

IRON MOUNTAIN INC
Form 10-Q
November 01, 2016
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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 September 30, 2016

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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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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 October 28, 2016: 263,447,840

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Part I. Financial Information

Item 1. Unaudited Consolidated Financial Statements

IRON MOUNTAIN INCORPORATED

CONSOLIDATED BALANCE SHEETS

(In Thousands, except Share and Per Share Data)

(Unaudited)

| | December 31, 2015 | September 30, 2016 |
|---|----------------------|-----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$128,381 | \$458,128 |
| Accounts receivable (less allowances of \$31,447 and \$41,636 as of December 31, 2015 and September 30, 2016, respectively) | 564,401 | 700,238 |
| Deferred income taxes | 22,179 | 11,075 |
| Prepaid expenses and other | 142,951 | 169,988 |
| Assets held for sale (see Note 10) | — | 127,912 |
| Total Current Assets | 857,912 | 1,467,341 |
| Property, Plant and Equipment: | | |
| Property, plant and equipment | 4,744,236 | 5,574,805 |
| Less—Accumulated depreciation | (2,247,078) | (2,408,277) |
| Property, Plant and Equipment, Net | 2,497,158 | 3,166,528 |
| Other Assets, Net: | | |
| Goodwill | 2,360,978 | 3,861,810 |
| Customer relationships and customer inducements | 603,314 | 1,306,011 |
| Other | 31,225 | 103,226 |
| Total Other Assets, Net | 2,995,517 | 5,271,047 |
| Total Assets | \$6,350,587 | \$9,904,916 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities: | | |
| Current portion of long-term debt | \$88,068 | \$121,203 |
| Accounts payable | 219,590 | 233,971 |
| Accrued expenses | 351,061 | 447,413 |
| Deferred revenue | 183,112 | 202,171 |
| Liabilities held for sale (see Note 10) | — | 19,269 |
| Total Current Liabilities | 841,831 | 1,024,027 |
| Long-term Debt, Net of Current Portion | 4,757,610 | 6,338,024 |
| Other Long-term Liabilities | 71,844 | 88,794 |
| Deferred Rent | 95,693 | 111,035 |
| Deferred Income Taxes | 55,002 | 192,782 |
| Commitments and Contingencies (see Note 8) | | |
| 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 211,340,296 shares and 263,425,012 shares as of December 31, 2015 and September 30, 2016, respectively) | 2,113 | 2,634 |
| Additional paid-in capital | 1,623,863 | 3,506,913 |
| (Distributions in excess of earnings) Earnings in excess of distributions | (942,218) | (1,246,408) |

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| | | |
|---|-------------|-------------|
| Accumulated other comprehensive items, net | (174,917) | (138,446) |
| Total Iron Mountain Incorporated Stockholders' Equity | 508,841 | 2,124,693 |
| Noncontrolling Interests | 19,766 | 25,561 |
| Total Equity | 528,607 | 2,150,254 |
| Total Liabilities and Equity | \$6,350,587 | \$9,904,916 |

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

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

| | Three Months Ended September 30, | |
|--|-------------------------------------|-----------|
| | 2015 | 2016 |
| Revenues: | | |
| Storage rental | \$460,052 | \$576,465 |
| Service | 286,477 | 366,357 |
| Total Revenues | 746,529 | 942,822 |
| Operating Expenses: | | |
| Cost of sales (excluding depreciation and amortization) | 317,663 | 429,808 |
| Selling, general and administrative | 215,693 | 252,944 |
| Depreciation and amortization | 86,492 | 124,670 |
| (Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net | (141) | (54) |
| Total Operating Expenses | 619,707 | 807,368 |
| Operating Income (Loss) | 126,822 | 135,454 |
| Interest Expense, Net (includes Interest Income of \$1,132 and \$2,118 for the three months ended September 30, 2015 and 2016, respectively) | 65,135 | 83,300 |
| Other Expense (Income), Net | 35,246 | 23,302 |
| Income (Loss) from Continuing Operations Before Provision (Benefit) for Income Taxes and Gain on Sale of Real Estate | 26,441 | 28,852 |
| Provision (Benefit) for Income Taxes | 3,774 | 23,418 |
| Gain on Sale of Real Estate, Net of Tax | (850) | (325) |
| Income (Loss) from Continuing Operations | 23,517 | 5,759 |
| Income (Loss) from Discontinued Operations, Net of Tax | — | 2,041 |
| Net Income (Loss) | 23,517 | 7,800 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | 407 | 720 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$23,110 | \$7,080 |
| Earnings (Losses) per Share—Basic: | | |
| Income (Loss) from Continuing Operations | \$0.11 | \$0.02 |
| Total Income (Loss) from Discontinued Operations, Net of Tax | \$— | \$0.01 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$0.11 | \$0.03 |
| Earnings (Losses) per Share—Diluted: | | |
| Income (Loss) from Continuing Operations | \$0.11 | \$0.02 |
| Total Income (Loss) from Discontinued Operations, Net of Tax | \$— | \$0.01 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$0.11 | \$0.03 |
| Weighted Average Common Shares Outstanding—Basic | 210,912 | 263,269 |
| Weighted Average Common Shares Outstanding—Diluted | 211,917 | 264,502 |
| Dividends Declared per Common Share | \$0.4751 | \$0.4852 |
| The accompanying notes are an integral part of these consolidated financial statements. | | |

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

| | Nine Months Ended September 30, | |
|---|------------------------------------|-------------|
| | 2015 | 2016 |
| Revenues: | | |
| Storage rental | \$1,380,133 | \$1,576,358 |
| Service | 875,416 | 1,000,902 |
| Total Revenues | 2,255,549 | 2,577,260 |
| Operating Expenses: | | |
| Cost of sales (excluding depreciation and amortization) | 965,600 | 1,151,562 |
| Selling, general and administrative | 627,992 | 737,787 |
| Depreciation and amortization | 259,992 | 326,896 |
| Loss (Gain) on disposal/write-down of property, plant and equipment (excluding real estate), net | 707 | (1,131) |
| Total Operating Expenses | 1,854,291 | 2,215,114 |
| Operating Income (Loss) | 401,258 | 362,146 |
| Interest Expense, Net (includes Interest Income of \$2,777 and \$5,549 for the nine months ended September 30, 2015 and 2016, respectively) | 196,120 | 225,228 |
| Other Expense (Income), Net | 59,599 | 37,006 |
| Income (Loss) from Continuing Operations Before Provision (Benefit) for Income Taxes and Gain on Sale of Real Estate | 145,539 | 99,912 |
| Provision (Benefit) for Income Taxes | 27,126 | 46,157 |
| Gain on Sale of Real Estate, Net of Tax | (850) | (325) |
| Income (Loss) from Continuing Operations | 119,263 | 54,080 |
| Income (Loss) from Discontinued Operations, Net of Tax | — | 3,628 |
| Net Income (Loss) | 119,263 | 57,708 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | 1,727 | 1,822 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$117,536 | \$55,886 |
| Earnings (Losses) per Share—Basic: | | |
| Income (Loss) from Continuing Operations | \$0.57 | \$0.22 |
| Total Income (Loss) from Discontinued Operations, Net of Tax | \$— | \$0.02 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$0.56 | \$0.23 |
| Earnings (Losses) per Share—Diluted: | | |
| Income (Loss) from Continuing Operations | \$0.56 | \$0.22 |
| Total Income (Loss) from Discontinued Operations, Net of Tax | \$— | \$0.02 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$0.55 | \$0.23 |
| Weighted Average Common Shares Outstanding—Basic | 210,616 | 240,394 |
| Weighted Average Common Shares Outstanding—Diluted | 212,081 | 241,520 |
| Dividends Declared per Common Share | \$1.4250 | \$1.4886 |

