060 | 167,658 |
| Provision (Benefit) for Income Taxes | 22,739 | 27,229 |
| Gain on Sale of Real Estate, Net of Tax | — | (1,563) |
| Income (Loss) from Continuing Operations | 48,321 | 141,992 |
| Income (Loss) from Discontinued Operations, Net of Tax | 1,587 | (2,363) |
| Net Income (Loss) | 49,908 | 139,629 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | 1,102 | 2,874 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$48,806 | \$136,755 |
| Earnings (Losses) per Share—Basic: | | |
| Income (Loss) from Continuing Operations | \$0.21 | \$0.53 |
| Total Income (Loss) from Discontinued Operations, Net of Tax | \$0.01 | \$(0.01) |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$0.21 | \$0.52 |
| Earnings (Losses) per Share—Diluted: | | |
| Income (Loss) from Continuing Operations | \$0.21 | \$0.53 |
| Total Income (Loss) from Discontinued Operations, Net of Tax | \$0.01 | \$(0.01) |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$0.21 | \$0.52 |
| Weighted Average Common Shares Outstanding—Basic | 228,957 | 264,036 |
| Weighted Average Common Shares Outstanding—Diluted | 230,029 | 264,870 |
| Dividends Declared per Common Share | \$1.0051 | \$1.1008 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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IRON MOUNTAIN INCORPORATED
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (In Thousands)
 (Unaudited)

| | Three Months Ended June 30, | |
|---|-----------------------------------|-----------------------|
| | 2016 | 2017 |
| Net (Loss) Income | | \$ (13,133) \$ 81,122 |
| Other Comprehensive Income (Loss): | | |
| Foreign Currency Translation Adjustments | | 2,789 7,538 |
| Total Other Comprehensive Income (Loss) | | 2,789 7,538 |
| Comprehensive (Loss) Income | | (10,344) 88,660 |
| Comprehensive Income (Loss) Attributable to Noncontrolling Interests | | 753 2,381 |
| Comprehensive (Loss) Income Attributable to Iron Mountain Incorporated | | \$ (11,097) \$ 86,279 |
| | Six Months Ended | |
| | June 30, | |
| | 2016 | 2017 |
| Net Income (Loss) | \$ 49,908 | \$ 139,629 |
| Other Comprehensive Income (Loss): | | |
| Foreign Currency Translation Adjustments | 26,767 | 58,322 |
| Market Value Adjustments for Securities | (734) | — |
| Total Other Comprehensive Income (Loss) | 26,033 | 58,322 |
| Comprehensive Income (Loss) | 75,941 | 197,951 |
| Comprehensive Income (Loss) Attributable to Noncontrolling Interests | 1,507 | 2,213 |
| Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated | \$ 74,434 | \$ 195,738 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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IRON MOUNTAIN INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(In Thousands, except Share Data)
(Unaudited)

| | Iron Mountain Incorporated Stockholders' Equity | | | | | | | |
|--|---|------------------------|---------|----------------------------------|--|---|-----------------------------|---|
| | Total | Common Stock Shares | Amounts | Additional Paid-in Capital | (Distributions in Excess of Earnings) Earnings in Excess of Distributions | Accumulated Other Comprehensive Items, Net | Noncontrolling Interests | Redeemable Noncontrolling Interests |
| Balance, December 31, 2015 | \$528,607 | 211,340,296 | \$2,113 | \$1,623,863 | \$(942,218) | \$(174,917) | \$19,766 | \$ — |
| Issuance of shares under employee stock purchase plan and option plans and stock-based compensation | 34,286 | 1,449,332 | 15 | 34,271 | — | — | — | — |
| Issuance of shares in connection with the acquisition of Recall Holdings Limited (see Note 4) | 1,835,026 | 50,233,412 | 502 | 1,834,524 | — | — | — | — |
| Parent cash dividends declared | (231,512) | — | — | — | (231,512) | — | — | — |
| Foreign currency translation adjustment | 26,767 | — | — | — | — | 26,362 | 405 | — |
| Market value adjustments for securities | (734) | — | — | — | — | (734) | — | — |
| Net income (loss) | 49,908 | — | — | — | 48,806 | — | 1,102 | — |
| Noncontrolling interests equity contributions | 1,299 | — | — | — | — | — | 1,299 | — |
| Noncontrolling interests dividends | (1,123) | — | — | — | — | — | (1,123) | — |
| Purchase of noncontrolling interests | 3,506 | — | — | — | — | — | 3,506 | — |
| Balance, June 30, 2016 | \$2,246,030 | 263,023,040 | \$2,630 | \$3,492,658 | \$(1,124,924) | \$(149,289) | \$24,955 | \$ — |

Iron Mountain Incorporated Stockholders' Equity

| Total | Common Stock Shares | Amounts | Additional | (Distributions in Excess of | Noncontrolling Interests |
|-------|------------------------|---------|------------|--------------------------------|-----------------------------|
|-------|------------------------|---------|------------|--------------------------------|-----------------------------|

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| | | | | Paid-in Capital | Earnings) Earnings in Excess of Distributions | Accumulated Other Comprehensive Items, Net | | Redeemable Noncontrolling Interests |
|---|-------------|-------------|---------|--------------------|--|---|----------|---|
| Balance, December 31, 2016 | \$1,936,671 | 263,682,670 | \$2,636 | \$3,489,795 | \$(1,343,311) | \$(212,573) | \$ 124 | \$ 54,697 |
| Issuance of shares under employee stock purchase plan and option plans and stock-based compensation | 16,150 | 696,938 | 8 | 16,142 | — | — | — | — |
| Change in value of redeemable noncontrolling interests | (918) | — | — | (918) | — | — | — | 918 |
| Parent cash dividends declared | (291,729) | — | — | — | (291,729) | — | — | — |
| Foreign currency translation adjustment | 58,870 | — | — | — | — | 58,983 | (113) | (548) |
| Net income (loss) | 138,870 | — | — | — | 136,755 | — | 2,115 | 759 |
| Noncontrolling interests equity contributions | — | — | — | — | — | — | — | 13,230 |
| Noncontrolling interests dividends | (1,956) | — | — | — | — | — | (1,956) | (972) |
| Purchase of noncontrolling interests | 1,339 | — | — | — | — | — | 1,339 | — |
| Balance, June 30, 2017 | \$1,857,297 | 264,379,608 | \$2,644 | \$3,505,019 | \$(1,498,285) | \$(153,590) | \$ 1,509 | \$ 68,084 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Unaudited)

| | Six Months Ended | |
|--|------------------|--------------|
| | June 30, | |
| | 2016 | 2017 |
| Cash Flows from Operating Activities: | | |
| Net income (loss) | \$49,908 | \$ 139,629 |
| (Income) Loss from discontinued operations | (1,587 |) 2,363 |
| Adjustments to reconcile net income (loss) to cash flows from operating activities: | | |
| Depreciation | 168,920 | 201,907 |
| Amortization (includes amortization of deferred financing costs and discount of \$5,652 and \$7,875 for the six months ended June 30, 2016 and 2017, respectively) | 38,958 | 58,774 |
| Revenue reduction associated with amortization of permanent withdrawal fees | 6,100 | 5,906 |
| Stock-based compensation expense | 15,913 | 15,092 |
| (Benefit) Provision for deferred income taxes | (9,902 |) (9,536) |
| Loss on early extinguishment of debt, net | 9,283 | — |
| (Gain) Loss on disposal/write-down of property, plant and equipment, net (including real estate) | (1,077 |) (2,238) |
| Gain on Russia and Ukraine Divestment (see Note 10) | — | (38,869) |
| Foreign currency transactions and other, net | 5,378 | 23,508 |
| Changes in Assets and Liabilities (exclusive of acquisitions): | | |
| Accounts receivable | 1,746 | (27,324) |
| Prepaid expenses and other | (41,020 |) (23,755) |
| Accounts payable | (39,377 |) (5,960) |
| Accrued expenses and deferred revenue | 8,508 | 9,545 |
| Other assets and long-term liabilities | (6,146 |) (27,002) |
| Cash Flows from Operating Activities - Continuing Operations | 205,605 | 322,040 |
| Cash Flows from Operating Activities - Discontinued Operations | 1,145 | (2,363) |
| Cash Flows from Operating Activities | 206,750 | 319,677 |
| Cash Flows from Investing Activities: | | |
| Capital expenditures | (163,665 |) (165,207) |
| Cash paid for acquisitions, net of cash acquired | (276,553 |) (38,223) |
| Acquisition of customer relationships | (10,324 |) (21,037) |
| Customer inducements | (6,422 |) (7,473) |
| Net proceeds from Iron Mountain Divestments (see Note 10) | 53,950 | 2,423 |
| Proceeds from sales of property and equipment and other, net (including real estate) | 371 | 8,547 |
| Cash Flows from Investing Activities - Continuing Operations | (402,643 |) (220,970) |
| Cash Flows from Investing Activities - Discontinued Operations | 90 | — |
| Cash Flows from Investing Activities | (402,553 |) (220,970) |
| Cash Flows from Financing Activities: | | |
| Repayment of revolving credit, term loan and bridge facilities and other debt | (7,387,114 |) (5,751,416 |
| Proceeds from revolving credit, term loan and bridge facilities and other debt | 7,186,805 | 5,494,125 |
| Net proceeds from sales of senior notes | 738,750 | 332,683 |
| Debt financing and equity contribution from noncontrolling interests | 1,299 | 13,230 |
| Debt repayment and equity distribution to noncontrolling interests | (843 |) (3,079) |
| Parent cash dividends | (232,596 |) (147,393) |
| Net proceeds (payments) associated with employee stock-based awards | 18,641 | 810 |

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| | | |
|--|-------------|-----------|
| Excess tax benefits (deficiency) from stock-based compensation | 29 | — |
| Payment of debt financing and stock issuance costs | (12,032 |) (544) |
| Cash Flows from Financing Activities - Continuing Operations | 312,939 | (61,584) |
| Cash Flows from Financing Activities - Discontinued Operations | — | — |
| Cash Flows from Financing Activities | 312,939 | (61,584) |
| Effect of Exchange Rates on Cash and Cash Equivalents | (8,528 |) 17,412 |
| Increase (Decrease) in Cash and Cash Equivalents | 108,608 | 54,535 |
| Cash and Cash Equivalents, Beginning of Period | 128,381 | 236,484 |
| Cash and Cash Equivalents, End of Period | \$236,989 | \$291,019 |
| Supplemental Information: | | |
| Cash Paid for Interest | \$136,351 | \$177,303 |
| Cash Paid for Income Taxes, Net | \$28,133 | \$55,922 |
| Non-Cash Investing and Financing Activities: | | |
| Capital Leases | \$34,383 | \$57,383 |
| Accrued Capital Expenditures | \$40,801 | \$79,775 |
| Dividends Payable | \$4,493 | \$149,961 |
| Fair Value of Stock Issued for Recall Transaction (see Note 4) | \$1,835,026 | \$— |
| Fair Value of OSG Investment (see Note 10) | \$— | \$18,000 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(1) General

The interim condensed consolidated financial statements are presented herein and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair presentation. Interim results are not necessarily indicative of results for a full year. Iron Mountain Incorporated, a Delaware corporation ("IMI"), and its subsidiaries ("we" or "us") store records, primarily physical records and data backup media, and provide information management services in various locations throughout North America, Europe, Latin America, Asia and Africa. We have a diversified customer base consisting of commercial, legal, financial, healthcare, insurance, life sciences, energy, business services, entertainment and government organizations.

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been omitted pursuant to those rules and regulations, but we believe that the disclosures included herein are adequate to make the information presented not misleading. The Condensed Consolidated Financial Statements and Notes thereto, which are included herein, should be read in conjunction with the Consolidated Financial Statements and Notes thereto for the year ended December 31, 2016 included in our Annual Report on Form 10-K filed with the SEC on February 23, 2017 (our "Annual Report"). We have been organized and have operated as a real estate investment trust for United States federal income tax purposes ("REIT") since our taxable year ended December 31, 2014.

On May 2, 2016 (Sydney, Australia time), we completed the acquisition of Recall Holdings Limited ("Recall") pursuant to the Scheme Implementation Deed, as amended, with Recall (the "Recall Transaction"). See Note 4.

(2) Summary of Significant Accounting Policies

This Note 2 to Notes to Condensed Consolidated Financial Statements provides information and disclosure regarding certain of our significant accounting policies and should be read in conjunction with Note 2 to Notes to Consolidated Financial Statements included in our Annual Report, which may provide additional information with regard to the accounting policies set forth herein and other of our significant accounting policies.

a. Foreign Currency

Local currencies are the functional currencies for our operations outside the United States, with the exception of certain foreign holding companies and our financing centers in Europe, whose functional currency is the United States dollar. In those instances where the local currency is the functional currency, assets and liabilities are translated at period-end exchange rates, and revenues and expenses are translated at average exchange rates for the applicable period. Resulting translation adjustments are reflected in the accumulated other comprehensive items, net component of Iron Mountain Incorporated Stockholders' Equity, Redeemable Noncontrolling Interests and Noncontrolling Interests in the accompanying Condensed Consolidated Balance Sheets. The gain or loss on foreign currency transactions, calculated as the difference between the historical exchange rate and the exchange rate at the applicable measurement date, including those related to (i) borrowings in certain foreign currencies under our Revolving Credit Facility (as defined and discussed more fully in Note 5), (ii) our Euro Notes (as defined and discussed more fully in Note 5), and (iii) certain foreign currency denominated intercompany obligations of our foreign subsidiaries to us and between our foreign subsidiaries, which are not considered permanently invested, are included in Other Expense (Income), Net, in the accompanying Condensed Consolidated Statements of Operations.

Total loss on foreign currency transactions for the three and six months ended June 30, 2016 and 2017 is as follows:

| | Three Months | | Six Months | |
|---|--------------|----------|------------|----------|
| | Ended | | Ended | |
| | June 30, | | June 30, | |
| | 2016 | 2017 | 2016 | 2017 |
| Total loss on foreign currency transactions | \$17,193 | \$20,199 | \$4,651 | \$16,035 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

b. Goodwill and Other Intangible Assets

Goodwill

Goodwill is not amortized but is reviewed annually for impairment, or more frequently if impairment indicators arise. We have selected October 1 as our annual goodwill impairment review date. We performed our most recent annual goodwill impairment review as of October 1, 2016 and concluded there was no impairment of goodwill at such date. As of December 31, 2016 and June 30, 2017, no factors were identified that would alter our October 1, 2016 goodwill impairment analysis. In making this assessment, we considered a number of factors including operating results, business plans, anticipated future cash flows, transactions and marketplace data. There are inherent uncertainties related to these factors and our judgment in applying them to the analysis of goodwill impairment. When changes occur in the composition of one or more reporting units, the goodwill is reassigned to the reporting units affected based on their relative fair values.

Our reporting units as of December 31, 2016 are described in detail in Note 2.h. to Notes to Consolidated Financial Statements included in our Annual Report. The goodwill associated with acquisitions completed during the first six months of 2017 (which are described in Note 4) has been incorporated into our reporting units as they existed as of December 31, 2016. During the six months ended June 30, 2017, there were certain changes to the composition of our reporting units, which are described below.

i. Impact of Russia and Ukraine Divestment

Prior to the Russia and Ukraine Divestment (as defined in Note 10), our businesses in Russia and Ukraine were a component of our Northern and Eastern Europe reporting unit. As disclosed in Note 10, on May 30, 2017, Iron Mountain EES Holdings Ltd. ("IM EES"), a consolidated subsidiary of IMI, sold our records and information management operations in Russia and Ukraine. As a result of the Russia and Ukraine Divestment, \$3,515 of goodwill associated with our Northern and Eastern Europe reporting unit was allocated, on a relative fair value basis, to the Russia and Ukraine Divestment and included in the carrying value of the divested businesses. See Note 10 for additional information regarding the Russia and Ukraine Divestment.

ii. Northern and Eastern Europe, Africa and India reporting units

During the second quarter of 2017, as a result of changes in the management of our businesses included in our Other International Business segment, we reassessed the composition of our reporting units. As a result of this reassessment, we determined that our businesses in our former Africa and India reporting unit, which included our businesses in South Africa and India, as well as our business in the United Arab Emirates which was acquired in the first quarter of 2017, were now being managed in conjunction with our businesses included in our Northern and Eastern Europe reporting unit. This newly formed reporting unit, which consists of (i) the businesses included in our former Northern and Eastern Europe reporting unit and (ii) our businesses in the United Arab Emirates, South Africa and India is referred to as the Northern/Eastern Europe and Middle East, Africa and India, or NEE and MEAI, reporting unit.

iii. North American Secure Shredding reporting unit

During the second quarter of 2017, we reassessed the composition of our reporting units included in our North American Records and Information Management Business segment. As a result of this reassessment, we determined that the discrete financial information and operating results of our North American Secure Shredding business are no longer being regularly reviewed by the segment manager of our North American Records and Information Management Business segment. Therefore, we have concluded that our secure shredding operations in North America no longer constitute a separate reporting unit and that our North American Records and Information Management Business segment consists of one reporting unit, which is referred to as the North American Records and Information

Management reporting unit.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The changes in the carrying value of goodwill attributable to each reportable operating segment for the six months ended June 30, 2017 are as follows:

| | North American Records and Information Management Business | North American Data Management Business | Western European Business | Other International Business | Corporate and Other Business | Total Consolidated |
|---|---|---|---------------------------------|------------------------------------|---------------------------------------|-----------------------|
| Gross Balance as of December 31, 2016 | \$2,485,806 | \$ 559,443 | \$405,571 | \$ 743,126 | \$ 25,922 | \$4,219,868 |
| Deductible goodwill acquired during the year | 409 | — | — | 925 | 717 | 2,051 |
| Non-deductible goodwill acquired during the year | — | — | — | 13,777 | — | 13,777 |
| Goodwill allocated to Russia and Ukraine Divestment (see Note 10) | — | — | — | (3,515) | — | (3,515) |
| Fair value and other adjustments(1) | (24,801) | 545 | 9,749 | 20,194 | — | 5,687 |
| Currency effects | 6,374 | 1,900 | 22,513 | 35,887 | — | 66,674 |
| Gross Balance as of June 30, 2017 | \$2,467,788 | \$ 561,888 | \$437,833 | \$ 810,394 | \$ 26,639 | \$4,304,542 |
| Accumulated Amortization Balance as of December 31, 2016 | \$204,895 | \$ 53,753 | \$56,150 | \$ 49 | \$— | \$314,847 |
| Currency effects | 243 | 61 | 613 | 16 | — | 933 |
| Accumulated Amortization Balance as of June 30, 2017 | \$205,138 | \$ 53,814 | \$56,763 | \$ 65 | \$— | \$315,780 |
| Net Balance as of December 31, 2016 | \$2,280,911 | \$ 505,690 | \$349,421 | \$ 743,077 | \$ 25,922 | \$3,905,021 |
| Net Balance as of June 30, 2017 | \$2,262,650 | \$ 508,074 | \$381,070 | \$ 810,329 | \$ 26,639 | \$3,988,762 |
| Accumulated Goodwill Impairment Balance as of December 31, 2016 | \$85,909 | \$— | \$46,500 | \$— | \$— | \$132,409 |
| Accumulated Goodwill Impairment Balance as of June 30, 2017 | \$85,909 | \$— | \$46,500 | \$— | \$— | \$132,409 |

Total fair value and other adjustments include \$5,687 in net adjustments primarily related to property, plant and (1)equipment, customer relationship intangible assets and deferred income taxes (which represent adjustments within the applicable measurement period to provisional amounts recognized in purchase accounting).