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

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

| | Three Months Ended September 30, | |
|--|--|----------|
| | 2015 | 2016 |
| Net Income (Loss) | \$23,517 | \$7,800 |
| Other Comprehensive (Loss) Income: | | |
| Foreign Currency Translation Adjustments | (34,594) | 11,304 |
| Market Value Adjustments for Securities | (134) | — |
| Total Other Comprehensive (Loss) Income | (34,728) | 11,304 |
| Comprehensive (Loss) Income | (11,211) | 19,104 |
| Comprehensive (Loss) Income Attributable to Noncontrolling Interests | (384) | 1,181 |
| Comprehensive (Loss) Income Attributable to Iron Mountain Incorporated | \$(10,827) | \$17,923 |
| | Nine Months Ended September 30, | |
| | 2015 | 2016 |
| Net Income (Loss) | \$119,263 | \$57,708 |
| Other Comprehensive (Loss) Income: | | |
| Foreign Currency Translation Adjustments | (89,769) | 38,071 |
| Market Value Adjustments for Securities | (111) | (734) |
| Total Other Comprehensive (Loss) Income | (89,880) | 37,337 |
| Comprehensive Income (Loss) | 29,383 | 95,045 |
| Comprehensive Income (Loss) Attributable to Noncontrolling Interests | 503 | 2,688 |
| Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated | \$28,880 | \$92,357 |

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

Table of ContentsIRON MOUNTAIN INCORPORATED
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 |
|---|------------|------------------------|----------|----------------------------------|--|---|-----------------------------|
| Balance, December 31, 2014 | \$869,955 | 209,818,812 | \$ 2,098 | \$1,588,841 | \$ (659,553) | \$ (75,031) | \$ 13,600 |
| Issuance of shares under employee stock purchase plan and option plans and stock-based compensation, including tax benefit of \$323 | 24,627 | 1,264,935 | 13 | 24,614 | — | — | — |
| Parent cash dividends declared | (302,658) | — | — | — | (302,658) | — | — |
| Foreign currency translation adjustments | (89,769) | — | — | — | — | (88,545) | (1,224) |
| Market value adjustments for securities | (111) | — | — | — | — | (111) | — |
| Net income (loss) | 119,263 | — | — | — | 117,536 | — | 1,727 |
| Noncontrolling interests dividends | (1,530) | — | — | — | — | — | (1,530) |
| Balance, September 30, 2015 | \$619,777 | 211,083,747 | \$ 2,111 | \$1,613,455 | \$ (844,675) | \$ (163,687) | \$ 12,573 |

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 |
|---|-----------|------------------------|----------|----------------------------------|--|---|-----------------------------|
| 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, including tax benefit of \$91 | 48,545 | 1,851,304 | 19 | 48,526 | — | — | — |
| Issuance of shares in connection with the acquisition of Recall | 1,835,026 | 50,233,412 | 502 | 1,834,524 | — | — | — |

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Holdings Limited (see
Note 4)

| | | | | | | | |
|---|-------------|-------------|---------|-------------|---------------|--------------|----------|
| Parent cash dividends declared | (360,076) | — | — | — | (360,076) | — | — |
| Foreign currency translation adjustments | 38,071 | — | — | — | — | 37,205 | 866 |
| Market value adjustments for securities | (734) | — | — | — | — | (734) | — |
| Net income (loss) | 57,708 | — | — | — | 55,886 | — | 1,822 |
| Noncontrolling interests equity contributions | 1,299 | — | — | — | — | — | 1,299 |
| Noncontrolling interests dividends | (1,698) | — | — | — | — | — | (1,698) |
| Purchase of noncontrolling interests | 3,506 | — | — | — | — | — | 3,506 |
| Balance, September 30, 2016 | \$2,150,254 | 263,425,012 | \$2,634 | \$3,506,913 | \$(1,246,408) | \$(138,446) | \$25,561 |

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

Table of ContentsIRON MOUNTAIN INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Unaudited)

| | Nine Months Ended September 30, | |
|--|------------------------------------|--------------|
| | 2015 | 2016 |
| Cash Flows from Operating Activities: | | |
| Net income (loss) | \$ 119,263 | \$ 57,708 |
| (Income) loss from discontinued operations | — | (3,628) |
| Adjustments to reconcile net income (loss) to cash flows from operating activities: | | |
| Depreciation | 226,497 | 267,280 |
| Amortization (includes deferred financing costs and bond discount of \$6,443 and \$9,241, for the nine months ended September 30, 2015 and 2016, respectively) | 39,938 | 68,857 |
| Stock-based compensation expense | 20,936 | 21,870 |
| (Benefit) Provision for deferred income taxes | (10,317) | (22,196) |
| Loss on early extinguishment of debt, net | 2,156 | 9,283 |
| (Gain) Loss on disposal/write-down of property, plant and equipment, net (including real estate) | (352) | (1,490) |
| Anticipated loss on disposal of assets held for sale | — | 14,000 |
| Foreign currency transactions and other, net | 39,006 | 24,006 |
| Changes in Assets and Liabilities (exclusive of acquisitions): | | |
| Accounts receivable | 11,096 | (6,996) |
| Prepaid expenses and other | 2,687 | (642) |
| Accounts payable | (23,977) | (39,073) |
| Accrued expenses and deferred revenue | (105,538) | 39,553 |
| Other assets and long-term liabilities | (1,300) | (9,580) |
| Cash Flows from Operating Activities - Continuing Operations | 320,095 | 418,952 |
| Cash Flows from Operating Activities - Discontinued Operations | — | 3,640 |
| Cash Flows from Operating Activities | 320,095 | 422,592 |
| Cash Flows from Investing Activities: | | |
| Capital expenditures | (202,581) | (246,029) |
| Cash paid for acquisitions, net of cash acquired | (27,975) | (276,371) |
| Decrease in restricted cash | 33,860 | — |
| Acquisition of customer relationships | (20,208) | (24,756) |
| Customer inducements | (14,955) | (16,099) |
| Net proceeds from divestments (see Note 10) | — | 53,950 |
| Proceeds from sales of property and equipment and other, net (including real estate) | 2,032 | 2,197 |
| Cash Flows from Investing Activities - Continuing Operations | (229,827) | (507,108) |
| Cash Flows from Investing Activities - Discontinued Operations | — | (12) |
| Cash Flows from Investing Activities | (229,827) | (507,120) |
| Cash Flows from Financing Activities: | | |
| Repayment of revolving credit, term loan and bridge facilities and other debt | (8,539,577) | (11,560,385) |
| Proceeds from revolving credit, term loan and bridge facilities and other debt | 8,142,443 | 11,427,389 |
| Net proceeds from sales of senior notes | 985,000 | 925,443 |
| Debt financing and equity contribution from noncontrolling interests | — | 1,299 |
| Debt repayment and equity distribution to noncontrolling interests | (1,260) | (1,305) |
| Parent cash dividends | (303,712) | (360,462) |
| Net proceeds (payments) associated with employee stock-based awards | 13,988 | 26,374 |