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

Finite-lived intangible assets

Customer relationship intangible assets, which are acquired through either business combinations or acquisitions of customer relationships, are amortized over periods ranging from eight to 30 years and are included in depreciation and amortization in the accompanying Condensed Consolidated Statements of Operations. The value of customer relationship intangible assets is calculated based upon estimates of their fair value utilizing an income approach based on the present value of expected future cash flows.

Costs related to the acquisition of large volume accounts are capitalized. Free intake costs to transport boxes to one of our facilities, which include labor and transportation costs ("Move Costs"), are amortized over periods ranging from eight to 30 years and are included in depreciation and amortization in the accompanying Condensed Consolidated Statements of Operations. Payments that are made to a customer's current records management vendor in order to terminate the customer's existing contract with that vendor, or direct payments to a customer ("Permanent Withdrawal Fees"), are amortized over periods ranging from three to 15 years and are included in storage and service revenue in the accompanying Condensed Consolidated Statements of Operations. Move Costs and Permanent Withdrawal Fees are collectively referred to as "Customer Inducements". If the customer terminates its relationship with us, the unamortized carrying value of the Customer Inducement intangible asset is charged to expense or revenue. However, in the event of such termination, we generally collect, and record as income, permanent removal fees that generally equal or exceed the amount of the unamortized Customer Inducement intangible asset.

Other finite-lived intangible assets, including trade names, noncompetition agreements and trademarks, are capitalized and amortized over periods ranging from three to 10 years and are included in depreciation and amortization in the accompanying Condensed Consolidated Statements of Operations.

The components of our finite-lived intangible assets as of December 31, 2016 and June 30, 2017 are as follows:

| | December 31, 2016 | | | June 30, 2017 | | |
|--|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer relationship intangible assets and Customer Inducements | \$ 1,604,020 | \$(351,497) | \$ 1,252,523 | \$ 1,702,665 | \$(405,650) | \$ 1,297,015 |
| Other finite-lived intangible assets (included in other assets, net) | 24,788 | (7,989) | 16,799 | 20,885 | (9,008) | 11,877 |
| Total | \$ 1,628,808 | \$(359,486) | \$ 1,269,322 | \$ 1,723,550 | \$(414,658) | \$ 1,308,892 |

Amortization expense associated with finite-lived intangible assets and revenue reduction associated with the amortization of Permanent Withdrawal Fees for the three and six months ended June 30, 2016 and 2017 are as follows:

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------|------------------|----------|
| | June 30, 2016 | 2017 | June 30, 2016 | 2017 |
| Amortization expense associated with finite-lived intangible assets | \$21,492 | \$25,784 | \$33,306 | \$50,899 |
| Revenue reduction associated with amortization of Permanent Withdrawal Fees | 3,157 | 2,748 | 6,100 | 5,906 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

c. Stock-Based Compensation

We record stock-based compensation expense, utilizing the straight-line method, for the cost of stock options, restricted stock units ("RSUs") and performance units ("PUs"). The stock options, RSUs, PUs and shares of stock issued under our employee stock purchase plan ("ESPP") are collectively the "Employee Stock-Based Awards". Stock-based compensation expense for Employee Stock-Based Awards for the three and six months ended June 30, 2016 was \$9,028 (\$7,011 after tax or \$0.03 per basic and diluted share) and \$15,913 (\$11,925 after tax or \$0.05 per basic and diluted share), respectively. Stock-based compensation expense for Employee Stock-Based Awards for the three and six months ended June 30, 2017 was \$8,543 (\$5,945 after tax or \$0.02 per basic and diluted share) and \$15,092 (\$10,530 after tax or \$0.04 per basic and diluted share), respectively.

Stock-based compensation expense for Employee Stock-Based Awards included in the accompanying Condensed Consolidated Statements of Operations is as follows:

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|---------|------------------|----------|
| | June 30, | | June 30, | |
| | 2016 | 2017 | 2016 | 2017 |
| Cost of sales (excluding depreciation and amortization) | \$25 | \$27 | \$52 | \$55 |
| Selling, general and administrative expenses | 9,003 | 8,516 | 15,861 | 15,037 |
| Total stock-based compensation | \$9,028 | \$8,543 | \$15,913 | \$15,092 |

Stock Options

A summary of our stock options outstanding as of June 30, 2017 by vesting terms is as follows:

| | June 30, 2017 | | |
|--|---------------------------|--------------------------------|---|
| | Stock Options Outstanding | % of Stock Options Outstanding | |
| Three-year vesting period (10 year contractual life) | 3,543,414 | 85.7 | % |
| Five-year vesting period (10 year contractual life) | 515,916 | 12.5 | % |
| Ten-year vesting period (12 year contractual life) | 73,738 | 1.8 | % |
| | 4,133,068 | 100.0 | % |

The weighted average fair value of stock options granted for the six months ended June 30, 2016 and 2017 was \$2.49 and \$4.26 per share, respectively. These values were estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions used for grants in the respective periods are as follows:

| | Six Months Ended | | | |
|------------------------------|------------------|---|-----------|---|
| | June 30, | | | |
| Weighted Average Assumptions | 2016 | | 2017 | |
| Expected volatility | 27.2 | % | 25.8 | % |
| Risk-free interest rate | 1.32 | % | 1.96 | % |
| Expected dividend yield | 7 | % | 6 | % |
| Expected life | 5.6 years | | 5.0 years | |

Expected volatility is calculated utilizing daily historical volatility over a period that equates to the expected life of the option. The risk-free interest rate was based on the United States Treasury interest rates whose term is consistent with the expected life (estimated period of time outstanding) of the stock options. Expected dividend yield is considered in the option pricing model and represents our current annualized expected per share dividends over the current trade price of our common stock. The expected life of the stock options granted is estimated using the historical exercise

behavior of employees.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

A summary of stock option activity for the six months ended June 30, 2017 is as follows:

| | Stock Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Average Intrinsic Value |
|--------------------------------------|------------------|--|---|-------------------------------|
| Outstanding at December 31, 2016 | 3,451,698 | \$ 31.79 | | |
| Granted | 1,007,224 | 36.89 | | |
| Exercised | (300,271) | 22.77 | | |
| Forfeited | (23,802) | 33.89 | | |
| Expired | (1,781) | 38.83 | | |
| Outstanding at June 30, 2017 | 4,133,068 | \$ 33.68 | 7.47 | \$ 13,556 |
| Options exercisable at June 30, 2017 | 1,970,057 | \$ 30.68 | 5.78 | \$ 12,024 |
| Options expected to vest | 2,024,082 | \$ 36.41 | 8.99 | \$ 1,448 |

The aggregate intrinsic value of stock options exercised for the three and six months ended June 30, 2016 and 2017 is as follows:

| | Three Months Ended June 30, 2016 | | Six Months Ended June 30, 2017 | |
|--|---|---------|---|---------|
| Aggregate intrinsic value of stock options exercised | \$9,926 | \$1,935 | \$11,359 | \$3,847 |

Restricted Stock Units

Under our various equity compensation plans, we may also grant RSUs. Our RSUs generally have a vesting period of between three and five years from the date of grant. However, RSUs granted to our non-employee directors vest immediately upon grant.

All RSUs accrue dividend equivalents associated with the underlying stock as we declare dividends. Dividends will generally be paid to holders of RSUs in cash upon the vesting date of the associated RSU and will be forfeited if the RSU does not vest. The fair value of RSUs is the excess of the market price of our common stock at the date of grant over the purchase price (which is typically zero).

Cash dividends accrued and paid on RSUs for the three and six months ended June 30, 2016 and 2017 are as follows:

| | Three Months Ended June 30, 2016 | | Six Months Ended June 30, 2017 | |
|--------------------------------|--|-------|---|---------|
| Cash dividends accrued on RSUs | \$616 | \$662 | \$1,247 | \$1,345 |
| Cash dividends paid on RSUs | 196 | 84 | 1,831 | 1,939 |

The fair value of RSUs vested during the three and six months ended June 30, 2016 and 2017 is as follows:

| | Three Months Ended June 30, 2016 | | Six Months Ended June 30, 2017 | |
|---------------------------|---|---------|---|----------|
| Fair value of RSUs vested | \$2,807 | \$2,047 | \$17,785 | \$16,073 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

A summary of RSU activity for the six months ended June 30, 2017 is as follows:

| | RSUs | Weighted- Average Grant-Date Fair Value |
|---------------------------------|------------|--|
| Non-vested at December 31, 2016 | 1,163,393 | \$ 33.21 |
| Granted | 584,089 | 36.68 |
| Vested | (497,339) | 32.32 |
| Forfeited | (50,356) | 34.68 |
| Non-vested at June 30, 2017 | 1,199,787 | \$ 35.21 |

Performance Units

Under our various equity compensation plans, we may also make awards of PUs. For the majority of outstanding PUs, the number of PUs earned is determined based on our performance against predefined targets of revenue and return on invested capital ("ROIC"). The number of PUs earned may range from 0% to 200% of the initial award. The number of PUs earned is determined based on our actual performance as compared to the targets at the end of a three-year performance period. Certain PUs that we grant will be earned based on a market condition associated with the total return on our common stock in relation to either (i) a subset of the Standard & Poor's 500 Index (for certain PUs granted prior to 2017), or (ii) a subset of the MSCI United States REIT Index (for certain PUs granted in 2017), rather than the revenue and ROIC targets noted above. The number of PUs earned based on the applicable market condition may range from 0% to 200% of the initial award.

All of our PUs will be settled in shares of our common stock and are subject to cliff vesting three years from the date of the original PU grant. PUs awarded to employees who terminate their employment during the three-year performance period and on or after attaining age 55 and completing 10 years of qualifying service are eligible for pro-rated vesting, subject to the actual achievement against the predefined targets or a market condition as discussed above, based on the number of full years of service completed following the grant date (but delivery of the shares remains deferred). As a result, PUs are generally expensed over the three-year performance period.

All PUs accrue dividend equivalents associated with the underlying stock as we declare dividends. Dividends will generally be paid to holders of PUs in cash upon the settlement date of the associated PU and will be forfeited if the PU does not vest.

Cash dividends accrued and paid on PUs for the three and six months ended June 30, 2016 and 2017 are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------|--------------------------------------|-------|---------------------------------|-------|
| | 2016 | 2017 | 2016 | 2017 |
| Cash dividends accrued on PUs | \$263 | \$321 | \$525 | \$645 |
| Cash dividends paid on PUs | — | — | 645 | 205 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

During the six months ended June 30, 2017, we issued 229,692 PUs. The majority of our PUs are earned based on our performance against revenue and ROIC targets during their applicable performance period; therefore, we forecast the likelihood of achieving the predefined revenue and ROIC targets in order to calculate the expected PUs to be earned. We record a compensation charge based on either the forecasted PUs to be earned (during the performance period) or the actual PUs earned (at the three-year anniversary of the grant date) over the vesting period for each of the awards. The fair value of PUs based on our performance against revenue and ROIC targets is the excess of the market price of our common stock at the date of grant over the purchase price (which is typically zero). For PUs earned based on a market condition, we utilize a Monte Carlo simulation to fair value these awards at the date of grant, and such fair value is expensed over the three-year performance period. As of June 30, 2017, we expected 25%, 100% and 100% achievement of the predefined revenue and ROIC targets associated with the awards of PUs made in 2015, 2016 and 2017, respectively.

The fair value of earned PUs that vested during the three and six months ended June 30, 2016 and 2017 is as follows:

| | Three Months Ended June 30, 2016 | | Six Months Ended June 30, 2017 | |
|--------------------------------------|--|------|---|--------|
| Fair value of earned PUs that vested | \$ 1,174 | \$ — | \$ 5,255 | \$ 905 |

A summary of PU activity for the six months ended June 30, 2017 is as follows:

| | Original PU Awards | PU Adjustment(1) | Total PU Awards | Weighted- Average Grant-Date Fair Value |
|---|--------------------------|---------------------|-----------------------|--|
| Non-vested at December 31, 2016 | 559,340 | (121,038) | 438,302 | \$ 33.67 |
| Granted | 229,692 | — | 229,692 | 41.93 |
| Vested | (32,776) | — | (32,776) | 27.60 |
| Forfeited/Performance or Market Conditions Not Achieved | (9,106) | (129,029) | (138,135) | 29.03 |
| Non-vested at June 30, 2017 | 747,150 | (250,067) | 497,083 | \$ 39.17 |

Represents an increase or decrease in the number of original PUs awarded based on either the final performance (1) criteria or market condition achievement at the end of the performance period of such PUs or a change in estimated awards based on the forecasted performance against the predefined targets.

Employee Stock Purchase Plan

We offer an ESPP in which participation is available to substantially all United States and Canadian employees who meet certain service eligibility requirements. The price for shares purchased under the ESPP is 95% of the market price of our common stock at the end of the offering period, without a look-back feature. As a result, we do not recognize compensation expense for the ESPP shares purchased. For the six months ended June 30, 2016 and 2017, there were 56,662 shares and 60,167 shares, respectively, purchased under the ESPP. As of June 30, 2017, we had 667,427 shares available under the ESPP.

As of June 30, 2017, unrecognized compensation cost related to the unvested portion of our Employee Stock-Based Awards was \$53,729 and is expected to be recognized over a weighted-average period of 2.2 years.

We generally issue shares of our common stock for the exercises of stock options, the vesting of RSUs and PUs and under our ESPP from unissued reserved shares.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

d. Income (Loss) Per Share—Basic and Diluted

Basic income (loss) per common share is calculated by dividing income (loss) by the weighted average number of common shares outstanding. The calculation of diluted income (loss) per share is consistent with that of basic income (loss) per share but gives effect to all potential common shares (that is, securities such as stock options, RSUs or PUs) that were outstanding during the period, unless the effect is antidilutive.

The calculation of basic and diluted income (loss) per share for the three and six months ended June 30, 2016 and 2017 is as follows:

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------|------------------|-------------|
| | June 30, | | June 30, | |
| | 2016 | 2017 | 2016 | 2017 |
| (Loss) income from continuing operations | \$ (14,720) | \$ 83,148 | \$ 48,321 | \$ 141,992 |
| Less: Net income (loss) attributable to noncontrolling interests | 835 | 2,492 | 1,102 | 2,874 |
| (Loss) income from continuing operations (utilized in numerator of Earnings Per Share calculation) | \$ (15,555) | \$ 80,656 | \$ 47,219 | \$ 139,118 |
| Income (loss) from discontinued operations, net of tax | \$ 1,587 | \$ (2,026) | \$ 1,587 | \$ (2,363) |
| Net (loss) income attributable to Iron Mountain Incorporated | \$ (13,968) | \$ 78,630 | \$ 48,806 | \$ 136,755 |
| Weighted-average shares—basic | 246,387,000 | 264,217,000 | 228,957,000 | 264,036,000 |
| Effect of dilutive potential stock options | — | 395,044 | 622,293 | 428,403 |
| Effect of dilutive potential RSUs and PUs | — | 318,375 | 450,100 | 405,640 |
| Weighted-average shares—diluted | 246,387,000 | 264,930,419 | 230,029,393 | 264,870,043 |
| (Losses) earnings per share—basic: | | | | |
| (Loss) income from continuing operations | \$ (0.06) | \$ 0.31 | \$ 0.21 | \$ 0.53 |
| Income (loss) from discontinued operations, net of tax | 0.01 | (0.01) | 0.01 | (0.01) |
| Net (loss) income attributable to Iron Mountain Incorporated(1) | \$ (0.06) | \$ 0.30 | \$ 0.21 | \$ 0.52 |
| (Losses) earnings per share—diluted: | | | | |
| (Loss) income from continuing operations | \$ (0.06) | \$ 0.30 | \$ 0.21 | \$ 0.53 |
| Income (loss) from discontinued operations, net of tax | 0.01 | (0.01) | 0.01 | (0.01) |
| Net (loss) income attributable to Iron Mountain Incorporated(1) | \$ (0.06) | \$ 0.30 | \$ 0.21 | \$ 0.52 |
| Antidilutive stock options, RSUs and PUs, excluded from the calculation | 1,594,475 | 2,701,129 | 2,208,132 | 2,597,692 |

(1) Columns may not foot due to rounding.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

e. Income Taxes

We provide for income taxes during interim periods based on our estimate of the effective tax rate for the year. Discrete items and changes in our estimate of the annual effective tax rate are recorded in the period they occur. Our effective tax rate is subject to variability in the future due to, among other items: (1) changes in the mix of income between our qualified REIT subsidiaries ("QRSs") and our domestic taxable REIT subsidiaries ("TRSs"), as well as among the jurisdictions in which we operate; (2) tax law changes; (3) volatility in foreign exchange gains and losses; (4) the timing of the establishment and reversal of tax reserves; and (5) our ability to utilize net operating losses that we generate.