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| | | |
|--|-----------|-------------|
| Excess tax benefit (deficiency) from stock-based compensation | 323 | 91 |
| Payment of debt financing and stock issuance costs | (11,665) | (17,107) |
| Cash Flows from Financing Activities - Continuing Operations | 285,540 | 441,337 |
| Cash Flows from Financing Activities - Discontinued Operations | — | — |
| Cash Flows from Financing Activities | 285,540 | 441,337 |
| Effect of Exchange Rates on Cash and Cash Equivalents | (8,842) | (27,062) |
| Increase (Decrease) in Cash and Cash Equivalents | 366,966 | 329,747 |
| Cash and Cash Equivalents, Beginning of Period | 125,933 | 128,381 |
| Cash and Cash Equivalents, End of Period | \$492,899 | \$458,128 |
| Supplemental Information: | | |
| Cash Paid for Interest | \$218,863 | \$226,770 |
| Cash Paid for Income Taxes, Net | \$33,411 | \$49,776 |
| Non-Cash Investing and Financing Activities: | | |
| Capital Leases | \$28,598 | \$45,997 |
| Accrued Capital Expenditures | \$29,626 | \$47,900 |
| Dividends Payable | \$5,123 | \$5,193 |
| Fair Value of Stock Issued for Recall Transaction (see Note 4) | \$— | \$1,835,026 |

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

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IRON MOUNTAIN INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(1) General

The interim 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 Pacific and Africa. We have a diversified customer base consisting of commercial, legal, banking, healthcare, accounting, insurance, entertainment and government organizations.

The unaudited 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 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, 2015 included in our Annual Report on Form 10-K filed with the SEC on February 26, 2016 (our "Annual Report").

We have been organized and have operated as a real estate investment trust for federal income tax purposes ("REIT") effective for our taxable year beginning January 1, 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"). At the closing of the Recall Transaction, we paid approximately \$331,800 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 ("NYSE") 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. See Note 4.

(2) Summary of Significant Accounting Policies

This Note 2 to Notes to 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 and Noncontrolling Interests in the accompanying 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 (1) our previously outstanding 6³/₄% Euro Senior Subordinated Notes due 2018 (the "6³/₄% Notes"), (2) borrowings in certain foreign currencies under our Revolving Credit Facility (as defined in Note 5) and (3) 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 Consolidated Statements of Operations.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

Total loss on foreign currency transactions for the three and nine months ended September 30, 2015 and 2016 is as follows:

| | Three Months Ended September 30, 2015 | | Nine Months Ended September 30, 2015 | |
|---|--|----------|---|----------|
| | 2015 | 2016 | 2015 | 2016 |
| Total loss on foreign currency transactions | \$32,539 | \$10,685 | \$56,461 | \$15,336 |

b. Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangible assets

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, 2015 and concluded there was no impairment of goodwill at such date. As of December 31, 2015, no factors were identified that would alter our October 1, 2015 goodwill analysis. While several of our reporting units were impacted by our acquisition of Recall, no factors were identified as of September 30, 2016 that would indicate an impairment of goodwill. 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.

Refer to our Annual Report for information regarding the composition of our reporting units as of December 31, 2015.

The carrying value of goodwill, net for each of our reporting units as of December 31, 2015 was as follows:

| | Carrying Value as of December 31, 2015 |
|--|--|
| North American Records and Information Management(1) | \$1,342,723 |
| North American Secure Shredding(1) | 73,021 |
| North American Data Management(2) | 369,907 |
| Adjacent Businesses - Data Centers(3) | — |
| Adjacent Businesses - Consumer Storage(3) | 4,636 |
| Adjacent Businesses - Fine Arts(3) | 21,550 |
| UKI(4) | 260,202 |
| Continental Western Europe(4) | 63,442 |
| Emerging Markets - Europe(5) | 87,378 |
| Latin America(5) | 78,537 |
| Australia(5) | 47,786 |
| Southeast Asia(5) | 5,683 |
| India(5) | 6,113 |
| Total | \$2,360,978 |

(1) This reporting unit is included in the North American Records and Information Management Business segment.

(2) This reporting unit is included in the North American Data Management Business segment.

(3) This reporting unit is included in the Corporate and Other Business segment.

(4) This reporting unit is included in the Western European Business segment.

(5) This reporting unit is included in the Other International Business segment.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

In the third quarter of 2016, as a result of changes in the management of our businesses included in our Western European Business segment, we reassessed the composition of our reporting units. As a result of this reassessment, we determined that the businesses included in our former UKI reporting unit were now being managed in conjunction with the businesses included in our former Continental Western Europe reporting unit. As a result, as of September 30, 2016, we have concluded that our Western European Business segment consists of one reporting unit, which is referred to herein as the Western Europe reporting unit.

The acquisition of Recall, which is more fully disclosed in Note 4, impacted our reporting units as of September 30, 2016 as follows:

• North American Records and Information Management - includes the goodwill associated with the records and information management businesses of Recall in the United States and Canada.

• North American Secure Shredding - includes the goodwill associated with the secure shredding businesses of Recall in the United States and Canada.

• North American Data Management - includes the goodwill associated with the data management businesses of Recall in the United States and Canada.

• Western Europe - includes the goodwill associated with the operations of Recall in Belgium, France, Germany, Spain, Switzerland and the United Kingdom as well as the goodwill associated with the document management solutions ("DMS") operations of Recall in Sweden.

• Northern and Eastern Europe - this reporting unit consists of our former Emerging Markets - Europe reporting unit (as described in our Annual Report), and includes the goodwill associated with the operations of Recall in Denmark, Finland and Norway, as well as the goodwill associated with the records and information management operations of Recall in Sweden. This reporting unit is included in the Other International Business segment.

• Latin America - includes the goodwill associated with the operations of Recall in Brazil and Mexico.

• Australia and New Zealand - this reporting unit consists of the goodwill associated with the Australia Retained Business (as defined in Note 4), which was a component of our former Australia reporting unit, as well as the operations of Recall in Australia and New Zealand. This reporting unit is included in the Other International Business segment.

• Southeast Asia - includes the goodwill associated with the operations of Recall in China, Hong Kong, Malaysia, Singapore, Taiwan and Thailand.

• Africa and India - includes the goodwill associated with the operations of Recall in India.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The carrying value of goodwill, net for each of our reporting units as of September 30, 2016 is as follows:

| | Carrying Value as of September 30, 2016 |
|---|---|
| North American Records and Information Management | \$2,058,150 |
| North American Secure Shredding | 148,905 |
| North American Data Management | 499,644 |
| Adjacent Businesses - Data Centers | — |
| Adjacent Businesses - Consumer Storage | 4,636 |
| Adjacent Businesses - Fine Arts | 22,911 |
| Western Europe | 454,531 |
| Northern and Eastern Europe(1) | 142,285 |
| Latin America | 180,664 |
| Australia and New Zealand | 152,387 |
| Southeast Asia | 177,512 |
| Africa and India(2) | 20,185 |
| Total | \$3,861,810 |

(1) Included in this reporting unit at September 30, 2016 is the goodwill associated with our March 2016 acquisition of Archyvu Sistemas as more fully disclosed in Note 4.