For the three months ended June 30, 2016, we had a net loss from continuing operations before provision of income taxes of \$3,881 and a provision for income taxes of \$10,839; as such, our effective tax rate for the three months ended June 30, 2016 is not meaningful. Our effective tax rate for the six months ended June 30, 2016 was 32.0%. The primary reconciling items between the federal statutory tax rate of 35.0% and our overall effective tax rates for the three and six months ended June 30, 2016 were the benefit derived from the dividends paid deduction and differences in the rates of tax at which our foreign earnings are subject, including foreign exchange gains and losses in different jurisdictions with different tax rates. Our effective tax rates for the three and six months ended June 30, 2017 were 18.1% and 16.2%, respectively. The primary reconciling items between the federal statutory tax rate of 35.0% and our overall effective tax rate for the three months ended June 30, 2017 were the benefit derived from the dividends paid deduction and differences in the rates of tax at which our foreign earnings are subject. The primary reconciling items between the federal statutory tax rate of 35.0% and our overall effective tax rate for the six months ended June 30, 2017 were the benefit derived from the dividends paid deduction, differences in the rates of tax at which our foreign earnings are subject and a release of valuation allowances on certain of our foreign net operating losses of \$7,511 as a result of the merger of certain of our foreign subsidiaries.

During 2016, as a result of the closing of the Recall Transaction and the subsequent integration of Recall's operations into our operations, we reassessed our intentions regarding the indefinite reinvestment of current and future undistributed earnings of our foreign subsidiaries outside the United States (the "2016 Indefinite Reinvestment Assessment"). As a result of the 2016 Indefinite Reinvestment Assessment, we concluded that it is our intent to indefinitely reinvest our current and future undistributed earnings of our unconverted foreign TRSs outside the United States. Accordingly, we no longer provide incremental foreign withholding taxes on the retained book earnings of these unconverted foreign TRSs. As a REIT, future repatriation of incremental undistributed earnings of our foreign subsidiaries will not be subject to federal or state income tax, with the exception of foreign withholding taxes in limited instances; however, such future repatriations will require distribution in accordance with REIT distribution rules, and any such distribution may then be taxable, as appropriate, at the stockholder level. We continue, however, to provide for incremental foreign withholding taxes on net book over outside basis differences related to the earnings of our foreign QRSs and certain of our converted TRSs.

f. Concentrations of Credit Risk

Financial instruments that potentially subject us to credit risk consist principally of cash and cash equivalents (including time deposits) and accounts receivable. The only significant concentrations of liquid investments as of December 31, 2016 and June 30, 2017, respectively, related to cash and cash equivalents. At December 31, 2016 and June 30, 2017, we had time deposits with six global banks and seven global banks, respectively. As of December 31, 2016 and June 30, 2017, our cash and cash equivalents was \$236,484 and \$291,019, respectively, including time deposits of \$22,240 and \$43,792, respectively.

g. Fair Value Measurements

Our financial assets or liabilities that are carried at fair value are required to be measured using inputs from the three levels of the fair value hierarchy. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The three levels of the fair value hierarchy are as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date.

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3—Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

The assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2016 and June 30, 2017, respectively, are as follows:

| Description | Total Carrying Value at December 31, 2016 | Fair Value Measurements at December 31, 2016 Using | | |
|----------------------|---|--|---|---|
| | | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Time Deposits(1) | \$ 22,240 | \$ — | \$ 22,240 | \$ — |
| Trading Securities | 10,659 | 10,659 | — | (1) — |
| Description | Total Carrying Value at June 30, 2017 | Fair Value Measurements at June 30, 2017 Using | | |
| | | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Time Deposits(1) | \$ 43,792 | \$ — | \$ 43,792 | \$ — |
| Trading Securities | 11,031 | 11,031 | — | (1) — |
| Derivative Assets(3) | 2,674 | — | 2,674 | — |

Time deposits and certain trading securities (included in Prepaid expenses and other in our Condensed (1) Consolidated Balance Sheets) are measured based on quoted prices for similar assets and/or subsequent transactions.

(2) Certain trading securities are measured at fair value using quoted market prices.

(3) Derivative assets relate to short-term (six months or less) foreign currency contracts that we have entered into to hedge certain of our foreign exchange intercompany exposures, as more fully disclosed at Note 3. We calculate the value of such forward contracts by adjusting the spot rate utilized at the balance sheet date for translation purposes by an estimate of the forward points observed in active markets.

Disclosures are required in the financial statements for items measured at fair value on a non-recurring basis. We did not have any material items that are measured at fair value on a non-recurring basis at December 31, 2016 and June 30, 2017, with the exception of: (i) goodwill (as disclosed in Note 2.b.); (ii) the assets and liabilities acquired through acquisitions (as disclosed in Note 6 to Notes to Consolidated Financial Statements included in our Annual Report and Note 4); (iii) the Access Contingent Consideration (as defined and disclosed in Note 10); (iv) the redemption value of certain redeemable noncontrolling interests (as disclosed in Note 2.x. in Notes to Consolidated Financial Statements included in our Annual Report); and (v) our investment in OSG Records Management (Europe) Limited (as disclosed in Note 10), all of which are based on Level 3 inputs.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The fair value of our long-term debt, which was determined based on either Level 1 inputs or Level 3 inputs, is disclosed in Note 5. Long-term debt is measured at cost in our Condensed Consolidated Balance Sheets as of December 31, 2016 and June 30, 2017.

h. Accumulated Other Comprehensive Items, Net

The changes in accumulated other comprehensive items, net for the three months ended June 30, 2016 and 2017, respectively, are as follows:

| | Foreign Currency Translation Adjustments | Market Value Adjustments for Securities | Total |
|---|---|---|--------------|
| Balance as of March 31, 2016 | \$ (152,160) | \$ — | —\$(152,160) |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | 2,871 | — | 2,871 |
| Total other comprehensive income (loss) | 2,871 | — | 2,871 |
| Balance as of June 30, 2016 | \$ (149,289) | \$ — | —\$(149,289) |
| | Foreign Currency Translation Adjustments | Market Value Adjustments for Securities | Total |
| Balance as of March 31, 2017 | \$ (161,239) | \$ — | —\$(161,239) |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments(1) | 7,649 | — | 7,649 |
| Total other comprehensive income (loss) | 7,649 | — | 7,649 |
| Balance as of June 30, 2017 | \$ (153,590) | \$ — | —\$(153,590) |

The changes in accumulated other comprehensive items, net for the six months ended June 30, 2016 and 2017, respectively, are as follows:

| | Foreign Currency Translation Adjustments | Market Value Adjustments for Securities | Total |
|--|---|---|-------------|
| Balance as of December 31, 2015 | \$ (175,651) | \$ 734 | \$(174,917) |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | 26,362 | — | 26,362 |
| Market value adjustments for securities | — | (734) | (734) |
| Total other comprehensive income (loss) | 26,362 | (734) | 25,628 |
| Balance as of June 30, 2016 | \$ (149,289) | \$ — | \$(149,289) |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

| | Foreign Currency Translation Adjustments | Market Value Adjustments for Securities | Total |
|---|---|---|--------------|
| Balance as of December 31, 2016 | \$ (212,573) | \$ — | —\$(212,573) |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments(1) | 58,983 | — | 58,983 |
| Total other comprehensive income (loss) | 58,983 | — | 58,983 |
| Balance as of June 30, 2017 | \$ (153,590) | \$ — | —\$(153,590) |

During the three and six months ended June 30, 2017, approximately \$29,100 of cumulative translation adjustment (1) associated with our businesses in Russia and Ukraine was reclassified from accumulated other comprehensive items, net and was included in the gain on sale associated with the Russia and Ukraine Divestment (see Note 10).

i. Other Expense (Income), Net

Other expense (income), net for the three and six months ended June 30, 2016 and 2017 consists of the following:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------------|------------|------------------------------|------------|
| | 2016 | 2017 | 2016 | 2017 |
| Foreign currency transaction losses (gains), net | \$17,193 | \$20,199 | \$4,651 | \$16,035 |
| Debt extinguishment expense | 9,283 | — | 9,283 | — |
| Other, net | (835) | (39,565) | (230) | (41,765) |
| | \$25,641 | \$(19,366) | \$13,704 | \$(25,730) |

Other, net for the three and six months ended June 30, 2017 includes a gain of \$38,869 associated with the Russia and Ukraine Divestment (see Note 10).

j. Property, Plant and Equipment and Long-Lived Assets

During the three and six months ended June 30, 2016, we capitalized \$5,135 and \$8,538 of costs, respectively, associated with the development of internal use computer software projects. During the three and six months ended June 30, 2017, we capitalized \$6,637 and \$11,920 of costs, respectively, associated with the development of internal use computer software projects.

Consolidated gain on disposal/write-down of property, plant and equipment (excluding real estate), net for the three and six months ended June 30, 2016 was \$626 and \$1,077, respectively, and \$216 and \$675 for the three and six months ended June 30, 2017, respectively. These gains are primarily associated with the retirement of leased vehicles accounted for as capital lease assets within our North American Records and Information Management Business segment.

Gain on sale of real estate, net of tax, for the three and six months ended June 30, 2017 consists of the sale of land and a building in the United States for net proceeds of approximately \$12,700, which resulted in a gain of \$1,563.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

k. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 modifies the process by which entities will test goodwill for impairment. Under existing GAAP, when the carrying value of a reporting unit exceeds the reporting unit's fair value, an entity would then proceed to a "Step 2" goodwill impairment analysis, which requires calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities, as if that reporting unit had been acquired in a business combination. Under ASU 2017-04, a goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of the reporting unit's goodwill. We adopted ASU 2017-04 in the first quarter of 2017 and it did not impact our consolidated financial statements.

As Yet Adopted Accounting Pronouncements

a. ASU 2014-09

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). ASU 2014-09 provides guidance for management to reassess revenue recognition as it relates to: (1) transfer of control, (2) variable consideration, (3) allocation of transaction price based on relative standalone selling price, (4) licenses, (5) time value of money, and (6) contract costs.

ASU 2014-09 will replace the current revenue recognition criteria under GAAP, including industry-specific requirements, and provide companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for such goods or services. The two permitted transition methods under ASU 2014-09 are: (i) the full retrospective method, whereby ASU 2014-09 would be applied to each prior reporting period presented and the cumulative effect of adoption would be recognized at the earliest period shown, or (ii) the modified retrospective method, whereby the cumulative effect of applying ASU 2014-09 would be recognized at the date of initial application. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 for one year, making ASU 2014-09 effective for us on January 1, 2018, with early adoption permitted as of January 1, 2017. We will adopt ASU 2014-09 as of January 1, 2018 using the modified retrospective method.

During 2015, we established a project team responsible for the assessment and implementation of ASU 2014-09. We utilized a bottoms-up approach to analyze the impact of ASU 2014-09 on our contracts with customers by reviewing our current accounting policies and practices to identify potential differences that would result from applying the requirements of ASU 2014-09 to our contracts with customers. We are currently in the process of designing and implementing appropriate changes to our business processes, systems and controls to support the accounting and the financial disclosure requirements under ASU 2014-09. We have been closely monitoring the FASB activity related to specific interpretative issues pertaining to ASU 2014-09. During the second half of 2016, we substantially completed our evaluation of the potential changes resulting from the adoption of ASU 2014-09 on our accounting and the

financial disclosure requirements and are now moving into the more detailed quantification of the impacts of adopting ASU 2014-09, the more significant of which are discussed below. Based on our analysis to date, we expect that the most significant impacts associated with adopting ASU 2014-09 compared to current GAAP will relate to (i) the deferral of certain commissions on our long-term storage contracts (“Accounting for Commissions”) and (ii) certain policy changes related to initial moves of physical storage, which will be subject to new cost guidance (“Accounting for Initial Moves”).

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

i. Accounting for Commissions

Under current GAAP, commissions that we pay related to our long-term storage contracts are expensed as incurred. Under ASU 2014-09, however, certain commissions will be capitalized and amortized over the period of expected earned revenue. In the year of adoption, this will result in increased intangible contract assets on our Consolidated Balance Sheet, a reduction in selling, general and administrative expenses and a corresponding increase in amortization expense (assuming consistent levels of spending up through the adoption date) on our Consolidated Statement of Operations and an increase in cash flows from operating activities and a corresponding increase in cash used for investing activities on our Consolidated Statement of Cash Flows.

ii. Accounting for Initial Moves

Under current GAAP, intake costs not charged to transport boxes to one of our facilities, which include labor and transportation costs, are capitalized and amortized as a component of depreciation and amortization in our Consolidated Statements of Operations. Under ASU 2014-09, however, the revenue and costs associated with all initial moves of physical storage, regardless of whether or not the services associated with such initial moves are provided to the customer at no charge, will be deferred and recognized over the period consistent with the transfer of the service to the customer to which the asset relates. In the year of adoption, this will result in decreased intangible assets and increased deferred revenue on our Consolidated Balance Sheet, a reduction in cost of sales and a corresponding increase in amortization expense (assuming consistent levels of spending up through the adoption date) on our Consolidated Statement of Operations and an increase in cash flows from operating activities and a corresponding increase in cash used for investing activities on our Consolidated Statement of Cash Flows.

b. Other As Yet Adopted Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income, while eliminating the available-for-sale classification for equity securities with readily determinable fair values and the cost method for equity investments without readily determinable fair values. ASU 2016-01 also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for us on January 1, 2018. We will adopt ASU 2016-01 on January 1, 2018 and are currently evaluating the impact ASU 2016-01 will have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. ASU 2016-02 also will require certain qualitative and quantitative disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 will be effective for us on January 1, 2019, with early adoption permitted. We will adopt ASU 2016-02 on January 1, 2019 and are currently evaluating the impact ASU 2016-02 will have on our consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18"). ASU 2016-18 provides guidance on the classification of restricted cash in the statement of cash

flows. ASU 2016-18 is effective for us on January 1, 2018, with early adoption permitted and is required to be adopted on a retrospective basis. We do not believe that the adoption of ASU 2016-18 will have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business ("ASU 2017-01"). ASU 2017-01 provides greater clarity on the definition of a business to assist entities in evaluating whether transactions should be accounted for as an acquisition or disposal of assets or businesses. ASU 2017-01 is effective for us on January 1, 2018, with early adoption permitted. We are currently evaluating the impact ASU 2017-01 will have on our consolidated financial statements.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(3) Derivative Instruments and Hedging Activities

Historically, we have entered into forward contracts to hedge our exposures associated with certain foreign currencies. At the maturity of the forward contracts, we may enter into new forward contracts to hedge movements in the underlying currencies. At the time of settlement, we either pay or receive the net settlement amount from the forward contract and recognize this amount in other expense (income), net in the Consolidated Statements of Operations as a realized foreign exchange gain or loss. At the end of each month, we mark the outstanding forward contracts to market and record an unrealized foreign exchange gain or loss for the mark-to-market valuation. We have not designated any of the forward contracts we have entered into as hedges. Our policy is to record the fair value of each derivative instrument on a gross basis. As of December 31, 2016, we had no forward contracts outstanding. As of June 30, 2017, we had outstanding forward contracts to purchase 135,000 Euros and 61,000 Canadian dollars and sell \$199,260 United States dollars to hedge our foreign exchange exposures associated with the Euro and Canadian dollar. As of June 30, 2017, we recorded a derivative asset of \$2,674 as a component of Prepaid expenses and other on our Condensed Consolidated Balance Sheet, associated with open forward contracts as of June 30, 2017. During the three and six months ended June 30, 2016, there were no cash receipts or payments included in cash from operating activities from continuing operations related to settlements associated with foreign currency forward contracts. During both the three and six months ended June 30, 2017, cash receipts included in cash from operating activities from continuing operations related to settlements associated with foreign currency forward contracts was \$893.

We have designated a portion of our (i) Euro denominated borrowings by IMI under our Revolving Credit Facility and (ii) Euro Notes (as defined in Note 5) as a hedge of net investment of certain of our Euro denominated subsidiaries. For the six months ended June 30, 2016, we designated, on average, 30,102 Euros of our Euro denominated borrowings by IMI under our Revolving Credit Facility as a hedge of net investment of certain of our Euro denominated subsidiaries. For the six months ended June 30, 2017, we designated, on average, 73,175 Euros of our Euro denominated borrowings by IMI under our Revolving Credit Facility and Euro Notes as a hedge of net investment of certain of our Euro denominated subsidiaries. As a result, we recorded the following foreign exchange gains (losses), net of tax, related to the change in fair value of such debt due to currency translation adjustments, which is a component of accumulated other comprehensive items, net:

| | Three Months | | Six Months | |
|--|--------------|-----------|------------|-----------|
| | Ended | | Ended | |
| | June 30, | June 30, | June 30, | June 30, |
| | 2016 | 2017 | 2016 | 2017 |
| Foreign exchange gains (losses) | \$754 | \$(7,076) | \$(588) | \$(8,148) |
| Less: Tax expense (benefit) on foreign exchange gains (losses) | — | — | — | — |
| Foreign exchange gains (losses), net of tax | \$754 | \$(7,076) | \$(588) | \$(8,148) |

As of June 30, 2017, cumulative net gains of \$10,055, net of tax, are recorded in accumulated other comprehensive items, net associated with this net investment hedge.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(4) Acquisitions

We account for acquisitions using the acquisition method of accounting, and, accordingly, the assets and liabilities acquired are recorded at their estimated fair values and the results of operations for each acquisition have been included in our consolidated results from their respective acquisition dates. Cash consideration for our various acquisitions in 2017 was primarily provided through cash flows from operating activities and borrowings, as well as cash and cash equivalents on-hand.

a. Acquisition of Recall in 2016

On May 2, 2016 (Sydney, Australia time), we completed the Recall Transaction. At the closing of the Recall Transaction, we paid approximately \$331,800 in cash and issued 50,233,412 shares of our common stock which, based on the closing price of our common stock as of April 29, 2016 (the last day of trading on the New York Stock Exchange prior to the closing of the Recall Transaction) of \$36.53 per share, resulted in a total purchase price to Recall shareholders of approximately \$2,166,900.

In connection with the acquisition of Recall, we sought regulatory approval of the Recall Transaction from the United States Department of Justice (the "DOJ"), the Australian Competition and Consumer Commission (the "ACCC"), the Canada Competition Bureau (the "CCB") and the United Kingdom Competition and Markets Authority (the "CMA").

As part of the regulatory approval process, we agreed to make certain divestments in order to address competition concerns raised by the DOJ, the ACCC, the CCB and the CMA in respect of the Recall Transaction (the "Divestments"). The Divestments, all of which were completed during the year ended December 31, 2016, are defined in Note 6 to Notes to Consolidated Financial Statements included in our Annual Report and are described in greater detail within that note, as well as within Note 10 in this Quarterly Report, were as follows:

i. United States

• The Initial United States Divestments

• The Seattle/Atlanta Divestments

ii. Australia

• The Australia Divestment Business

iii. Canada

• The Recall Canadian Divestments

• The Iron Mountain Canadian Divestments

iv. United Kingdom

• The UK Divestments

The unaudited consolidated pro forma financial information (the "Pro Forma Financial Information") below summarizes the combined results of us and Recall on a pro forma basis as if the Recall Transaction had occurred on January 1, 2015. The Pro Forma Financial Information is presented for informational purposes and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place on January 1, 2015. The Pro Forma Financial Information, for all periods presented, includes adjustments to convert Recall's historical results from International Financial Reporting Standards to GAAP, our current estimates of purchase accounting adjustments (including amortization expenses from acquired intangible assets, depreciation of acquired property, plant and equipment and amortization of favorable and unfavorable operating leases), stock-based

compensation and related tax effects. Through June 30, 2017, we and Recall have collectively incurred \$140,661 of operating expenditures to complete the Recall Transaction (including advisory and professional fees and costs to complete the Divestments and to provide transitional services required to support the divested businesses during a transition period). These operating expenditures have been reflected within the results of operations in the Pro Forma Financial Information as if they were incurred on January 1, 2015. The costs we have incurred to integrate Recall with our existing operations, including moving, severance, facility upgrade, REIT conversion and system upgrade costs are reflected in the Pro Forma Financial Information in the period in which they were incurred.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(4) Acquisitions (Continued)

The Pro Forma Financial Information, for all periods presented, excludes from income (loss) from continuing operations the results of operations of the Initial United States Divestments, the Seattle/Atlanta Divestments, the Recall Canadian Divestments and the UK Divestments, as these businesses are presented as discontinued operations. See Note 10 for information regarding our conclusion with respect to the presentation of these divestments as discontinued operations. The results of the Australia Divestment Business and the Iron Mountain Canadian Divestments are included within the results from continuing operations in the Pro Forma Financial Information through the closing date of the Australia Sale (as defined in Note 10), in the case of the Australia Divestment Business, and through the closing date of the ARKIVE Sale (as defined in Note 10), in the case of the Iron Mountain Canadian Divestments, as these businesses do not qualify for discontinued operations. See Note 10 for information regarding our conclusion that these divestments do not meet the criteria to be reported as discontinued operations. The Australia Divestment Business and the Iron Mountain Canadian Divestments, collectively, represent \$13,351 and \$26,727 of total revenues for the three and six months ended June 30, 2016, respectively, and \$686 and \$1,492 of total income from continuing operations for the three and six months ended June 30, 2016, respectively.

| | Three Months Ended June 30, 2016 | Six Months Ended June 30, 2016 |
|---|--|---|
| Total Revenues | \$948,962 | \$1,886,914 |
| Income from Continuing Operations | \$20,776 | \$78,833 |
| Per Share Income from Continuing Operations - Basic | \$0.08 | \$0.30 |
| Per Share Income from Continuing Operations - Diluted | \$0.08 | \$0.30 |

In addition to our acquisition of Recall, we completed certain other acquisitions during 2016 and 2017. The Pro Forma Financial Information does not reflect these acquisitions due to the insignificant impact of these acquisitions on our consolidated results of operations.

b. Other Noteworthy Acquisitions

In November 2016, we entered into a binding agreement to acquire the information management assets and operations of Santa Fe Group A/S ("Santa Fe") in ten regions within Europe and Asia in order to expand our presence in southeast Asia and western Europe. In December 2016, we acquired the information management assets and operations of Santa Fe in Hong Kong, Malaysia, Singapore, Spain and Taiwan (the "2016 Santa Fe Transaction") for approximately 15,200 Euros (approximately \$16,000, based upon the exchange rate between the United States dollar and the Euro as of December 30, 2016, the closing date of the 2016 Santa Fe Transaction). Of the total purchase price, 13,500 Euros (or approximately \$14,200, based upon the exchange rate between the United States dollar and the Euro on the closing date of the 2016 Santa Fe Transaction) was paid during the year ended December 31, 2016, and the remaining balance is due on the 18-month anniversary of the closing of the 2016 Santa Fe Transaction. During the first half of 2017, we acquired, in two separate transactions, (i) the information management assets and operations of Santa Fe in Macau and South Korea, and (ii) the information management assets and operations of Santa Fe in India, Indonesia and the Philippines (collectively, the "2017 Santa Fe Transaction") for an aggregate purchase price of approximately 11,700 Euros (or approximately \$13,000, based upon the exchange rate between the United States dollar and the Euro on the closing dates of the respective transactions).

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In June 2017, in order to expand our presence in Peru, we acquired the information management assets and operations of Ransa Comercial, S.A. and Depositos, S.A. (the "Ransa and Depositos Transaction"), two records and information management companies with operations in Peru, in a stock transaction for approximately \$14,700.

In addition to the 2017 Santa Fe Transaction and the Ransa and Depositos Transaction noted above, during 2017, in order to enhance our existing operations in the United States and Greece and to expand our operations into the United Arab Emirates, we completed the acquisition of three storage and records management companies and one art storage company for total consideration of approximately \$13,700. The individual purchase prices of these acquisitions ranged from approximately \$2,000 to approximately \$4,400.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(4) Acquisitions (Continued)

A summary of the cumulative consideration paid and the preliminary allocation of the purchase price paid for all of our 2017 acquisitions through June 30, 2017 is as follows:

| | |
|--|-----------|
| Cash Paid (gross of cash acquired)(1) | \$39,740 |
| Fair Value of Noncontrolling Interests | 1,339 |
| Total Consideration | 41,079 |
| Fair Value of Identifiable Assets Acquired: | |
| Cash | 1,654 |
| Accounts Receivable and Prepaid Expenses | 2,664 |
| Other Assets | 1,101 |
| Property, Plant and Equipment(2) | 12,110 |
| Customer Relationship Intangible Assets(3) | 20,291 |
| Accounts Payable, Accrued Expenses and Other Liabilities | (9,831) |
| Deferred Income Taxes | (2,738) |
| Total Fair Value of Identifiable Net Assets Acquired | 25,251 |
| Goodwill Initially Recorded(4) | \$ 15,828 |

Included in cash paid for acquisitions in the Condensed Consolidated Statement of Cash Flows for the six months (1) ended June 30, 2017 is net cash acquired of \$1,654 and contingent and other payments, net of \$137 related to acquisitions made in previous years.

Consists primarily of building, building improvements, racking structures and warehouse equipment. These assets (2) are depreciated using the straight-line method with the useful lives as noted in Note 2.f. to Notes to Consolidated Financial Statements included in our Annual Report.

(3) The weighted average lives of customer relationship intangible assets associated with acquisitions in 2017 was 16 years.

(4) The goodwill associated with acquisitions is primarily attributable to the assembled workforce, expanded market opportunities and costs and other operating synergies anticipated upon the integration of the operations of us and the acquired businesses.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(4) Acquisitions (Continued)

Allocations of the purchase price for acquisitions made in 2016 and 2017 were based on estimates of the fair value of the net assets acquired and are subject to adjustment upon the finalization of the purchase price allocations. The accounting for business combinations requires estimates and judgments as to expectations for future cash flows of the acquired business, and the allocations of those cash flows to identifiable tangible and intangible assets, in determining the assets acquired and liabilities assumed. The fair values assigned to tangible and intangible assets acquired and liabilities assumed, including contingent consideration, are based on management's best estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. The estimates and assumptions underlying the initial valuations are subject to the collection of information necessary to complete the valuations within the measurement periods, which are up to one year from the respective acquisition dates. The preliminary purchase price allocations that are not finalized as of June 30, 2017 primarily relate to the final assessment of the fair values of intangible assets (primarily customer relationship intangible assets), property, plant and equipment (primarily building and racking structures), operating leases, contingencies and income taxes (primarily deferred income taxes), primarily associated with the 2017 Santa Fe Transaction, the Ransa and Depositos Transaction, as well as other acquisitions which closed in 2017.

As the valuation of certain assets and liabilities for purposes of purchase price allocations are preliminary in nature, they are subject to adjustment as additional information is obtained about the facts and circumstances regarding these assets and liabilities that existed at the acquisition date. Any adjustments to our estimates of purchase price allocation will be made in the periods in which the adjustments are determined and the cumulative effect of such adjustments will be calculated as if the adjustments had been completed as of the acquisition dates. Adjustments recorded during the three and six months ended June 30, 2017 were not material to our results from operations.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt

Long-term debt is as follows:

| | December 31, 2016 | | | | June 30, 2017 | | | |
|---|------------------------------------|---|--------------------|---------------|------------------------------------|---|--------------------|---------------|
| | Debt (inclusive of discount) | Unamortized Deferred Financing Costs | Carrying Amount | Fair Value | Debt (inclusive of discount) | Unamortized Deferred Financing Costs | Carrying Amount | Fair Value |
| Revolving Credit Facility | \$953,548 | \$(7,530) | \$946,018 | \$953,548 | \$713,445 | \$(6,072) | \$707,373 | \$713,445 |
| Term Loan | 234,375 | — | 234,375 | 234,375 | 225,000 | — | 225,000 | 225,000 |
| Australian Dollar Term Loan (the "AUD Term Loan") | 177,198 | (3,774) | 173,424 | 178,923 | 186,871 | (3,680) | 183,191 | 188,552 |
| 6% Senior Notes due 2020 (the "6% Notes due 2020")(1)(2) | 1,000,000 | (12,730) | 987,270 | 1,052,500 | 1,000,000 | (11,032) | 988,968 | 1,037,500 |
| 4 ³ / ₈ % Senior Notes due 2021 (the "4 ³ / ₈ % Notes")(1)(2) | 500,000 | (7,593) | 492,407 | 511,250 | 500,000 | (6,734) | 493,266 | 518,150 |
| 6 ¹ / ₈ % CAD Senior Notes due 2021 (the "CAD Notes due 2021")(3) | 148,792 | (1,635) | 147,157 | 155,860 | 154,052 | (1,511) | 152,541 | 159,251 |
| 6 ¹ / ₈ % GBP Senior Notes due 2022 (the "GBP Notes")(2) | 493,648 | (6,214) | 487,434 | 527,562 | 520,108 | (5,974) | 514,134 | 548,090 |
| 6% Senior Notes due 2023 (the "6% Notes due 2023")(1) | 600,000 | (7,322) | 592,678 | 637,500 | 600,000 | (6,773) | 593,227 | 636,000 |
| 5 ³ / ₈ % CAD Senior Notes due 2023 (the "CAD Notes due 2023")(2)(3) | 185,990 | (3,498) | 182,492 | 188,780 | 192,565 | (3,296) | 189,269 | 202,675 |
| 5 ³ / ₄ % Senior Subordinated Notes due 2024 (the "5 ³ / ₄ % Notes")(1) | 1,000,000 | (10,529) | 989,471 | 1,027,500 | 1,000,000 | (9,842) | 990,158 | 1,023,700 |

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| | | | | | | | | |
|--|-------------|-------------|-------------|---------|-------------|-------------|-------------|---------|
| 3% Euro Senior Notes due 2025 (the "Euro Notes")(1)(2)(4) | — | — | — | — | 342,699 | (4,625) | 338,074 | 345,338 |
| 5 ³ / ₈ % Senior Notes due 2026 (the "5 ³ / ₈ % Notes")(2) | 250,000 | (4,044) | 245,956 | 242,500 | 250,000 | (3,830) | 246,170 | 263,150 |
| Real Estate Mortgages, Capital Leases and Other Accounts | 478,565 | (1,277) | 477,288 | 478,565 | 533,433 | (973) | 532,460 | 533,433 |
| Receivable Securitization Program(5) | 247,000 | (384) | 246,616 | 247,000 | 250,000 | (231) | 249,769 | 250,000 |
| Mortgage Securitization Program | 50,000 | (1,405) | 48,595 | 50,000 | 50,000 | (1,346) | 48,654 | 50,000 |
| Total Long-term Debt | 6,319,116 | (67,935) | 6,251,181 | | 6,518,173 | (65,919) | 6,452,254 | |
| Less Current Portion | (172,975) | — | (172,975) | | (423,500) | 231 | (423,269) | |
| Long-term Debt, Net of Current Portion | \$6,146,141 | \$(67,935) | \$6,078,206 | | \$6,094,673 | \$(65,688) | \$6,028,985 | |

(1)Collectively, the "Parent Notes".

(2)Collectively, the "Unregistered Notes".

(3)Collectively, the "CAD Notes".

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt (Continued)

The fair value (Level 1 of fair value hierarchy described in Note 2.s. to Notes to Consolidated Financial Statements (4) included in our Annual Report) of the Euro Notes is based upon quoted market prices for the Euro Notes on June 30, 2017.

Because the Accounts Receivable Securitization Program terminates on March 6, 2018, at which point all (5) obligations under the program become due, this debt is classified within the current portion of long-term debt in our Condensed Consolidated Balance Sheet as of June 30, 2017.

See Note 4 to Notes to Consolidated Financial Statements included in our Annual Report for additional information regarding our long-term debt, including the direct obligors of each of our debt instruments as well as information regarding the fair value of our debt instruments (including the levels of the fair value hierarchy used to determine the fair value of our debt instruments). The levels of the fair value hierarchy used to determine the fair value of our debt as of June 30, 2017 are consistent with the levels of the fair value hierarchy used to determine the fair value of our debt as of December 31, 2016 (which are disclosed in our Annual Report). Additionally, see Note 6 for information regarding which of our consolidated subsidiaries guarantee certain of our debt instruments.

a. Credit Agreement

On July 2, 2015, we entered into a new credit agreement (the "Credit Agreement") to refinance our then existing credit agreement. The Credit Agreement terminates on July 6, 2019, at which point all obligations become due, but may be extended by one year at our option, subject to the conditions set forth in the Credit Agreement. Borrowings under the Credit Agreement may be prepaid without penalty or premium, in whole or in part, at any time. The Credit Agreement consists of a revolving credit facility (the "Revolving Credit Facility") and a term loan (the "Term Loan"). The maximum amount permitted to be borrowed under the Revolving Credit Facility is \$1,750,000. The original amount of the Term Loan was \$250,000. We have the option to request additional commitments of up to \$250,000, in the form of term loans or through increased commitments under the Revolving Credit Facility, subject to the conditions specified in the Credit Agreement.

The Revolving Credit Facility is supported by a group of 25 banks and enables IMI and certain of its United States and foreign subsidiaries to borrow in United States dollars and (subject to sublimits) a variety of other currencies (including Canadian dollars, British pounds sterling, Euros and Australian dollars, among other currencies) in an aggregate outstanding amount not to exceed \$1,750,000. The Term Loan is to be paid in quarterly installments in an amount equal to \$3,125 per quarter, with the remaining balance due on July 3, 2019.