(2) Included in this reporting unit at September 30, 2016 is the goodwill associated with our March 2016 acquisition of Docufile Holdings Proprietary Limited as more fully disclosed in Note 4.

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IRON MOUNTAIN INCORPORATED

NOTES TO 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 nine months ended September 30, 2016 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, 2015 | \$ 1,620,425 | \$ 423,606 | \$ 381,149 | \$ 225,626 | \$ 26,186 | \$ 2,676,992 |
| Deductible goodwill acquired during the year | — | — | — | — | — | — |
| Non-deductible goodwill acquired during the year | 790,250 | 128,669 | 161,005 | 474,576 | 215 | 1,554,715 |
| Goodwill reclassified as assets held for sale (see Note 10) | (3,332) | — | — | (40,089) | — | (43,421) |
| Fair value and other adjustments(1) | (157) | — | — | (486) | 1,146 | 503 |
| Currency effects | 4,921 | 1,161 | (30,939) | 13,462 | — | (11,395) |
| Gross Balance as of September 30, 2016 | \$ 2,412,107 | \$ 553,436 | \$ 511,215 | \$ 673,089 | \$ 27,547 | \$ 4,177,394 |
| Accumulated Amortization Balance as of December 31, 2015 | \$ 204,681 | \$ 53,699 | \$ 57,505 | \$ 129 | \$ — | \$ 316,014 |
| Currency effects | 371 | 93 | (821) | (73) | — | (430) |
| Accumulated Amortization Balance as of September 30, 2016 | \$ 205,052 | \$ 53,792 | \$ 56,684 | \$ 56 | \$ — | \$ 315,584 |
| Net Balance as of December 31, 2015 | \$ 1,415,744 | \$ 369,907 | \$ 323,644 | \$ 225,497 | \$ 26,186 | \$ 2,360,978 |
| Net Balance as of September 30, 2016 | \$ 2,207,055 | \$ 499,644 | \$ 454,531 | \$ 673,033 | \$ 27,547 | \$ 3,861,810 |
| Accumulated Goodwill Impairment Balance as of December 31, 2015 | \$ 85,909 | \$ — | \$ 46,500 | \$ — | \$ — | \$ 132,409 |
| Accumulated Goodwill Impairment Balance as of September 30, 2016 | \$ 85,909 | \$ — | \$ 46,500 | \$ — | \$ — | \$ 132,409 |

Total fair value and other adjustments primarily include net adjustments of \$685 related to property, plant and (1) equipment and customer relationship intangible assets, partially offset by \$182 of cash received related to certain acquisitions completed in 2015.

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IRON MOUNTAIN INCORPORATED

NOTES TO 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 10 to 30 years. 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 charges ("Move Costs"), are amortized over periods ranging from one to 30 years, and are included in depreciation and amortization in the accompanying 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 one to 15 years and are included in storage and service revenue in the accompanying 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 intangible assets, including noncompetition agreements and trademarks, are capitalized and amortized over periods ranging from five to 10 years.

The components of our finite-lived intangible assets as of December 31, 2015 and September 30, 2016 are as follows:

| | December 31, 2015 | | | September 30, 2016 | | |
|--|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer relationship intangible assets and Customer Inducements | \$937,174 | \$ (333,860) | \$ 603,314 | \$1,684,891 | \$ (378,880) | \$ 1,306,011 |
| Core Technology(1) | 3,370 | (3,370) | — | 1,625 | (1,625) | — |
| Trademarks and Non-Compete Agreements(1) | 7,741 | (4,955) | 2,786 | 24,448 | (6,985) | 17,463 |
| Total | \$948,285 | \$ (342,185) | \$ 606,100 | \$1,710,964 | \$ (387,490) | \$ 1,323,474 |

(1) Included in Other, a component of Other Assets, Net in the accompanying Consolidated Balance Sheets.

Amortization expense associated with finite-lived intangible assets and deferred financing costs for the three and nine months ended September 30, 2015 and 2016 is as follows:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2015 | September 30, 2016 | September 30, 2015 | September 30, 2016 |
| Amortization expense associated with finite-lived intangible assets and deferred financing costs | \$ 13,094 | \$ 29,899 | \$ 39,939 | \$ 68,857 |

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IRON MOUNTAIN INCORPORATED

NOTES TO 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"), performance units ("PUs") and shares of stock issued under our employee stock purchase plan ("ESPP") (together, "Employee Stock-Based Awards").

Stock-based compensation expense for Employee Stock-Based Awards included in the accompanying Consolidated Statements of Operations for the three and nine months ended September 30, 2015 was \$6,159 (\$4,502 after tax or \$0.02 per basic and diluted share) and \$20,936 (\$14,915 after tax or \$0.07 per basic and diluted share), respectively. Stock-based compensation expense for Employee Stock-Based Awards for the three and nine months ended September 30, 2016 was \$5,957 (\$4,245 after tax or \$0.02 per basic and diluted share) and \$21,870 (\$16,170 after tax or \$0.07 per basic and diluted share), respectively.

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

| | Three Months Ended September 30, 2015 | | Nine Months Ended September 30, 2016 | |
|---|--|---------|---|----------|
| Cost of sales (excluding depreciation and amortization) | \$65 | \$28 | \$156 | \$80 |
| Selling, general and administrative expenses | 6,094 | 5,929 | 20,780 | 21,790 |
| Total stock-based compensation | \$6,159 | \$5,957 | \$20,936 | \$21,870 |

The benefits associated with the tax deductions in excess of recognized compensation cost are required to be reported as financing activities in the accompanying Consolidated Statements of Cash Flows. This requirement impacts reported operating cash flows and reported financing cash flows. As a result, net financing cash flows included \$323 and \$91 for the nine months ended September 30, 2015 and 2016, respectively, from the benefit of tax deductions compared to recognized compensation cost. The tax benefit of any resulting excess tax deduction increases the Additional Paid-in Capital ("APIC") pool. Any resulting tax deficiency is deducted from the APIC pool.

Stock Options

A summary of our stock options outstanding as of September 30, 2016 by vesting terms is as follows:

| | September 30, 2016 | | |
|--|---------------------------------|---|---|
| | Stock Options Outstanding | % of Stock Options Outstanding | |
| Three-year vesting period (10 year contractual life) | 2,826,698 | 76.3 | % |
| Five-year vesting period (10 year contractual life) | 622,057 | 16.8 | % |
| Ten-year vesting period (12 year contractual life) | 255,255 | 6.9 | % |
| | 3,704,010 | | |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The weighted average fair value of stock options granted for the nine months ended September 30, 2015 and 2016 was \$4.88 and \$2.55 per share, respectively. These values were estimated on the date of grant using the Black-Scholes stock option pricing model. The weighted average assumptions used for grants in the respective period are as follows:

| Weighted Average Assumptions | Nine Months Ended | | | |
|------------------------------|-------------------|-----------|---|--|
| | September 30, | | | |
| | 2015 | 2016 | | |
| Expected volatility | 28.4 | % 27.2 | % | |
| Risk-free interest rate | 1.70 | % 1.32 | % | |
| Expected dividend yield | 5 | % 7 | % | |
| Expected life | 5.5 years | 5.6 years | | |

Expected volatility is calculated utilizing daily historical volatility over a period that equates to the expected life of the stock 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 stock 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.