The interest rate on borrowings under the Credit Agreement varies depending on our choice of interest rate and currency options, plus an applicable margin, which varies based on our consolidated leverage ratio. Additionally, the Credit Agreement requires the payment of a commitment fee on the unused portion of the Revolving Credit Facility, which fee ranges from between 0.25% to 0.4% based on our consolidated leverage ratio and fees associated with outstanding letters of credit. As of June 30, 2017, we had \$713,445 and \$225,000 of outstanding borrowings under the Revolving Credit Facility and the Term Loan, respectively. Of the \$713,445 of outstanding borrowings under the Revolving Credit Facility, \$552,000 was denominated in United States dollars and 141,330 was denominated in Euros. In addition, we also had various outstanding letters of credit totaling \$53,623. The remaining amount available for borrowing under the Revolving Credit Facility as of June 30, 2017, which is based on IMI's leverage ratio, the last 12 months' earnings before interest, taxes, depreciation and amortization and rent expense ("EBITDAR"), other adjustments as defined in the Credit Agreement and current external debt, was \$982,932 (which amount represents the maximum availability as of such date). The average interest rate in effect under the Credit Agreement was 3.2% as of June 30, 2017. The average interest rate in effect under the Revolving Credit Facility was 3.2% and ranged from 2.3% to 5.5% as of June 30, 2017 and the interest rate in effect under the Term Loan as of June 30, 2017 was 3.5%.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt (Continued)

The capital stock or other equity interests of most of our United States subsidiaries, and up to 66% of the capital stock or other equity interests of most of our first-tier foreign subsidiaries, are pledged to secure borrowings under the Credit Agreement, together with all intercompany obligations (including promissory notes) of subsidiaries owed to us or to one of our United States subsidiary guarantors. In addition, Iron Mountain Canada Operations ULC ("Canada Company") has pledged 66% of the capital stock of its subsidiaries, and all intercompany obligations (including promissory notes) owed to or held by it, to secure the Canadian dollar subfacility under the Revolving Credit Facility. The Credit Agreement, our indentures and other agreements governing our indebtedness contain certain restrictive financial and operating covenants, including covenants that restrict our ability to complete acquisitions, pay cash dividends, incur indebtedness, make investments, sell assets and take certain other corporate actions. The covenants do not contain a rating trigger. Therefore, a change in our debt rating would not trigger a default under the Credit Agreement, our indentures or other agreements governing our indebtedness. The Credit Agreement uses EBITDAR-based calculations as the primary measures of financial performance, including leverage and fixed charge coverage ratios.

Our leverage and fixed charge coverage ratios under the Credit Agreement as of December 31, 2016 and June 30, 2017, respectively, and our leverage ratio under our indentures as of December 31, 2016 and June 30, 2017, respectively, are as follows:

| | December 31, 2016 | June 30, 2017 | Maximum/Minimum Allowable |
|--|----------------------|---------------------|---------------------------|
| Net total lease adjusted leverage ratio | 5.7 | 5.8 | Maximum allowable of 6.5 |
| Net secured debt lease adjusted leverage ratio | 2.7 | 2.5 | Maximum allowable of 4.0 |
| Bond leverage ratio (not lease adjusted) | 5.2 | 5.6 | Maximum allowable of 6.5 |
| Fixed charge coverage ratio | 2.4 | 2.2 | Minimum allowable of 1.5 |

As noted in the table above, our maximum allowable net total lease adjusted leverage ratio under the Credit Agreement is 6.5. The Credit Agreement also contains a provision which limits, in certain circumstances, our dividends in any four consecutive fiscal quarters to 95% of Funds From Operations (as defined in the Credit Agreement) for such four fiscal quarters or, if greater, the amount that we would be required to pay in order to continue to be qualified for taxation as a REIT or to avoid the imposition of income or excise taxes on IMI. This limitation only applies when our net total lease adjusted leverage ratio exceeds 6.0 as measured as of the end of the most recently completed fiscal quarter.

Noncompliance with these leverage and fixed charge coverage ratios would have a material adverse effect on our financial condition and liquidity.

b. Australian Dollar Term Loan

On September 28, 2016, Iron Mountain Australia Group Pty. Ltd., a wholly owned subsidiary of IMI, entered into a 250,000 Australian dollar Syndicated Term Loan B Facility (the "AUD Term Loan"), which matures in September 2022. The AUD Term Loan was issued at 99% of par. The net proceeds of approximately 243,750 Australian dollars (or approximately \$185,800, based upon the exchange rate between the Australian dollar and the United States dollar on September 28, 2016 (the settlement date for the AUD Term Loan)), after paying commissions to the joint lead arrangers and net of the original discount, were used to repay outstanding borrowings under the Revolving Credit Facility and for general corporate purposes.

Principal payments on the AUD Term Loan are to be paid in quarterly installments in an amount equivalent to an aggregate of 6,250 Australian dollars per year, with the remaining balance due on September 28, 2022. The AUD Term Loan is secured by substantially all assets of Iron Mountain Australia Group Pty. Ltd. IMI and the Guarantors guarantee all obligations under the AUD Term Loan. The interest rate on the AUD Term Loan is based upon BBSY

(an Australian benchmark variable interest rate) plus 4.3%. As of June 30, 2017, we had 245,313 Australian dollars (\$188,552 based upon the exchange rate between the United States dollar and the Australian dollar as of June 30, 2017) outstanding on the AUD Term Loan and the interest rate in effect under the AUD Term Loan was 6.0%. The amount of debt for the AUD Term Loan reflects an unamortized original issue discount of \$1,725 and \$1,681 as of December 31, 2016 and June 30, 2017, respectively.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt (Continued)

c. Issuance of 3% Euro Senior Notes due 2025

In May 2017, IMI completed a private offering of 300,000 Euro in aggregate principal of the Euro Notes, which were issued at par. The net proceeds to IMI from the Euro Notes of 296,250 Euro (or \$332,683, based upon the exchange rate between the Euro and the United States dollar on May 16, 2017 (the settlement date for the Euro Notes)), after deducting discounts to the initial purchasers and offering expenses, were used to repay outstanding borrowings under the Revolving Credit Facility.

IMI is the direct obligor on the Euro Notes, which are fully and unconditionally guaranteed, on a senior basis, by its direct and indirect 100% owned United States subsidiaries that represent the substantial majority of its United States operations (the "Guarantors"). These guarantees are full and unconditional, as well as joint and several obligations of the Guarantors. Canada Company, Iron Mountain Europe PLC ("IME"), the Accounts Receivable Securitization Special Purpose Subsidiaries (as defined below), the Mortgage Securitization Special Purpose Subsidiary (as defined below) and the remainder of our subsidiaries do not guarantee the Euro Notes. See Note 6.

d. Accounts Receivable Securitization Program

In March 2015, we entered into a \$250,000 accounts receivable securitization program (the "Accounts Receivable Securitization Program") involving several of our wholly owned subsidiaries and certain financial institutions. Under the Accounts Receivable Securitization Program, certain of our subsidiaries sell substantially all of their United States accounts receivable balances to our wholly owned special purpose entities, Iron Mountain Receivables QRS, LLC and Iron Mountain Receivables TRS, LLC (the "Accounts Receivable Securitization Special Purpose Subsidiaries"). The Accounts Receivable Securitization Special Purpose Subsidiaries use the accounts receivable balances to collateralize loans obtained from certain financial institutions. The Accounts Receivable Securitization Special Purpose Subsidiaries are consolidated subsidiaries of IMI. The Accounts Receivable Securitization Program is accounted for as a collateralized financing activity, rather than a sale of assets, and therefore: (i) accounts receivable balances pledged as collateral are presented as assets and borrowings are presented as liabilities on our Condensed Consolidated Balance Sheets, (ii) our Condensed Consolidated Statements of Operations reflect the associated charges for bad debt expense related to pledged accounts receivable (a component of selling, general and administrative expenses) and reductions to revenue due to billing and service related credit memos issued to customers and related reserves, as well as interest expense associated with the collateralized borrowings and (iii) receipts from customers related to the underlying accounts receivable are reflected as operating cash flows and borrowings and repayments under the collateralized loans are reflected as financing cash flows within our Condensed Consolidated Statements of Cash Flows. Iron Mountain Information Management, LLC ("IMIM") retains the responsibility of servicing the accounts receivable balances pledged as collateral for the Accounts Receivable Securitization Program and IMI provides a performance guaranty. The Accounts Receivable Securitization Program terminates on March 6, 2018, at which point all obligations become due. The maximum availability allowed is limited by eligible accounts receivable, as defined under the terms of the Accounts Receivable Securitization Program. As of June 30, 2017, the maximum availability allowed and amount outstanding under the Accounts Receivable Securitization Program was \$250,000. The interest rate in effect under the Accounts Receivable Securitization Program was 2.1% as of June 30, 2017.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt (Continued)

e. Mortgage Securitization Program

In October 2016, we entered into a \$50,000 mortgage securitization program (the "Mortgage Securitization Program") involving certain of our wholly owned subsidiaries with Goldman Sachs Mortgage Company ("Goldman Sachs"). Under the Mortgage Securitization Program, IMIM contributed certain real estate assets to its wholly owned special purpose entity, Iron Mountain Mortgage Finance I, LLC (the "Mortgage Securitization Special Purpose Subsidiary"). The Mortgage Securitization Special Purpose Subsidiary then used the real estate to secure a collateralized loan obtained from Goldman Sachs. The Mortgage Securitization Special Purpose Subsidiary is a consolidated subsidiary of IMI. The Mortgage Securitization Program is accounted for as a collateralized financing activity, rather than a sale of assets, and therefore: (i) real estate assets pledged as collateral remain as assets and borrowings are presented as liabilities on our Condensed Consolidated Balance Sheets, (ii) our Condensed Consolidated Statement of Operations reflects the associated charges for depreciation expense related to the pledged real estate and interest expense associated with the collateralized borrowings and (iii) borrowings and repayments under the collateralized loans are reflected as financing cash flows within our Condensed Consolidated Statement of Cash Flows. The Mortgage Securitization Program is scheduled to terminate on November 6, 2026, at which point all obligations become due. As of June 30, 2017, the outstanding amount under the Mortgage Securitization Program was \$50,000. The interest rate in effect under the Mortgage Securitization Program was 3.5% as of June 30, 2017.

f. Cash Pooling

Certain of our subsidiaries participate in cash pooling arrangements (the "Cash Pools") with Bank Mendes Gans ("BMG"), an independently operated fully-owned subsidiary of ING Group, in order to help manage global liquidity requirements. Under the Cash Pools, cash deposited by participating subsidiaries with BMG is pledged as security against the debit balances of other participating subsidiaries, and legal rights of offset are provided and, therefore, amounts are presented in our Condensed Consolidated Balance Sheets on a net basis. Each subsidiary receives interest on the cash balances held on deposit or pays interest on its debit balances based on an applicable rate as defined in the Cash Pools. At December 31, 2016, we had a net cash position of approximately \$1,700 (which consisted of a gross cash position of approximately \$69,500 less outstanding debit balances of approximately \$67,800 by participating subsidiaries).

During the first quarter of 2017, we significantly expanded our utilization of the Cash Pools and reduced our utilization of our financing centers in Europe for purposes of meeting our global liquidity requirements. We currently utilize two separate cash pools with BMG, one of which we utilize to manage global liquidity requirements for our QRSs (the "QRS Cash Pool") and the other for our TRSs (the "TRS Cash Pool"). During the second quarter of 2017, we executed overdraft facility agreements for the QRS Cash Pool and TRS Cash Pool, each in an amount not to exceed \$10,000. Each overdraft facility permits us to cover a temporary net debit position in the applicable pool. As of June 30, 2017, we had a net cash position of approximately \$4,600 in the QRS Cash Pool (which consisted of a gross cash position of approximately \$419,300 less outstanding debit balances of approximately \$414,700 by participating subsidiaries) and we had a net cash position of approximately \$4,200 in the TRS Cash Pool (which consisted of a gross cash position of approximately \$209,300 less outstanding debit balances of approximately \$205,100 by participating subsidiaries). The net cash position balances as of December 31, 2016 and June 30, 2017, respectively, are reflected as cash and cash equivalents in the Condensed Consolidated Balance Sheets.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors

The following data summarizes the consolidating results of IMI on the equity method of accounting as of December 31, 2016 and June 30, 2017 and for the three and six months ended June 30, 2016 and 2017 and are prepared on the same basis as the consolidated financial statements.

The Parent Notes, CAD Notes, GBP Notes and the 5³/₈% Notes are guaranteed by the Guarantors. The guarantees are full and unconditional, as well as joint and several.

Additionally, IMI guarantees the CAD Notes, which were issued by Canada Company, the GBP Notes, which were issued by IME, and the 5³/₈% Notes, which were issued by Iron Mountain US Holdings, Inc., which is one of the Guarantors. Canada Company and IME do not guarantee the Parent Notes. The subsidiaries that do not guarantee the Parent Notes, the CAD Notes, the GBP Notes and the 5³/₈% Notes, including IME, the Accounts Receivable Securitization Special Purpose Subsidiaries and the Mortgage Securitization Special Purpose Subsidiary, but excluding Canada Company, are referred to below as the "Non-Guarantors".

In the normal course of business, we periodically change the ownership structure of our subsidiaries to meet the requirements of our business. In the event of such changes, we recast the prior period financial information within this footnote to conform to the current period presentation in the period such changes occur. Generally, these changes do not alter the designation of the underlying subsidiaries as Guarantors or Non-Guarantors. However, they may change whether the underlying subsidiary is owned by the Parent, a Guarantor, Canada Company or a Non-Guarantor. If such a change occurs, the amount of investment in subsidiaries in the below Condensed Consolidated Balance Sheets and equity in the earnings (losses) of subsidiaries, net of tax in the below Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) with respect to the relevant Parent, Guarantors, Canada Company, Non-Guarantors and Eliminations columns also would change.

In July 2016, certain Non-Guarantor subsidiaries which were originally established at the time of our acquisition of Crozier Fine Arts in December 2015 (the "Crozier Entities"), were merged into IMIM, a Guarantor and a substantive operating entity (the "Crozier Merger"). As a result of the Crozier Merger, we have recast the accompanying Condensed Consolidated Statement of Operations and Comprehensive Income (Loss) for the three and six months ended June 30, 2016 and the Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2016 to conform to the current period presentation of the Crozier Entities.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors

(Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

| | December 31, 2016 | | | | | |
|--|-------------------|-------------|----------------|----------------|---------------|--------------|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Assets | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$2,405 | \$23,380 | \$17,110 | \$193,589 | \$— | \$236,484 |
| Accounts receivable | — | 53,364 | 37,781 | 600,104 | — | 691,249 |
| Intercompany receivable | — | 653,008 | 21,114 | — | (674,122) | — |
| Prepaid expenses and other | — | 70,660 | 4,967 | 108,776 | (29) | 184,374 |
| Total Current Assets | 2,405 | 800,412 | 80,972 | 902,469 | (674,151) | 1,112,107 |
| Property, Plant and Equipment, Net | 483 | 1,804,991 | 159,391 | 1,118,461 | — | 3,083,326 |
| Other Assets, Net: | | | | | | |
| Long-term notes receivable from affiliates and intercompany receivable | 4,014,330 | 1,000 | — | — | (4,015,330) | — |
| Investment in subsidiaries | 1,659,518 | 699,411 | 35,504 | 77,449 | (2,471,882) | — |
| Goodwill | — | 2,602,784 | 217,422 | 1,084,815 | — | 3,905,021 |
| Other | — | 765,698 | 49,570 | 571,078 | — | 1,386,346 |
| Total Other Assets, Net | 5,673,848 | 4,068,893 | 302,496 | 1,733,342 | (6,487,212) | 5,291,367 |
| Total Assets | \$5,676,736 | \$6,674,296 | \$542,859 | \$3,754,272 | \$(7,161,363) | \$9,486,800 |
| Liabilities and Equity | | | | | | |
| Intercompany Payable | \$558,492 | \$— | \$— | \$115,630 | \$(674,122) | \$— |
| Current Portion of Long-Term Debt | — | 51,456 | — | 121,548 | (29) | 172,975 |
| Total Other Current Liabilities | 58,478 | 488,194 | 40,442 | 286,468 | — | 873,582 |
| Long-Term Debt, Net of Current Portion | 3,093,388 | 1,055,642 | 335,410 | 1,593,766 | — | 6,078,206 |
| Long-Term Notes Payable to Affiliates and Intercompany Payable | 1,000 | 4,014,330 | — | — | (4,015,330) | — |
| Other Long-term Liabilities | — | 127,715 | 54,054 | 188,900 | — | 370,669 |
| Commitments and Contingencies (See Note 8) | | | | | | |
| Redeemable Noncontrolling Interests | 28,831 | — | — | 25,866 | — | 54,697 |
| Total Iron Mountain Incorporated Stockholders' Equity | 1,936,547 | 936,959 | 112,953 | 1,421,970 | (2,471,882) | 1,936,547 |
| Noncontrolling Interests | — | — | — | 124 | — | 124 |
| Total Equity | 1,936,547 | 936,959 | 112,953 | 1,422,094 | (2,471,882) | 1,936,671 |
| Total Liabilities and Equity | \$5,676,736 | \$6,674,296 | \$542,859 | \$3,754,272 | \$(7,161,363) | \$9,486,800 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors

(Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

June 30, 2017

| | Parent | Guarantors | Canada Company | Non- Guarantors | Eliminations | Consolidated |
|---|---------------------|---------------------|-------------------|---------------------|----------------------|---------------------|
| Assets | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents(1) | \$ 1,420 | \$ 39,397 | \$— | \$ 411,752 | \$(161,550) | \$ 291,019 |
| Accounts receivable | — | 39,560 | 37,700 | 653,106 | — | 730,366 |
| Intercompany receivable | — | 785,821 | 66,204 | — | (852,025) | — |
| Prepaid expenses and other | 2,674 | 73,310 | 4,131 | 104,405 | (29) | 184,491 |
| Total Current Assets | 4,094 | 938,088 | 108,035 | 1,169,263 | (1,013,604) | 1,205,876 |
| Property, Plant and Equipment, Net | 394 | 1,840,391 | 159,491 | 1,175,163 | — | 3,175,439 |
| Other Assets, Net: | | | | | | |
| Long-term notes receivable from affiliates and intercompany receivable | 4,254,773 | 1,000 | — | — | (4,255,773) | — |
| Investment in subsidiaries | 1,835,987 | 865,153 | 37,280 | 103,169 | (2,841,589) | — |
| Goodwill | — | 2,553,706 | 223,838 | 1,211,218 | — | 3,988,762 |
| Other | — | 763,545 | 50,087 | 630,984 | — | 1,444,616 |
| Total Other Assets, Net | 6,090,760 | 4,183,404 | 311,205 | 1,945,371 | (7,097,362) | 5,433,378 |
| Total Assets | \$ 6,095,248 | \$ 6,961,883 | \$ 578,731 | \$ 4,289,797 | \$(8,110,966) | \$ 9,814,693 |
| Liabilities and Equity | | | | | | |
| Intercompany Payable | \$ 625,427 | \$— | \$— | \$ 226,598 | \$(852,025) | \$— |
| Debit Balances Under Cash Pools | — | 136,379 | — | 25,171 | (161,550) | — |
| Current Portion of Long-Term Debt | — | 46,682 | — | 376,616 | (29) | 423,269 |
| Total Other Current Liabilities | 203,948 | 465,110 | 46,835 | 335,444 | — | 1,051,337 |
| Long-Term Debt, Net of Current Portion | 3,403,693 | 811,881 | 347,793 | 1,465,618 | — | 6,028,985 |
| Long-Term Notes Payable to Affiliates and Intercompany Payable | 1,000 | 4,254,773 | — | — | (4,255,773) | — |
| Other Long-term Liabilities | — | 144,356 | 43,654 | 197,711 | — | 385,721 |
| Commitments and Contingencies (See Note 8) | | | | | | |
| Redeemable Noncontrolling Interests | 5,392 | — | — | 62,692 | — | 68,084 |
| Total Iron Mountain Incorporated Stockholders' Equity | 1,855,788 | 1,102,702 | 140,449 | 1,598,438 | (2,841,589) | 1,855,788 |
| Noncontrolling Interests | — | — | — | 1,509 | — | 1,509 |
| Total Equity | 1,855,788 | 1,102,702 | 140,449 | 1,599,947 | (2,841,589) | 1,857,297 |
| Total Liabilities and Equity | \$ 6,095,248 | \$ 6,961,883 | \$ 578,731 | \$ 4,289,797 | \$(8,110,966) | \$ 9,814,693 |

Included within Cash and Cash Equivalents at June 30, 2017 is approximately \$29,400 and \$140,900 of cash on (1) deposit associated with our Cash Pools for the Guarantors and Non-Guarantors, respectively. See Note 5 for more information on our Cash Pools.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors

(Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Three Months Ended June 30, 2016

| | Parent | Guarantors | Canada Company | Non- Guarantors | Eliminations | Consolidated |
|--|------------|------------|-------------------|--------------------|--------------|--------------|
| Revenues: | | | | | | |
| Storage rental | \$— | \$334,413 | \$32,331 | \$171,938 | \$— | \$ 538,682 |
| Service | — | 202,866 | 16,907 | 125,293 | — | 345,066 |
| Intercompany revenues | — | 1,013 | — | 19,903 | (20,916) | — |
| Total Revenues | — | 538,292 | 49,238 | 317,134 | (20,916) | 883,748 |
| Operating Expenses: | | | | | | |
| Cost of sales (excluding depreciation and amortization) | — | 222,262 | 6,929 | 166,458 | — | 395,649 |
| Selling, general and administrative | 521 | 192,971 | 4,595 | 78,990 | — | 277,077 |
| Intercompany cost of sales | — | 3,809 | 16,094 | 1,013 | (20,916) | — |
| Depreciation and amortization | 44 | 68,539 | 3,962 | 42,477 | — | 115,022 |
| (Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net | — | (842) | — | 216 | — | (626) |
| Total Operating Expenses | 565 | 486,739 | 31,580 | 289,154 | (20,916) | 787,122 |
| Operating (Loss) Income | (565) | 51,553 | 17,658 | 27,980 | — | 96,626 |
| Interest Expense (Income), Net | 28,069 | (6,071) | 11,348 | 41,520 | — | 74,866 |
| Other Expense (Income), Net | 50,845 | 716 | 64 | (25,984) | — | 25,641 |
| (Loss) Income from Continuing Operations Before Provision (Benefit) for Income Taxes | (79,479) | 56,908 | 6,246 | 12,444 | — | (3,881) |
| Provision (Benefit) for Income Taxes | — | 7,931 | 2,174 | 734 | — | 10,839 |
| Equity in the (Earnings) Losses of Subsidiaries, Net of Tax | (65,511) | (31,494) | (1,315) | (4,707) | 103,027 | — |
| (Loss) Income from Continuing Operations | (13,968) | 80,471 | 5,387 | 16,417 | (103,027) | (14,720) |
| Income (Loss) from Discontinued Operations | — | 890 | 635 | 62 | — | 1,587 |
| Net (Loss) Income | (13,968) | 81,361 | 6,022 | 16,479 | (103,027) | (13,133) |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 835 | — | 835 |
| Net (Loss) Income Attributable to Iron Mountain Incorporated | \$(13,968) | \$81,361 | \$6,022 | \$15,644 | \$(103,027) | \$(13,968) |
| Net (Loss) Income | \$(13,968) | \$81,361 | \$6,022 | \$16,479 | \$(103,027) | \$(13,133) |
| Other Comprehensive (Loss) Income: | | | | | | |
| Foreign Currency Translation Adjustments | 754 | — | (4,894) | 6,929 | — | 2,789 |
| Equity in Other Comprehensive Income (Loss) of Subsidiaries | 2,117 | (2,569) | (48) | (4,894) | 5,394 | — |
| Total Other Comprehensive Income (Loss) | 2,871 | (2,569) | (4,942) | 2,035 | 5,394 | 2,789 |
| Comprehensive (Loss) Income | (11,097) | 78,792 | 1,080 | 18,514 | (97,633) | (10,344) |
| Comprehensive Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 753 | — | 753 |

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| | | | | | | |
|--|------------|----------|---------|----------|-------------|-------------|
| Comprehensive (Loss) Income Attributable to Iron Mountain Incorporated | \$(11,097) | \$78,792 | \$1,080 | \$17,761 | \$(97,633) | \$(11,097) |
|--|------------|----------|---------|----------|-------------|-------------|

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors

(Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Continued)

| | Three Months Ended June 30, 2017 | | | | | |
|--|----------------------------------|------------|----------------|----------------|--------------|--------------|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Revenues: | | | | | | |
| Storage rental | \$— | \$360,546 | \$31,912 | \$197,781 | \$— | \$590,239 |
| Service | — | 213,665 | 15,675 | 130,227 | — | 359,567 |
| Intercompany revenues | — | 1,141 | — | 21,649 | (22,790) | — |
| Total Revenues | — | 575,352 | 47,587 | 349,657 | (22,790) | 949,806 |
| Operating Expenses: | | | | | | |
| Cost of sales (excluding depreciation and amortization) | — | 230,102 | 6,789 | 177,393 | — | 414,284 |
| Selling, general and administrative | 273 | 159,577 | 3,796 | 73,799 | — | 237,445 |
| Intercompany cost of sales | — | 6,590 | 15,059 | 1,141 | (22,790) | — |
| Depreciation and amortization | 43 | 75,129 | 4,309 | 48,618 | — | 128,099 |
| (Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net | — | (246) | 4 | 26 | — | (216) |
| Total Operating Expenses | 316 | 471,152 | 29,957 | 300,977 | (22,790) | 779,612 |
| Operating (Loss) Income | (316) | 104,200 | 17,630 | 48,680 | — | 170,194 |
| Interest Expense (Income), Net | 40,377 | 15,637 | (6,035) | 39,987 | — | 89,966 |
| Other Expense (Income), Net | 339 | 543 | (127) | (20,121) | — | (19,366) |
| (Loss) Income from Continuing Operations Before Provision (Benefit) for Income Taxes and Gain on Sale of Real Estate | (41,032) | 88,020 | 23,792 | 28,814 | — | 99,594 |
| Provision (Benefit) for Income Taxes | — | 436 | 10,010 | 7,563 | — | 18,009 |
| Gain on Sale of Real Estate, Net of Tax | — | — | — | (1,563) | — | (1,563) |
| Equity in the (Earnings) Losses of Subsidiaries, Net of Tax | (119,662) | (29,962) | (363) | (13,782) | 163,769 | — |
| Income (Loss) from Continuing Operations | 78,630 | 117,546 | 14,145 | 36,596 | (163,769) | 83,148 |
| Income (Loss) from Discontinued Operations, Net of Tax | — | (1,155) | — | (871) | — | (2,026) |
| Net Income (Loss) | 78,630 | 116,391 | 14,145 | 35,725 | (163,769) | 81,122 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 2,492 | — | 2,492 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$78,630 | \$116,391 | \$14,145 | \$33,233 | \$(163,769) | \$78,630 |
| Net Income (Loss) | \$78,630 | \$116,391 | \$14,145 | \$35,725 | \$(163,769) | \$81,122 |
| Other Comprehensive Income (Loss): | | | | | | |
| Foreign Currency Translation Adjustments | (7,076) | — | 2,704 | 11,910 | — | 7,538 |
| Equity in Other Comprehensive Income (Loss) of Subsidiaries | 14,725 | 11,213 | 970 | 2,704 | (29,612) | — |

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| | | | | | | |
|--|----------|-----------|----------|----------|--------------|----------|
| Total Other Comprehensive Income (Loss) | 7,649 | 11,213 | 3,674 | 14,614 | (29,612) | 7,538 |
| Comprehensive Income (Loss) | 86,279 | 127,604 | 17,819 | 50,339 | (193,381) | 88,660 |
| Comprehensive (Loss) Income Attributable to Noncontrolling Interests | — | — | — | 2,381 | — | 2,381 |
| Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated | \$86,279 | \$127,604 | \$17,819 | \$47,958 | \$(193,381) | \$86,279 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors

(Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Continued)

| | Six Months Ended June 30, 2016 | | | | | |
|--|--------------------------------|------------|----------------|----------------|--------------|--------------|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Revenues: | | | | | | |
| Storage rental | \$— | \$648,032 | \$59,936 | \$291,925 | \$— | \$ 999,893 |
| Service | — | 391,774 | 31,549 | 211,222 | — | 634,545 |
| Intercompany revenues | — | 2,026 | — | 37,248 | (39,274) | — |
| Total Revenues | — | 1,041,832 | 91,485 | 540,395 | (39,274) | 1,634,438 |
| Operating Expenses: | | | | | | |
| Cost of sales (excluding depreciation and amortization) | — | 430,416 | 13,719 | 277,619 | — | 721,754 |
| Selling, general and administrative | 593 | 342,990 | 7,968 | 133,292 | — | 484,843 |
| Intercompany cost of sales | — | 7,163 | 30,085 | 2,026 | (39,274) | — |
| Depreciation and amortization | 89 | 125,465 | 7,041 | 69,631 | — | 202,226 |
| (Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net | — | (1,412) | 6 | 329 | — | (1,077) |
| Total Operating Expenses | 682 | 904,622 | 58,819 | 482,897 | (39,274) | 1,407,746 |
| Operating (Loss) Income | (682) | 137,210 | 32,666 | 57,498 | — | 226,692 |
| Interest Expense (Income), Net | 68,053 | (14,580) | 21,382 | 67,073 | — | 141,928 |
| Other Expense (Income), Net | 51,731 | 4,172 | 44 | (42,243) | — | 13,704 |
| (Loss) Income from Continuing Operations Before Provision (Benefit) for Income Taxes | (120,466) | 147,618 | 11,240 | 32,668 | — | 71,060 |
| Provision (Benefit) for Income Taxes | — | 17,001 | 4,040 | 1,698 | — | 22,739 |
| Equity in the (Earnings) Losses of Subsidiaries, Net of Tax | (169,272) | (53,868) | (2,686) | (7,835) | 233,661 | — |
| Income (Loss) from Continuing Operations | 48,806 | 184,485 | 9,886 | 38,805 | (233,661) | 48,321 |
| Income (Loss) from Discontinued Operations | — | 890 | 635 | 62 | — | 1,587 |
| Net Income (Loss) | 48,806 | 185,375 | 10,521 | 38,867 | (233,661) | 49,908 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 1,102 | — | 1,102 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$48,806 | \$185,375 | \$10,521 | \$37,765 | \$(233,661) | \$48,806 |
| Net Income (Loss) | \$48,806 | \$185,375 | \$10,521 | \$38,867 | \$(233,661) | \$49,908 |
| Other Comprehensive Income (Loss): | | | | | | |
| Foreign Currency Translation Adjustments | (588) | — | (3,105) | 30,460 | — | 26,767 |
| Market Value Adjustments for Securities | — | (734) | — | — | — | (734) |
| Equity in Other Comprehensive Income (Loss) of Subsidiaries | 26,216 | 21,530 | 613 | (3,105) | (45,254) | — |
| Total Other Comprehensive Income (Loss) | 25,628 | 20,796 | (2,492) | 27,355 | (45,254) | 26,033 |
| Comprehensive Income (Loss) | 74,434 | 206,171 | 8,029 | 66,222 | (278,915) | 75,941 |

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| | | | | | | |
|--|----------|-----------|---------|----------|--------------|----------|
| Comprehensive Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 1,507 | — | 1,507 |
| Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated | \$74,434 | \$206,171 | \$8,029 | \$64,715 | \$(278,915) | \$74,434 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors

(Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Continued)

| | Six Months Ended June 30, 2017 | | | | | |
|--|--------------------------------|------------|----------------|----------------|--------------|--------------|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Revenues: | | | | | | |
| Storage rental | \$— | \$709,897 | \$63,918 | \$388,703 | \$— | \$1,162,518 |
| Service | — | 431,874 | 31,725 | 262,565 | — | 726,164 |
| Intercompany revenues | — | 2,238 | — | 43,991 | (46,229) | — |
| Total Revenues | — | 1,144,009 | 95,643 | 695,259 | (46,229) | 1,888,682 |
| Operating Expenses: | | | | | | |
| Cost of sales (excluding depreciation and amortization) | — | 469,431 | 14,339 | 357,221 | — | 840,991 |
| Selling, general and administrative | 352 | 322,282 | 7,357 | 147,620 | — | 477,611 |
| Intercompany cost of sales | — | 13,196 | 30,795 | 2,238 | (46,229) | — |
| Depreciation and amortization | 89 | 151,290 | 8,547 | 92,880 | — | 252,806 |
| (Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net | — | (794) | 6 | 113 | — | (675) |
| Total Operating Expenses | 441 | 955,405 | 61,044 | 600,072 | (46,229) | 1,570,733 |
| Operating (Loss) Income | (441) | 188,604 | 34,599 | 95,187 | — | 317,949 |
| Interest Expense (Income), Net | 83,161 | 12,358 | 5,635 | 74,867 | — | 176,021 |
| Other Expense (Income), Net | 420 | 3,062 | (154) | (29,058) | — | (25,730) |
| (Loss) Income from Continuing Operations | | | | | | |
| Before Provision (Benefit) for Income Taxes and Gain on Sale of Real Estate | (84,022) | 173,184 | 29,118 | 49,378 | — | 167,658 |
| Provision (Benefit) for Income Taxes | — | 13,180 | 6,522 | 7,527 | — | 27,229 |
| Gain on Sale of Real Estate, Net of Tax | — | — | — | (1,563) | — | (1,563) |
| Equity in the (Earnings) Losses of Subsidiaries, Net of Tax | (220,777) | (53,375) | (520) | (22,596) | 297,268 | — |
| Income (Loss) from Continuing Operations | 136,755 | 213,379 | 23,116 | 66,010 | (297,268) | 141,992 |
| Income (Loss) from Discontinued Operations, Net of Tax | — | (957) | — | (1,406) | — | (2,363) |
| Net Income (Loss) | 136,755 | 212,422 | 23,116 | 64,604 | (297,268) | 139,629 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 2,874 | — | 2,874 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$136,755 | \$212,422 | \$23,116 | \$61,730 | \$(297,268) | \$136,755 |
| Net Income (Loss) | \$136,755 | \$212,422 | \$23,116 | \$64,604 | \$(297,268) | \$139,629 |
| Other Comprehensive Income (Loss): | | | | | | |
| Foreign Currency Translation Adjustments | (8,148) | — | 3,339 | 63,131 | — | 58,322 |
| Equity in Other Comprehensive Income (Loss) of Subsidiaries | 67,131 | 39,753 | 1,257 | 3,339 | (111,480) | — |