A summary of stock option activity for the nine months ended September 30, 2016 is as follows:

| | Stock Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Average Intrinsic Value |
|---|---------------|---------------------------------|---|-------------------------|
| Outstanding at December 31, 2015 | 3,688,814 | \$ 27.79 | | |
| Granted | 1,435,879 | 34.02 | | |
| Exercised | (1,373,290) | 24.12 | | |
| Forfeited | (35,927) | 32.43 | | |
| Expired | (11,466) | 30.50 | | |
| Outstanding at September 30, 2016 | 3,704,010 | \$ 31.51 | 7.08 | \$26,628 |
| Options exercisable at September 30, 2016 | 1,553,980 | \$ 26.08 | 4.54 | \$19,208 |
| Options expected to vest | 2,025,402 | \$ 35.44 | 8.91 | \$7,020 |

The aggregate intrinsic value of stock options exercised for the three and nine months ended September 30, 2015 and 2016 is as follows:

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|---------|-------------------|----------|
| | September 30, | | September 30, | |
| | 2015 | 2016 | 2015 | 2016 |
| Aggregate intrinsic value of stock options exercised | \$1,985 | \$5,433 | \$7,868 | \$16,792 |

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 in 2015 and thereafter 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).

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

Cash dividends accrued and paid on RSUs for the three and nine months ended September 30, 2015 and 2016 are as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--------------------------------|----------------------------------|-------|---------------------------------|---------|
| | 2015 | 2016 | 2015 | 2016 |
| Cash dividends accrued on RSUs | \$616 | \$620 | \$1,917 | \$1,867 |
| Cash dividends paid on RSUs | 270 | 129 | 2,570 | 1,960 |

The fair value of RSUs vested during the three and nine months ended September 30, 2015 and 2016 is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------|----------------------------------|---------|---------------------------------|----------|
| | 2015 | 2016 | 2015 | 2016 |
| Fair value of RSUs vested | \$2,377 | \$1,486 | \$21,561 | \$19,271 |

A summary of RSU activity for the nine months ended September 30, 2016 is as follows:

| | RSUs | Weighted-Average Grant-Date Fair Value |
|----------------------------------|------------|--|
| Non-vested at December 31, 2015 | 1,217,597 | \$ 33.68 |
| Granted | 671,385 | 32.36 |
| Vested | (575,875) | 33.47 |
| Forfeited | (59,627) | 33.74 |
| Non-vested at September 30, 2016 | 1,253,480 | \$ 33.07 |

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 a subset of the Standard & Poor's 500 Index rather than the revenue and ROIC targets noted above. The number of PUs earned based on this 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.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

Cash dividends accrued and paid on PUs for the three and nine months ended September 30, 2015 and 2016 are as follows:

| | Three Months Ended September 30, 2015 | | Nine Months Ended September 30, 2016 | |
|-------------------------------|---------------------------------------|-------|--------------------------------------|-------|
| Cash dividends accrued on PUs | \$222 | \$264 | \$647 | \$789 |
| Cash dividends paid on PUs | — | — | 1,015 | 645 |

During the nine months ended September 30, 2016, we issued 230,052 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. 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 September 30, 2016, we expected 0%, 50% and 100% achievement of the predefined revenue and ROIC targets associated with the awards of PUs made in 2014, 2015 and 2016, respectively.

The fair value of earned PUs that vested during the three and nine months ended September 30, 2015 and 2016 is as follows:

| | Three Months Ended September 30, 2015 | | Nine Months Ended September 30, 2016 | |
|--------------------------------------|---------------------------------------|-------|--------------------------------------|---------|
| Fair value of earned PUs that vested | \$ — | \$ 17 | \$2,107 | \$5,272 |

A summary of PU activity for the nine months ended September 30, 2016 is as follows:

| | Original PU Awards | PU Adjustment(1) | Total PU Awards | Weighted-Average Grant-Date Fair Value |
|---|--------------------|------------------|-----------------|--|
| Non-vested at December 31, 2015 | 520,764 | (86,959) | 433,805 | \$ 34.11 |
| Granted | 230,052 | — | 230,052 | 35.84 |
| Vested | (148,855) | — | (148,855) | 35.42 |
| Forfeited/Performance or Market Conditions Not Achieved | (7,690) | (34,079) | (41,769) | 42.87 |
| Non-vested at September 30, 2016 | 594,271 | (121,038) | 473,233 | \$ 33.77 |

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 nine months ended September 30, 2015 and 2016, there were 59,569 shares and 56,662 shares, respectively, purchased under the ESPP. As of September 30, 2016, we had 781,767 shares available under the ESPP.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

As of September 30, 2016, unrecognized compensation cost related to the unvested portion of our Employee Stock-Based Awards was \$43,137 and is expected to be recognized over a weighted-average period of 2.0 years. We generally issue shares of our common stock for the exercises of stock options, RSUs, PUs and shares of our common stock under our ESPP from unissued reserved shares.

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, warrants or convertible securities) 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 nine months ended September 30, 2015 and 2016 is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------|------------------------------------|-------------|
| | 2015 | 2016 | 2015 | 2016 |
| Income (loss) from continuing operations | \$23,517 | \$ 5,759 | \$119,263 | \$ 54,080 |
| Less: Net income (loss) attributable to noncontrolling interests | 407 | 720 | 1,727 | 1,822 |
| Income (loss) from continuing operations (utilized in numerator of Earnings Per Share calculation) | \$23,110 | \$ 5,039 | \$117,536 | \$ 52,258 |
| Income (loss) from discontinued operations, net of tax | \$— | \$ 2,041 | \$— | \$ 3,628 |
| Net income (loss) attributable to Iron Mountain Incorporated | \$23,110 | \$ 7,080 | \$117,536 | \$ 55,886 |
| Weighted-average shares—basic | 210,912,000 | 210,269,000 | 210,616,000 | 210,394,000 |
| Effect of dilutive potential stock options | 621,615 | 640,202 | 934,553 | 628,263 |
| Effect of dilutive potential RSUs and PUs | 382,995 | 592,773 | 530,252 | 497,658 |
| Weighted-average shares—diluted | 211,916,610 | 211,501,975 | 212,080,805 | 211,519,921 |
| Earnings (losses) per share—basic: | | | | |
| Income (loss) from continuing operations | \$0.11 | \$ 0.02 | \$0.57 | \$ 0.22 |
| Income (loss) from discontinued operations, net of tax | — | 0.01 | — | 0.02 |
| Net income (loss) attributable to Iron Mountain Incorporated(1) | \$0.11 | \$ 0.03 | \$0.56 | \$ 0.23 |
| Earnings (losses) per share—diluted: | | | | |
| Income (loss) from continuing operations | \$0.11 | \$ 0.02 | \$0.56 | \$ 0.22 |
| Income (loss) from discontinued operations, net of tax | — | 0.01 | — | 0.02 |
| Net income (loss) attributable to Iron Mountain Incorporated(1) | \$0.11 | \$ 0.03 | \$0.55 | \$ 0.23 |
| Antidilutive stock options, RSUs and PUs, excluded from the calculation | 2,262,827 | 759,478 | 1,318,811 | 1,725,249 |

(1) Columns may not foot due to rounding.

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IRON MOUNTAIN INCORPORATED

NOTES TO 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 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.

Our effective tax rates for the three and nine months ended September 30, 2015 were 14.3% and 18.6%, respectively. Our effective tax rates for the three and nine months ended September 30, 2016 were 81.2% and 46.2%, respectively. The primary reconciling items between the federal statutory tax rate of 35.0% and our overall effective tax rates in the three and nine months ended September 30, 2015 were the benefit derived from the dividends paid deduction, 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, and state income taxes (net of federal tax benefit). In the third quarter of 2015, we recorded a tax benefit of \$4,100 related to the expiration of certain statutes of limitations and an out-of-period tax adjustment (\$9,000 tax benefit) to correct the valuation of certain deferred tax assets associated with the REIT conversion that occurred in 2014. The primary reconciling items between the federal statutory tax rate of 35.0% and our overall effective tax rates in the three and nine months ended September 30, 2016 were the benefit derived from the dividends paid deduction, 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, and the impact of the \$14,000 charge (described in Note 2.i.) recorded during the third quarter of 2016 related to the anticipated loss on disposal of the Australia Divestment Business (as defined in Note 4), which had no associated tax benefit.

f. Concentrations of Credit Risk

Financial instruments that potentially subject us to credit risk consist principally of cash and cash equivalents (including money market funds and time deposits) and accounts receivable. The only significant concentrations of liquid investments as of December 31, 2015 and September 30, 2016 relate to cash and cash equivalents. At December 31, 2015, we had time deposits with four global banks. At September 30, 2016, we had time deposits with six global banks. We consider the global banks to be large, highly-rated investment-grade institutions. As of December 31, 2015 and September 30, 2016, our cash and cash equivalents were \$128,381 and \$458,128, respectively, including time deposits amounting to \$18,645 and \$18,687, 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.

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.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

The assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2015 and September 30, 2016, respectively, are as follows:

| Description | Total Carrying Value at December 31, 2015 | Fair Value Measurements at December 31, 2015 Using | | |
|-------------------------------|---|--|---|--|
| | | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Time Deposits(1) | \$ 18,645 | \$— | \$ 18,645 | \$ — |
| Trading Securities | 10,371 | 9,524 | 857 | (1) — |
| Available-for-Sale Securities | 624 | 624 | — | — |
| Description | Total Carrying Value at September 30, 2016 | Fair Value Measurements at September 30, 2016 Using | | |
| | | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Time Deposits(1) | \$ 18,687 | \$— | \$ 18,687 | \$ — |
| Trading Securities | 10,708 | 10,225 | 483 | (1) — |

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

(2) Available-for-sale securities and certain trading securities are measured at fair value using quoted market prices. 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, 2015 and September 30, 2016, with the exception of: (i) goodwill (as disclosed in Note 2.b.); (ii) the assets and liabilities acquired through acquisitions (as disclosed in Note 4); (iii) the Access Contingent Consideration (as defined and disclosed in Note 4); and (iv) assets and liabilities held for sale (as disclosed in Note 10), all of which are based on Level 3 inputs.

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 Consolidated Balance Sheets as of December 31, 2015 and September 30, 2016.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

h. Accumulated Other Comprehensive Items, Net

The changes in accumulated other comprehensive items, net for the three months ended September 30, 2015 and 2016, respectively, are as follows:

| | Foreign Currency Translation Adjustments | Market Value Adjustments for Securities | Total |
|--|---|---|-------------|
| Balance as of June 30, 2015 | \$(130,752) | \$ 1,002 | \$(129,750) |
| Other comprehensive (loss) income: | | | |
| Foreign currency translation adjustments | (33,803) | — | (33,803) |
| Market value adjustments for securities | — | (134) | (134) |
| Total other comprehensive (loss) income | (33,803) | (134) | (33,937) |
| Balance as of September 30, 2015 | \$(164,555) | \$ 868 | \$(163,687) |

| | Foreign Currency Translation Adjustments | Market Value Adjustments for Securities | Total |
|--|---|---|--------------|
| Balance as of June 30, 2016 | \$(149,289) | \$ — | —\$(149,289) |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | 10,843 | — | 10,843 |
| Total other comprehensive income (loss) | 10,843 | — | 10,843 |
| Balance as of September 30, 2016 | \$(138,446) | \$ — | —\$(138,446) |

The changes in accumulated other comprehensive items, net for the nine months ended September 30, 2015 and 2016, respectively, are as follows:

| | Foreign Currency Translation Adjustments | Market Value Adjustments for Securities | Total |
|--|---|---|-------------|
| Balance as of December 31, 2014 | \$(76,010) | \$ 979 | \$(75,031) |
| Other comprehensive (loss) income: | | | |
| Foreign currency translation adjustments | (88,545) | — | (88,545) |
| Market value adjustments for securities | — | (111) | (111) |
| Total other comprehensive (loss) income | (88,545) | (111) | (88,656) |
| Balance as of September 30, 2015 | \$(164,555) | \$ 868 | \$(163,687) |

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IRON MOUNTAIN INCORPORATED

NOTES TO 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, 2015 | \$(175,651) | \$ 734 | \$(174,917) |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | 37,205 | — | 37,205 |
| Market value adjustments for securities | — | (734) | (734) |
| Total other comprehensive income (loss) | 37,205 | (734) | 36,471 |
| Balance as of September 30, 2016 | \$(138,446) | \$ — | \$(138,446) |

i. Other Expense (Income), Net

Other expense (income), net for the three and nine months ended September 30, 2015 and 2016 are as follows:

| | Three Months Ended September 30, 2015 2016 | | Nine Months Ended September 30, 2015 2016 | |
|--|---|----------|--|----------|
| Foreign currency transaction losses (gains), net | \$32,539 | \$10,685 | \$56,461 | \$15,336 |
| Debt extinguishment expense | 2,156 | — | 2,156 | 9,283 |
| Other, net | 551 | 12,617 | 982 | 12,387 |
| | \$35,246 | \$23,302 | \$59,599 | \$37,006 |

Other, net for the three and nine months ended September 30, 2016 includes a charge of \$14,000 associated with the anticipated loss on disposal of the Australia Divestment Business. As disclosed in Note 10, we have determined that the Australia Divestment Business met the criteria to be reported as held for sale beginning in the second quarter of 2016. Accordingly, the Australia Divestment Business is reflected in our Consolidated Balance Sheet at the lower of its carrying value or its fair value (less costs to sell). This charge represents the excess of the carrying value of the Australia Divestment Business compared to its fair value (less costs to sell) as of September 30, 2016, based upon the sale price of the business described more fully in Note 13.

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

During the three and nine months ended September 30, 2015, we capitalized \$6,844 and \$19,279 of costs, respectively, associated with the development of internal use computer software projects. During the three and nine months ended September 30, 2016, we capitalized \$3,601 and \$12,139 of costs, respectively, associated with the development of internal use computer software projects.

Consolidated (gain) loss on disposal/write-down of property, plant and equipment (excluding real estate), net for the three and nine months ended September 30, 2015 was \$(141) and \$707, respectively. Losses in the nine months ended September 30, 2015 consisted primarily of the write-off of certain property associated with our North American Records and Information Management Business segment. Consolidated gains on disposal/write-down of property, plant and equipment (excluding real estate), net for the three and nine months ended September 30, 2016 was \$54 and \$1,131, respectively, which were primarily associated with the retirement of leased vehicles accounted for as capital lease assets within our North American Records and Information Management Business segment.