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| | | | | | | |
|--|------------|------------|-----------|------------|---------------|------------|
| Total Other Comprehensive Income (Loss) | 58,983 | 39,753 | 4,596 | 66,470 | (111,480) | 58,322 |
| Comprehensive Income (Loss) | 195,738 | 252,175 | 27,712 | 131,074 | (408,748) | 197,951 |
| Comprehensive Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 2,213 | — | 2,213 |
| Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated | \$ 195,738 | \$ 252,175 | \$ 27,712 | \$ 128,861 | \$ (408,748) | \$ 195,738 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors
(Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Six Months Ended June 30, 2016 | | | | | Consolidated |
|---|--------------------------------|-------------|----------------|----------------|--------------|--------------|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | |
| Cash Flows from Operating Activities: | | | | | | |
| Cash Flows from Operating Activities—Continuing Operations | \$(107,370) | \$203,158 | \$23,827 | \$85,990 | \$ — | \$205,605 |
| Cash Flows from Operating Activities—Discontinued Operations | — | 393 | 690 | 62 | — | 1,145 |
| Cash Flows from Operating Activities | \$(107,370) | \$203,551 | \$24,517 | \$86,052 | \$ — | \$206,750 |
| Cash Flows from Investing Activities: | | | | | | |
| Capital expenditures | — | (102,219) | (1,048) | (60,398) | — | (163,665) |
| Cash paid for acquisitions, net of cash acquired | — | 4,074 | (2,381) | (278,246) | — | (276,553) |
| Intercompany loans to subsidiaries | (148,811) | (261,681) | — | — | 410,492 | — |
| Investment in subsidiaries | (1,585) | (1,585) | — | — | 3,170 | — |
| Acquisitions of customer relationships and customer inducements | — | (13,932) | — | (2,814) | — | (16,746) |
| Net proceeds from Iron Mountain Divestments (see Note 10) | — | 53,950 | — | — | — | 53,950 |
| Proceeds from sales of property and equipment and other, net (including real estate) | — | 92 | — | 279 | — | 371 |
| Cash Flows from Investing Activities—Continuing Operations | (150,396) | (321,301) | (3,429) | (341,179) | 413,662 | (402,643) |
| Cash Flows from Investing Activities—Discontinued Operations | — | — | 90 | — | — | 90 |
| Cash Flows from Investing Activities | (150,396) | (321,301) | (3,339) | (341,179) | 413,662 | (402,553) |
| Cash Flows from Financing Activities: | | | | | | |
| Repayment of revolving credit, term loan facilities, bridge facilities and other debt | (1,096,706) | (3,554,881) | (861,740) | (1,873,787) | — | (7,387,114) |
| Proceeds from revolving credit, term loan facilities, bridge facilities and other debt | 1,083,681 | 3,285,876 | 843,281 | 1,973,967 | — | 7,186,805 |
| Net proceeds from sales of senior notes | 492,500 | 246,250 | — | — | — | 738,750 |
| Debt financing from (repayment to) and equity contribution from (distribution to) noncontrolling interests, net | — | — | — | 456 | — | 456 |
| Intercompany loans from parent | — | 147,470 | (14,427) | 277,449 | (410,492) | — |
| Equity contribution from parent | — | 1,585 | — | 1,585 | (3,170) | — |
| Parent cash dividends | (232,596) | — | — | — | — | (232,596) |
| Net proceeds (payments) associated with employee stock-based awards | 18,641 | — | — | — | — | 18,641 |
| | 29 | — | — | — | — | 29 |

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| | | | | | | |
|---|----------|----------|-----------|-----------|------------|-----------|
| Excess tax benefit (deficiency) from stock-based compensation | | | | | | |
| Payment of debt financing and stock issuance costs | (7,532) | (4,500) | — | — | — | (12,032) |
| Cash Flows from Financing Activities—Continuing Operations | 258,017 | 121,800 | (32,886) | 379,670 | (413,662) | 312,939 |
| Cash Flows from Financing Activities—Discontinued Operations | — | — | — | — | — | — |
| Cash Flows from Financing Activities | 258,017 | 121,800 | (32,886) | 379,670 | (413,662) | 312,939 |
| Effect of exchange rates on cash and cash equivalents | — | — | 1,842 | (10,370) | — | (8,528) |
| Increase (Decrease) in cash and cash equivalents | 251 | 4,050 | (9,866) | 114,173 | — | 108,608 |
| Cash and cash equivalents, beginning of period | 151 | 7,803 | 13,182 | 107,245 | — | 128,381 |
| Cash and cash equivalents, end of period | \$402 | \$11,853 | \$3,316 | \$221,418 | \$ — | \$236,989 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors
(Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Six Months Ended June 30, 2017

| | Parent | Guarantors | Canada Company | Non- Guarantors | Eliminations | Consolidated |
|---|------------|-------------|-------------------|--------------------|--------------|--------------|
| Cash Flows from Operating Activities: | | | | | | |
| Cash Flows from Operating Activities—Continuing Operations | \$(81,406) | \$305,548 | \$27,976 | \$69,922 | \$— | \$322,040 |
| Cash Flows from Operating Activities—Discontinued Operations | — | (957) | — | (1,406) | — | (2,363) |
| Cash Flows from Operating Activities | (81,406) | 304,591 | 27,976 | 68,516 | — | 319,677 |
| Cash Flows from Investing Activities: | | | | | | |
| Capital expenditures | — | (124,559) | (4,171) | (36,477) | — | (165,207) |
| Cash paid for acquisitions, net of cash acquired | — | (6,380) | — | (31,843) | — | (38,223) |
| Intercompany loans to subsidiaries | (51,119) | (41,642) | — | (474) | 93,235 | — |
| Investment in subsidiaries | (16,170) | — | — | — | 16,170 | — |
| Acquisitions of customer relationships and customer inducements | — | (26,924) | (410) | (1,176) | — | (28,510) |
| Net proceeds from Iron Mountain Divestments (see Note 10) | — | — | — | 2,423 | — | 2,423 |
| Proceeds from sales of property and equipment and other, net (including real estate) | — | 12,933 | 2 | (4,388) | — | 8,547 |
| Cash Flows from Investing Activities—Continuing Operations | (67,289) | (186,572) | (4,579) | (71,935) | 109,405 | (220,970) |
| Cash Flows from Investing Activities—Discontinued Operations | — | — | — | — | — | — |
| Cash Flows from Investing Activities | (67,289) | (186,572) | (4,579) | (71,935) | 109,405 | (220,970) |
| Cash Flows from Financing Activities: | | | | | | |
| Repayment of revolving credit, term loan facilities and other debt | (262,579) | (3,197,148) | (51) | (2,291,638) | — | (5,751,416) |
| Proceeds from revolving credit, term loan facilities and other debt | 224,660 | 2,913,810 | — | 2,355,655 | — | 5,494,125 |
| Net proceeds from sales of senior notes | 332,683 | — | — | — | — | 332,683 |
| Debit balances (payments) under cash pools | — | 136,379 | — | 25,171 | (161,550) | — |
| Debt financing from (repayment to) and equity contribution from (distribution to) noncontrolling interests, net | — | — | — | 10,151 | — | 10,151 |
| Intercompany loans from parent | — | 44,957 | (43,089) | 91,367 | (93,235) | — |
| Equity contribution from parent | — | — | — | 16,170 | (16,170) | — |
| Parent cash dividends | (147,393) | — | — | — | — | (147,393) |
| Net proceeds (payments) associated with employee stock-based awards | 810 | — | — | — | — | 810 |

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|--|---------|------------|-----------|-----------|--------------|-----------|
| Payment of debt financing and stock issuance costs | (471) | — | (73) | — | — | (544) |
| Cash Flows from Financing Activities—Continuing Operations | 147,710 | (102,002) | (43,213) | 206,876 | (270,955) | (61,584) |
| Cash Flows from Financing Activities—Discontinued Operations | — | — | — | — | — | — |
| Cash Flows from Financing Activities | 147,710 | (102,002) | (43,213) | 206,876 | (270,955) | (61,584) |
| Effect of exchange rates on cash and cash equivalents | — | — | 2,706 | 14,706 | — | 17,412 |
| Increase (Decrease) in cash and cash equivalents | (985) | 16,017 | (17,110) | 218,163 | (161,550) | 54,535 |
| Cash and cash equivalents, beginning of period | 2,405 | 23,380 | 17,110 | 193,589 | — | 236,484 |
| Cash and cash equivalents, end of period | \$1,420 | \$39,397 | \$— | \$411,752 | \$(161,550) | \$291,019 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(7) Segment Information

Our five reportable operating segments as of December 31, 2016 are described in Note 9 to Notes to Consolidated Financial Statements included in our Annual Report and are as follows:

North American Records and Information Management Business

North American Data Management Business

Western European Business

Other International Business

Corporate and Other Business

There have been no changes made to our reportable operating segments since December 31, 2016, other than the impact of the Russia and Ukraine Divestment. Prior to the Russia and Ukraine Divestment, our businesses in Russia and Ukraine were a component of our Other International Business segment. The operations associated with acquisitions completed during the first half of 2017 (which are described in Note 4) have been incorporated into our existing reportable operating segments.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(7) Segment Information (Continued)

An analysis of our business segment information and reconciliation to the accompanying Consolidated Financial Statements is as follows:

| | North American Records and Information Management Business | North American Data Management Business | Western European Business | Other International Business | Corporate and Other Business | Total Consolidated |
|--|---|---|---------------------------------|------------------------------------|------------------------------------|-----------------------|
| For the Three Months Ended June 30, 2016 | | | | | | |
| Total Revenues | \$ 481,470 | \$ 103,270 | \$ 118,198 | \$ 165,669 | \$ 15,141 | \$ 883,748 |
| Depreciation and Amortization | 57,465 | 6,077 | 15,069 | 25,897 | 10,514 | 115,022 |
| Depreciation | 47,867 | 5,832 | 11,698 | 18,323 | 9,810 | 93,530 |
| Amortization | 9,598 | 245 | 3,371 | 7,574 | 704 | 21,492 |
| Adjusted EBITDA | 189,138 | 57,081 | 33,273 | 41,931 | (59,989) | 261,434 |
| Expenditures for Segment Assets | 19,872 | 3,750 | (1,158) | 281,589 | 45,461 | 349,514 |
| Capital Expenditures | 14,734 | 2,302 | 5,978 | 15,380 | 44,419 | 82,813 |
| Cash (Received) Paid for Acquisitions, Net of Cash Acquired (1) | (2,546) | (59) | (7,103) | 265,879 | 1,042 | 257,213 |
| Acquisitions of Customer Relationships and Customer Inducements | 7,684 | 1,507 | (33) | 330 | — | 9,488 |
| For the Three Months Ended June 30, 2017 | | | | | | |
| Total Revenues | 509,597 | 105,995 | 121,866 | 192,405 | 19,943 | 949,806 |
| Depreciation and Amortization | 58,628 | 8,955 | 16,124 | 30,203 | 14,189 | 128,099 |
| Depreciation | 50,119 | 6,701 | 12,366 | 20,518 | 12,611 | 102,315 |
| Amortization | 8,509 | 2,254 | 3,758 | 9,685 | 1,578 | 25,784 |
| Adjusted EBITDA | 220,768 | 56,583 | 36,528 | 56,166 | (51,991) | 318,054 |
| Expenditures for Segment Assets | 52,640 | 8,132 | 2,079 | 43,084 | 19,213 | 125,148 |
| Capital Expenditures | 46,235 | 8,132 | 1,723 | 16,702 | 19,213 | 92,005 |
| Cash Paid (Received) for Acquisitions, Net of Cash Acquired | — | — | — | 26,036 | — | 26,036 |
| Acquisitions of Customer Relationships and Customer Inducements | 6,405 | — | 356 | 346 | — | 7,107 |
| For the Six Months Ended June 30, 2016 | | | | | | |
| Total Revenues | 926,151 | 199,613 | 212,074 | 267,010 | 29,590 | 1,634,438 |
| Depreciation and Amortization | 102,815 | 11,747 | 26,320 | 40,183 | 21,161 | 202,226 |
| Depreciation | 88,122 | 11,254 | 20,369 | 29,225 | 19,950 | 168,920 |
| Amortization | 14,693 | 493 | 5,951 | 10,958 | 1,211 | 33,306 |
| Adjusted EBITDA | 365,695 | 110,541 | 65,219 | 63,507 | (108,382) | 496,580 |
| Expenditures for Segment Assets | 66,538 | 8,577 | 4,902 | 313,745 | 63,202 | 456,964 |
| Capital Expenditures | 56,822 | 7,129 | 10,037 | 27,542 | 62,135 | 163,665 |
| Cash (Received) Paid for Acquisitions, Net of Cash Acquired (1) | (2,676) | (59) | (7,103) | 285,349 | 1,042 | 276,553 |

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| | | | | | | |
|---|-----------|---------|---------|---------|-----------|-----------|
| Acquisitions of Customer Relationships and Customer Inducements | 12,392 | 1,507 | 1,968 | 854 | 25 | 16,746 |
| For the Six Months Ended June 30, 2017 | | | | | | |
| Total Revenues | 1,017,194 | 212,945 | 241,938 | 381,646 | 34,959 | 1,888,682 |
| Depreciation and Amortization | 119,163 | 17,888 | 30,421 | 57,879 | 27,455 | 252,806 |
| Depreciation | 102,071 | 13,374 | 23,254 | 39,823 | 23,385 | 201,907 |
| Amortization | 17,092 | 4,514 | 7,167 | 18,056 | 4,070 | 50,899 |
| Adjusted EBITDA | 430,298 | 112,495 | 70,670 | 111,513 | (114,348) | 610,628 |
| Expenditures for Segment Assets | 104,528 | 16,869 | 7,104 | 61,704 | 41,735 | 231,940 |
| Capital Expenditures | 72,813 | 16,869 | 6,621 | 29,169 | 39,735 | 165,207 |
| Cash Paid (Received) for Acquisitions, Net of Cash Acquired | 4,379 | — | — | 31,844 | 2,000 | 38,223 |
| Acquisitions of Customer Relationships and Customer Inducements | 27,336 | — | 483 | 691 | — | 28,510 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(7) Segment Information (Continued)

Cash paid for acquisitions, net of cash acquired for our Other International Business segment for the three and six months ended June 30, 2016 primarily consists of the cash component of the purchase price for the Recall (1) Transaction, as the IMI entity that made the cash payment was an Australian subsidiary. However, the Recall Transaction also benefited the North American Records and Information Management Business, North American Data Management Business and Western European Business segments.

The accounting policies of the reportable segments are the same as those described in Note 2 and in our Annual Report. Adjusted EBITDA for each segment is defined as (loss) income from continuing operations before interest expense, net, provision (benefit) for income taxes, depreciation and amortization, and also excludes certain items that we believe are not indicative of our core operating results, specifically: (i) (gain) loss on disposal/write-down of property, plant and equipment (excluding real estate), net; (ii) intangible impairments; (iii) other expense (income), net; (iv) gain on sale of real estate, net of tax; and (v) Recall Costs (as defined below). Internally, we use Adjusted EBITDA as the basis for evaluating the performance of, and allocating resources to, our operating segments. A reconciliation of Adjusted EBITDA to (loss) income from continuing operations on a consolidated basis is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------|------------------------------|-----------|
| | 2016 | 2017 | 2016 | 2017 |
| Adjusted EBITDA | \$261,434 | \$318,054 | \$496,580 | \$610,628 |
| (Add)/Deduct: | | | | |
| Gain on Sale of Real Estate, Net of Tax | — | (1,563) | — | (1,563) |
| Provision (Benefit) for Income Taxes | 10,839 | 18,009 | 22,739 | 27,229 |
| Other Expense (Income), Net | 25,641 | (19,366) | 13,704 | (25,730) |
| Interest Expense, Net | 74,866 | 89,966 | 141,928 | 176,021 |
| (Gain) loss on disposal/write-down of property, plant and equipment (excluding real estate), net | (626) | (216) | (1,077) | (675) |
| Depreciation and Amortization | 115,022 | 128,099 | 202,226 | 252,806 |
| Recall Costs(1) | 50,412 | 19,977 | 68,739 | 40,548 |
| (Loss) Income from Continuing Operations | \$(14,720) | \$83,148 | \$48,321 | \$141,992 |

Represents operating expenditures associated with the Recall Transaction, including: (i) advisory and professional fees to complete the Recall Transaction; (ii) costs associated with the Divestments required in connection with receipt of regulatory approvals (including transitional services); and (iii) costs to integrate Recall with our existing (1) operations, including moving, severance, facility upgrade, REIT conversion and system upgrade costs, as well as certain costs associated with our shared service center initiative for our finance, human resources and information technology functions ("Recall Costs").

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(8) Commitments and Contingencies

a. Litigation—General

We are involved in litigation from time to time in the ordinary course of business. A portion of the defense and/or settlement costs associated with such litigation is covered by various commercial liability insurance policies purchased by us and, in limited cases, indemnification from third parties. Our policy is to establish reserves for loss contingencies when the losses are both probable and reasonably able to be estimated. We record legal costs associated with loss contingencies as expenses in the period in which they are incurred. The matters described below represent our significant loss contingencies. We have evaluated each matter and, if both probable and reasonably able to be estimated, accrued an amount that represents our estimate of any probable loss associated with such matter. In addition, we have estimated a reasonably possible range for all loss contingencies including those described below. We believe it is reasonably possible that we could incur aggregate losses in addition to amounts currently accrued for all matters up to an additional \$18,000 over the next several years, of which certain amounts would be covered by insurance or indemnity arrangements.

b. Italy Fire

On November 4, 2011, we experienced a fire at a facility we leased in Aprilia, Italy. The facility primarily stored archival and inactive business records for local area businesses. Despite quick response by local fire authorities, damage to the building was extensive, and the building and its contents were a total loss. We have been sued by six customers. Four of those lawsuits have been settled and two remain pending, including a claim asserted by Azienda per i Trasporti Autoferrotranviari del Comune di Roma, S.p.A, seeking 42,600 Euros for the loss of its current and historical archives. We have also received correspondence from other affected customers, including certain customers demanding payment under various theories of liability. Although our warehouse legal liability insurer has reserved its rights to contest coverage related to certain types of potential claims, we believe we carry adequate insurance. We deny any liability with respect to the fire and we have referred these claims to our warehouse legal liability insurer for an appropriate response. We do not expect that this event will have a material impact on our consolidated financial condition, results of operations or cash flows. We sold our Italian operations on April 27, 2012, and we indemnified the buyers related to certain obligations and contingencies associated with the fire. As a result of the sale of the Italian operations, any future statement of operations and cash flow impacts related to the fire will be reflected as discontinued operations.

c. Argentina Fire

On February 5, 2014, we experienced a fire at a facility we own in Buenos Aires, Argentina. As a result of the quick response by local fire authorities, the fire was contained before the entire facility was destroyed and all employees were safely evacuated; however, a number of first responders lost their lives, or in some cases, were severely injured. The cause of the fire is currently being investigated. We believe we carry adequate insurance and do not expect that this event will have a material impact to our consolidated financial condition, results of operations or cash flows. Revenues from our operations at this facility represent less than 0.5% of our consolidated revenues.

d. Brooklyn Fire (Recall)

On January 31, 2015, a former Recall leased facility located in Brooklyn, New York was completely destroyed by a fire. Approximately 900,000 cartons of customer records were lost impacting approximately 1,200 customers. No one was injured as a result of the fire. We believe we carry adequate insurance to cover any losses resulting from the fire. There is one pending customer-related lawsuit stemming from the fire, which is being defended by our warehouse legal liability insurer. We have also received correspondence from other customers, under various theories of liability. We deny any liability with respect to the fire and we have referred these claims to our insurer for an appropriate response. We do not expect that this event will have a material impact on our consolidated financial condition, results of operations or cash flows.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(8) Commitments and Contingencies (Continued)

e. Roye Fire (Recall)

On January 28, 2002, a former leased Recall records management facility located in Roye, France was destroyed by a fire. Local French authorities conducted an investigation relating to the fire and issued a charge of criminal negligence for non-compliance with security regulations against the Recall entity that leased the facility. We intend to defend this matter vigorously. We are currently corresponding with various customers impacted by the fire who are seeking payment under various theories of liability. There is also pending civil litigation with the owner of the destroyed facility, who is demanding payment for lost rental income and other items. Based on known and expected claims and our expectation of the ultimate outcome of those claims, we believe we carry adequate insurance coverage. We do not expect that this event will have a material impact on our consolidated financial condition, results of operations or cash flows.

(9) Stockholders' Equity Matters

Our board of directors has adopted a dividend policy under which we have paid, and in the future intend to pay, quarterly cash dividends on our common stock. The amount and timing of future dividends will continue to be subject to the approval of our board of directors, in its sole discretion, and to applicable legal requirements.

In fiscal year 2016 and in the first six months of 2017, our board of directors declared the following dividends:

| Declaration Date | Dividend Per Share | Record Date | Total Amount | Payment Date |
|-------------------|--------------------------|--------------------|-----------------|--------------------|
| February 17, 2016 | 0.4850 | March 7, 2016 | \$102,651 | March 21, 2016 |
| May 25, 2016 | 0.4850 | June 6, 2016 | 127,469 | June 24, 2016 |
| July 27, 2016 | 0.4850 | September 12, 2016 | 127,737 | September 30, 2016 |
| October 31, 2016 | 0.5500 | December 15, 2016 | 145,006 | December 30, 2016 |
| February 15, 2017 | 0.5500 | March 15, 2017 | 145,235 | April 3, 2017 |
| May 24, 2017 | 0.5500 | June 15, 2017 | 145,417 | July 3, 2017 |

(10) Divestments

a. Divestments Associated with the Recall Transaction

As disclosed in Note 4, in connection with the acquisition of Recall, we sought regulatory approval of the Recall Transaction from the DOJ, the ACCC, the CCB and the CMA and, as part of the regulatory approval process, we agreed to make the Divestments.

On May 4, 2016, we completed the sale of the Initial United States Divestments to Access CIG, LLC, a privately held provider of information management services throughout the United States ("Access CIG"), for total consideration of approximately \$80,000, subject to adjustments (the "Access Sale"). Of the total consideration, we received \$55,000 in cash proceeds upon closing of the Access Sale, and we are entitled to receive up to \$25,000 of additional cash proceeds on the 27-month anniversary of the closing of the Access Sale (the "Access Contingent Consideration"). Our estimate of the fair value of the Access Contingent Consideration is approximately \$21,400 (which reflects a fair value adjustment of approximately \$2,200 and a present value adjustment of approximately \$1,400). We have a non-trade receivable amounting to \$22,100 included in Other, a component of Other Assets, Net in our Condensed Consolidated Balance Sheet as of June 30, 2017 related to the Access Contingent Consideration.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(10) Divestments (Continued)

On December 29, 2016, we completed the sale of the Seattle/Atlanta Divestments, the Recall Canadian Divestments and the Iron Mountain Canadian Divestments to Arkive Information Management LLC and Arkive Information Management Ltd., both information management companies (collectively, "ARKIVE"), for total consideration of approximately \$50,000, subject to adjustments (the "ARKIVE Sale"). Of the total consideration, we received approximately \$45,000 in cash proceeds upon the closing of the ARKIVE Sale and the remaining consideration is held in escrow. ARKIVE may be entitled to receive from us, on the 24-month anniversary of the closing of the ARKIVE Sale, cash payments, up to the total consideration paid by ARKIVE, based on lost revenues attributable to the acquired customer base.

On October 31, 2016, after receiving approval of the proposed transaction from the ACCC, we completed the sale of the Australia Divestment Business (the "Australia Sale") to a consortium led by Housatonic Partners (the "Australia Divestment Business Purchasers") for total consideration of approximately 70,000 Australian dollars (or approximately \$53,200, based upon the exchange rate between the United States dollar and the Australian dollar as of October 31, 2016, the closing date of the Australia Sale), subject to adjustments. The total consideration consists of (i) 35,000 Australian dollars in cash received upon the closing of the Australia Sale and (ii) 35,000 Australian dollars in the form of a note due from the Australia Divestment Business Purchasers to us (the "Bridging Loan Note"). The Bridging Loan Note bears interest at 3.3% per annum and matures on December 29, 2017, at which point all outstanding obligations become due. The total consideration for the Australia Sale is subject to certain adjustments, including ones associated with customer attrition, subsequent to the closing of the Australia Sale.

On December 9, 2016, we completed the sale of the UK Divestments (the "UK Sale") to the Oasis Group for total consideration of approximately 1,800 British pounds sterling (or approximately \$2,200, based upon the exchange rate between the United States dollar and the British pound sterling as of December 9, 2016, the closing date of the UK Sale), subject to adjustments.

We have concluded that the Australian Divestment Business and the Iron Mountain Canadian Divestments (collectively, the "Iron Mountain Divestments") do not meet the criteria to be reported as discontinued operations as our decision to divest these businesses did not represent a strategic shift that had a major effect on our operations and financial results. Accordingly, the revenues and expenses associated with the Iron Mountain Divestments are presented as a component of (loss) income from continuing operations in our Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016 and the cash flows associated with the Iron Mountain Divestments are presented as a component of cash flows from continuing operations in our Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2016.

We have concluded that the Initial United States Divestments, the Seattle/Atlanta Divestments, the Recall Canadian Divestments and the UK Divestments (collectively, the "Recall Divestments") meet the criteria to be reported as discontinued operations in our Consolidated Statements of Operations and Consolidated Statements of Cash Flows as the Recall Divestments met the criteria to be reported as assets and liabilities held for sale at, or within a short period of time following, the closing of the Recall Transaction.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(10) Divestments (Continued)

The table below summarizes certain results of operations of the Recall Divestments for the three and six months ended June 30, 2016:

| Description | Three Months Ended June 30, 2016 | | | | |
|---|--|--------------------------------|-----------------------------------|-------------------|----------|
| | Initial United States Divestments(1) | Seattle/Atlanta Divestments | Recall Canadian Divestments | UK Divestments | Total |
| Total Revenues | \$— | \$ 1,810 | \$ 1,888 | \$ 311 | \$4,009 |
| Income (Loss) from Discontinued Operations Before Provision (Benefit) for Income Taxes | — | 934 | 867 | 75 | 1,876 |
| Provision (Benefit) for Income Taxes | — | 44 | 232 | 13 | 289 |
| Income (Loss) from Discontinued Operations, Net of Tax | \$— | \$ 890 | \$ 635 | \$ 62 | \$1,587 |
| Description | Six Months Ended June 30, 2016 | | | | |
| | Initial United States Divestments(1) | Seattle/Atlanta Divestments | Recall Canadian Divestments | UK Divestments | Total(1) |
| Total Revenues | \$— | \$ 1,810 | \$ 1,888 | \$ 311 | \$4,009 |
| Income (Loss) from Discontinued Operations Before Provision (Benefit) for Income Taxes | — | 934 | 867 | 75 | 1,876 |
| Provision (Benefit) for Income Taxes | — | 44 | 232 | 13 | 289 |
| Income (Loss) from Discontinued Operations, Net of Tax | \$— | \$ 890 | \$ 635 | \$ 62 | \$1,587 |

The Access Sale occurred nearly simultaneously with the closing of the Recall Transaction. Accordingly, the revenue and expenses associated with the Initial United States Divestments are not included in our Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016, respectively, and the (1) cash flows associated with the Initial United States Divestments are not included in our Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2016, due to the immaterial nature of the revenues, expenses and cash flows related to the Initial United States Divestments for the period of time we owned these businesses (May 2, 2016 through May 4, 2016).

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(10) Divestments (Continued)

The table below summarizes certain results of operations of the Recall Divestments for the three and six months ended June 30, 2017:

| Description | Three Months Ended June 30, 2017 | | | |
|--|--|--|-------------------|------------|
| | Initial Unsettled/ Standstill Divestments | Seattle/Atlanta Recall Canadian Divestments | UK Divestments | Total(1) |
| Income (Loss) from Discontinued Operations Before Provision (Benefit) for Income Taxes | \$ (1,801) | \$ (1,248) | \$ — | —\$(3,049) |
| Provision (Benefit) for Income Taxes | —(646) | —(377) | — | (1,023) |
| Income (Loss) from Discontinued Operations, Net of Tax | \$ (1,155) | \$ (871) | \$ — | —\$(2,026) |
| | Six Months Ended June 30, 2017 | | | |
| Description | Initial Unsettled/ Standstill Divestments | Seattle/Atlanta Recall Canadian Divestments | UK Divestments | Total(1) |
| | | | | |
| Income (Loss) from Discontinued Operations Before Provision (Benefit) for Income Taxes | \$ (1,562) | \$ (1,916) | \$ — | —\$(3,478) |
| Provision (Benefit) for Income Taxes | —(605) | —(510) | — | (1,115) |
| Income (Loss) from Discontinued Operations, Net of Tax | \$ (957) | \$ (1,406) | \$ — | —\$(2,363) |

(1) During the three and six months ended June 30, 2017, the loss from discontinued operations before benefit for income taxes of \$3,049 and \$3,478, respectively, was primarily related to costs to provide transition services related to the Recall Divestments.

b. Russia and Ukraine Divestment

On May 30, 2017, IM EES, a consolidated subsidiary of IMI, sold our records and information management operations in Russia and Ukraine to OSG Records Management (Europe) Limited (“OSG”) in a stock transaction (the “Russia and Ukraine Divestment”). As consideration for the Russia and Ukraine Divestment, IM EES received a 25% equity interest in OSG (the “OSG Investment”).

We have concluded that the Russia and Ukraine Divestment does not meet the criteria to be reported as discontinued operations in our consolidated financial statements, as our decision to divest these businesses does not represent a strategic shift that will have a major effect on our operations and financial results. Accordingly, the revenues and expenses associated with these businesses are presented as a component of income (loss) from continuing operations in our Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016 and 2017, respectively, and the cash flows associated with these businesses are presented as a component of cash flows from continuing operations in our Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2017, respectively.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(10) Divestments (Continued)

As a result of the Russia and Ukraine Divestment, we recorded a gain on sale of \$38,869 to Other Expense (Income), Net, in the three and six months ended June 30, 2017, representing the excess of the fair value of the consideration received over the carrying value of the Russia and Ukraine Divestment. Prior to this transaction, our businesses in Russia and Ukraine were a component of our Northern and Eastern Europe reporting unit. As a result of the Russia and Ukraine Divestment, \$3,515 of goodwill associated with our Northern and Eastern Europe reporting unit was allocated, on a relative fair value basis, to the Russia and Ukraine Divestment and included in the carrying value of the divested businesses. Approximately \$29,100 of cumulative translation adjustment associated with our businesses in Russia and Ukraine was reclassified from accumulated other comprehensive items, net and was included in the gain associated with the Russia and Ukraine Divestment.

We account for the OSG Investment as an equity method investment. The fair value of the OSG Investment is approximately \$18,000 and is presented as a component of Other within Other assets, net in our Condensed Consolidated Balance Sheet as of June 30, 2017.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(11) Recall Costs

Recall Costs included in the accompanying Condensed Consolidated Statements of Operations are as follows:

| | Three Months | | Six Months | |
|---|--------------|----------|------------|----------|
| | Ended | | Ended | |
| | June 30, | | June 30, | |
| | 2016 | 2017 | 2016 | 2017 |
| Cost of sales (excluding depreciation and amortization) | \$331 | \$5,073 | \$331 | \$12,960 |
| Selling, general and administrative expenses | 50,081 | 14,904 | 68,408 | 27,588 |
| Total Recall Costs | \$50,412 | \$19,977 | \$68,739 | \$40,548 |

Recall Costs included in the accompanying Condensed Consolidated Statements of Operations by segment are as follows:

| | Three Months | | Six Months | |
|--|--------------|----------|------------|----------|
| | Ended | | Ended | |
| | June 30, | | June 30, | |
| | 2016 | 2017 | 2016 | 2017 |
| North American Records and Information Management Business | \$2,794 | \$6,326 | \$2,833 | \$13,625 |
| North American Data Management Business | 517 | 1,003 | 517 | 1,876 |
| Western European Business | 3,913 | 2,131 | 4,130 | 5,347 |
| Other International Business | 5,517 | 1,937 | 5,948 | 3,588 |
| Corporate and Other Business | 37,671 | 8,580 | 55,311 | 16,112 |
| Total Recall Costs | \$50,412 | \$19,977 | \$68,739 | \$40,548 |

A rollforward of accrued liabilities related to Recall Costs on our Condensed Consolidated Balance Sheets as of December 31, 2016 to June 30, 2017 is as follows:

| | Accrual for Recall Costs |
|----------------------------------|-----------------------------------|
| Balance at December 31, 2016 | \$4,914 |
| Amounts accrued | 16,304 |
| Change in estimates(1) | (230) |
| Payments | (10,687) |
| Currency translation adjustments | 66 |
| Balance at June 30, 2017(2) | \$10,367 |

(1) Includes adjustments made to amounts accrued in a prior period.

Accrued liabilities related to Recall Costs as of June 30, 2017 presented in the table above generally related to employee severance costs and onerous lease liabilities. We expect that the majority of these liabilities will be paid (2) throughout 2017. Additional Recall Costs recorded in our Condensed Consolidated Statement of Operations have either been settled in cash during the six months ended June 30, 2017 or are included in our Condensed Consolidated Balance Sheet as of June 30, 2017 as a component of accounts payable.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(12) Subsequent Events

In July 2017, in order to expand our European operations, we acquired Fileminders Ltd., a storage and records management company with operations in Cyprus, for approximately 24,900 Euro (or approximately \$28,500, based upon the exchange rate between the United States dollar and the Euro on the closing date of the acquisition).

In July 2017, we signed a purchase agreement to acquire MAG DATACENTERS, LLC, which operates FORTTRUST, a private data center business with operations in Denver, Colorado, for total consideration of approximately \$128,000, subject to customary adjustments, approximately \$54,500 to be paid in cash and the remainder of the consideration to be paid in unregistered shares of our common stock. The completion of this pending acquisition is subject to closing conditions; accordingly, we can provide no assurance that we will be able to complete the acquisition, that the acquisition will not be delayed or that the terms will remain the same.

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IRON MOUNTAIN INCORPORATED

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations for the three and six months ended June 30, 2017 should be read in conjunction with our Condensed Consolidated Financial Statements and Notes thereto for the three and six months ended June 30, 2017, included herein, and our Consolidated Financial Statements and Notes thereto for the year ended December 31, 2016, included in our Annual Report on Form 10-K filed with the United States Securities and Exchange Commission ("SEC") on February 23, 2017 (our "Annual Report").

FORWARD-LOOKING STATEMENTS

We have made statements in this Quarterly Report on Form 10-Q ("Quarterly Report") that constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and other securities laws. These forward-looking statements concern our operations, economic performance, financial condition, goals, beliefs, future growth strategies, investment objectives, plans and current expectations, such as our (1) commitment to future dividend payments, (2) expected 2017 consolidated internal storage rental revenue growth rate and capital expenditures, (3) estimate of total acquisition and integration expenditures associated with our acquisition of Recall Holdings Limited ("Recall") pursuant to the Scheme Implementation Deed, as amended, with Recall (the "Recall Transaction"), and (4) expected cost savings associated with the Transformation Initiative (as defined below). These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors. When we use words such as "believes," "expects," "anticipates," "estimates" or similar expressions, we are making forward-looking statements. Although we believe that our forward-looking statements are based on reasonable assumptions, our expected results may not be achieved, and actual results may differ materially from our expectations. In addition, important factors that could cause actual results to differ from expectations include, among others:

- our ability to remain qualified for taxation as a real estate investment trust for United States federal income tax purposes ("REIT");
- the adoption of alternative technologies and shifts by our customers to storage of data through non-paper based technologies;
- changes in customer preferences and demand for our storage and information management services;
- the cost to comply with current and future laws, regulations and customer demands relating to data security and privacy issues, as well as fire and safety standards;
- the impact of litigation or disputes that may arise in connection with incidents in which we fail to protect our customers' information;
- changes in the price for our storage and information management services relative to the cost of providing such storage and information management services;
- changes in the political and economic environments in the countries in which our international subsidiaries operate and changes in the global political climate;
- our ability or inability to complete acquisitions on satisfactory terms and to integrate acquired companies efficiently;
- changes in the amount of our capital expenditures;
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