Consolidated gain on sale of real estate was \$850, net of tax of \$209, for the three and nine months ended September 30, 2015, which was associated with the sale of a building in the United Kingdom. Consolidated gain on sale of real estate for the three and nine months ended September 30, 2016 was \$325, net of tax of \$34, associated with the sale of

land in North America.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

k. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. Further disclosures will be required to provide a better understanding of revenue that has been recognized and revenue that is expected to be recognized in the future from existing contracts. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date ("ASU 2015-14"). ASU 2015-14 deferred the effective date of ASU 2014-09 for one year, making it 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. We are currently evaluating the impact ASU 2014-09 will have on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements Going Concern (Subtopic 205-40) ("ASU 2014-15"). ASU 2014-15 requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles of current United States auditing standards. Specifically, the amendments (1) provide a definition of the term "substantial doubt", (2) require an evaluation every reporting period, including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is still present, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). ASU 2014-15 is effective for us on January 1, 2017, with early adoption permitted. We will adopt ASU 2014-15 as of January 1, 2017. We do not believe that the adoption of ASU 2014-15 will have an impact on our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"). ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. We adopted ASU 2015-02 on January 1, 2016. The adoption of ASU 2015-02 did not impact our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). ASU No. 2015-17 eliminates the requirement for reporting entities to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, reporting entities will be required to classify all deferred tax assets and liabilities as noncurrent. The amendments in ASU 2015-17 may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. ASU 2015-17 is effective for us on January 1, 2017, with early adoption permitted. We are currently evaluating the impact ASU 2015-17 will have on our consolidated financial statements.

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. The pronouncement 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 do not believe that the adoption of ASU 2016-01 will have a material impact 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 are currently evaluating the impact ASU 2016-02 will have on our consolidated financial statements.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(2) Summary of Significant Accounting Policies (Continued)

In March 2016, the FASB issued ASU No. 2016-07, Simplifying the Transition to the Equity Method of Accounting ("ASU 2016-07"). ASU 2016-07 eliminates the requirement for a reporting entity to apply the equity method of accounting retrospectively when they obtain significant influence over a previously held investment. Furthermore, under ASU 2016-07, for any available-for-sale securities that become eligible for the equity method of accounting, the unrealized gain or loss recorded within other comprehensive income (loss) associated with the securities should be recognized in earnings at the date the investment initially qualifies for the use of the equity method. We adopted ASU 2016-07 on April 1, 2016. The adoption of ASU 2016-07 did not have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation-Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Under ASU 2016-09, income tax benefits and deficiencies are to be recognized as income tax expense or benefit in the statement of operations and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. Additionally, under ASU 2016-09, excess tax benefits should be classified along with other income tax cash flows as an operating activity. ASU 2016-09 will be effective for us on January 1, 2017, with early adoption permitted. We are currently evaluating the impact ASU 2016-09 will have on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). ASU 2016-15 addresses eight specific cash flow changes with the objective of reducing the existing diversity in the practice of how certain cash receipts and cash payments are presented and classified in the statement of cash flows. We adopted ASU 2016-15 during the third quarter of 2016. ASU 2016-15 did not have an impact on our consolidated financial statements.

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IRON MOUNTAIN INCORPORATED

NOTES TO 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 in Euros, British pounds sterling and Australian dollars. As of December 31, 2015 and September 30, 2016, however, we had no forward contracts outstanding.

Net cash (receipts) payments included in cash from operating activities related to settlements associated with foreign currency forward contracts for the three and nine months ended September 30, 2015 and 2016 are as follows:

| Three Months | Nine Months |
|---------------|---------------|
| Ended | Ended |
| September 30, | September 30, |
| 2015 | 2016 |

Net cash (receipts) payments \$(7,024) \$ —\$22,164 \$ —

(Gains) losses for our derivative instruments for the three and nine months ended September 30, 2015 and 2016 are as follows:

| | Amount of (Gain) Loss Recognized in Income on Derivatives | | | |
|--|---|--|---------------------------------------|-------------------|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | | | | |
| | | | | |
| Derivatives Not Designated as Hedging Instruments | Location of (Gain) Loss Recognized | | 2015 | |
| | in Income on Derivative Other expense (income), net | | 2016 | |
| Foreign exchange contracts | | | \$(301) | \$ —\$20,113 \$ — |

We have designated a portion of our previously outstanding 6³/₄% Notes and Euro denominated borrowings by IMI under our Revolving Credit Facility (discussed more fully in Note 5) as a hedge of net investment of certain of our Euro denominated subsidiaries. For the nine months ended September 30, 2015 and 2016, we designated, on average, 35,151 and 29,858 Euros, respectively, of the previously outstanding 6³/₄% Notes and Euro denominated borrowings by IMI under our Revolving Credit Facility as a hedge of net investment of certain of our Euro denominated subsidiaries. As a result, we recorded the following foreign exchange (losses) gains, 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 | Nine Months |
|--------------|---------------|
| Ended | Ended |
| September | September 30, |

| | | | | |
|---|--------|---------|---------|---------|
| | 30, | | | |
| | 2015 | 2016 | 2015 | 2016 |
| Foreign exchange (losses) gains | \$(85) | \$(313) | \$3,381 | \$(901) |
| Less: Tax (benefit) expense on foreign exchange (losses) gains | — | — | — | — |
| Foreign exchange (losses) gains, net of tax | \$(85) | \$(313) | \$3,381 | \$(901) |
| As of September 30, 2016, cumulative net gains of \$16,195, 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 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 2016 was primarily provided through borrowings under our Revolving Credit Facility and Bridge Facility (each as defined in Note 5), as well as cash and cash equivalents on-hand.

a. Acquisition of Recall

On May 2, 2016 (Sydney, Australia time), we completed the Recall Transaction. At the closing of the Recall Transaction, we paid approximately \$331,800 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 NYSE 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.

Regulatory Approvals

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, which are described below in greater detail, 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”).

See Note 10 for additional information regarding the Divestments, including the presentation of the Divestments in our Consolidated Balance Sheet as of September 30, 2016, our Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2016, respectively, and our Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2016, respectively.

Divestments and Management Pending Sales

i. United States

The DOJ’s approval of the Recall Transaction was subject to the following divestments being made by us following the closing of the Recall Transaction:

Recall’s records and information management facilities, including all associated tangible and intangible assets, in the following 13 United States cities: Buffalo, New York; Charlotte, North Carolina; Detroit, Michigan; Durham, North Carolina; Greenville/Spartanburg, South Carolina; Kansas City, Kansas/Missouri; Nashville, Tennessee; Pittsburgh, Pennsylvania; Raleigh, North Carolina; Richmond, Virginia; San Antonio, Texas; Tulsa, Oklahoma; and San Diego, California (the “Initial United States Divestments”); and

Recall’s records and information management facility in Seattle, Washington and certain of Recall’s records and information management facilities in Atlanta, Georgia, including in each case associated tangible and intangible assets (the “Seattle/Atlanta Divestments”).

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(4) Acquisitions (Continued)

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), and accordingly, we have recognized a non-trade receivable included in Other, a component of Other Assets, Net in our Consolidated Balance Sheet as of September 30, 2016 for this amount.

The assets subject to the Access Sale were acquired in the Recall Transaction and, therefore, the estimated fair value of the Access Contingent Consideration has been reflected in the allocation of the purchase price for Recall as a component of "Fair Value of Divestments". Our policy related to the recognition of contingent consideration (from a seller's perspective) is to recognize contingent consideration at its estimated fair value upon closing of the transaction. Our policy related to the subsequent measurement of contingent consideration (from a seller's perspective) is (i) to recognize contingent consideration in excess of our original estimate of fair value upon cash receipt of such consideration and (ii) to recognize any impairment of the contingent consideration compared to our original estimate in the period in which we determine such an impairment exists.

The Seattle/Atlanta Divestments will be effected by way of a sale of the tangible and intangible assets associated with the relevant facilities, which include warehouse space as well as customer contracts. We have agreed to place the assets and employees subject to the Seattle/Atlanta Divestments in a hold separate arrangement until the Seattle/Atlanta Divestments are completed.

In October 2016, we entered into an agreement with a potential buyer that provides for the sale of the Seattle/Atlanta Divestments and the Canadian Divestments (as described and defined below) to such potential buyer. This agreement remains subject to approval by the DOJ and the CCB as well as customary closing conditions and, therefore, we can provide no assurances that the DOJ and the CCB will approve the agreement, or that even with such approval that we will complete the sale on the terms agreed, or at all.

ii. Australia

The ACCC approved the Recall Transaction after accepting an undertaking from us pursuant to section 87B of the Australian Competition and Consumer Act 2010 (Cth) (the "ACCC Undertaking"). Pursuant to the ACCC Undertaking, we agreed to divest the majority of our Australian operations as they existed prior to the closing of the Recall Transaction by way of a share sale, which effectively involves the sale of our Australian business (as it existed prior to the closing of the Recall Transaction) other than our data management business throughout Australia and our records and information management business in the Northern Territory of Australia, except in relation to customers who have holdings in other Australian states or territories (the "Australia Divestment Business" and, with respect to the portion of our Australia business that is not subject to divestment, the "Australia Retained Business").

Pursuant to the ACCC Undertaking, any prospective purchaser of the Australia Divestment Business is subject to ACCC approval. On October 24, 2016, we received the requisite clearance from the ACCC to sell the Australia Divestment Business and, on October 31, 2016, we completed the sale of the Australia Divestment Business. See Note 13.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(4) Acquisitions (Continued)

iii. Canada

The CCB approved the Recall Transaction on the basis of the registration of a consent agreement with us pursuant to sections 92 and 105 of the Competition Act (R.S.C., 1985, c. C-34) (the “CCB Consent Agreement”). The CCB Consent Agreement requires us to divest the following assets:

Recall’s record and information management facilities, including associated tangible and intangible assets and employees, in Edmonton, Alberta and Montreal (Laval), Quebec and certain of Recall’s record and information management facilities, including all associated tangible and intangible assets and employees, in Calgary, Alberta and Toronto, Ontario, (the “Recall Canadian Divestments”); and
One of our records and information management facilities in Vancouver (Burnaby), British Columbia and one of our records and information management facilities in Ottawa, Ontario, including associated tangible and intangible assets and employees (the “Iron Mountain Canadian Divestments”).

The Recall Canadian Divestments and the Iron Mountain Canadian Divestments (or collectively, the “Canadian Divestments”) will be affected by way of a sale of only the tangible and intangible assets associated with the relevant facilities, which include warehouse space as well as customer contracts. Under the CCB Consent Agreement, the assets subject of the Canadian Divestments will be acquired by a single buyer to be approved by the Commissioner of Competition (the “Commissioner”).

Pursuant to the terms of the CCB Consent Agreement, in order to preserve the businesses of the Canadian Divestments, pending completion of a sale of the Canadian Divestments, we must maintain the economic viability and marketability of the businesses of the Canadian Divestments, and we are required to hold the Recall Canadian Divestments separate from those of our other operations. In addition, the business of the Recall Canadian Divestments is being managed by an independent manager selected by us and approved by the Commissioner.

In October 2016, we entered into an agreement with a potential buyer that provides for the sale of the Seattle/Atlanta Divestments and the Canadian Divestments to such potential buyer. This agreement remains subject to approval by the DOJ and the CCB as well as customary closing conditions and, therefore, we can provide no assurances that the DOJ and the CCB will approve the agreement, or that even with such approval that we will complete the sale, on the terms agreed or at all.

iv. United Kingdom

In January 2016, the CMA referred the Recall Transaction for further investigation and report by a group of CMA panel members who were responsible for determining whether the Recall Transaction would result in a substantial lessening of competition within the relevant United Kingdom markets (the “CMA Review”). On March 30, 2016, the CMA announced its conditional consent for the Recall Transaction prior to the CMA’s issuance of its final decision following the CMA Review (the “CMA Consent”). On June 16, 2016, the CMA completed the CMA Review and published its findings. The findings concluded that the Recall Transaction is not expected to result in any substantial lessening of competition outside of North East Scotland, but that the Recall Transaction may result in a substantial lessening of competition in the supply of records management and information management services (including records management and physical offsite data protection services) in the Aberdeen and Dundee areas of Scotland (the “Scotland Affected Areas”). As a result of the CMA’s decision, we will divest Recall’s record and information

management facilities, including associated tangible and intangible assets and employees, in the Scotland Affected Areas (the “UK Divestments”).

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(4) Acquisitions (Continued)

Pursuant to the CMA Consent, in order to preserve the business of the UK Divestments, pending completion of the sale of the UK Divestments, we must maintain the economic viability and marketability of the business of the UK Divestments, and we are required to hold the UK Divestments separate from those of our other operations. In addition, the CMA concluded that a monitoring trustee should be appointed, at our sole expense and subject to CMA approval, to monitor compliance with the CMA's findings and to ensure a prompt sale of the UK Divestments. We are in discussions with potential buyers for the UK Divestments. Aside from the CMA's eventual approval of the purchaser of the UK Divestments, this decision marks the completion of the CMA Review.

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 leases), stock-based compensation and related tax effects. Through September 30, 2016, we and Recall have collectively incurred \$137,652 of operating expenditures to complete the Recall Transaction (including advisory and professional fees and costs to complete the Divestments required in connection with receipt of regulatory approval 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.

The Pro Forma Financial Information, for all periods presented, exclude 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. 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 for all periods presented, as these businesses do not qualify for discontinued operations. The Australia Divestment Business and the Iron Mountain Canadian Divestments, collectively, represent \$23,317 and \$50,759 of total revenues and \$3,595 and \$5,146 of total income from continuing operations for the three and nine months ended September 30, 2015, respectively, and \$15,803 and \$42,954 of total revenues and \$1,986 and \$2,741 of total income from continuing operations for the three and nine months ended September 30, 2016, respectively.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-----------|---------------------------------|-------------|
| | 2015 | 2016 | 2015 | 2016 |
| Total Revenues | \$927,622 | \$942,822 | \$2,811,211 | \$2,828,033 |
| Income (Loss) from Continuing Operations | \$14,530 | \$8,935 | \$(15,654) | \$89,036 |
| Per Share Income (Loss) from Continuing Operations - Basic | \$0.05 | \$0.03 | \$(0.07) | \$0.33 |
| Per Share Income (Loss) from Continuing Operations - Diluted | \$0.05 | \$0.03 | \$(0.07) | \$0.33 |

The amount of revenue and earnings in our Consolidated Statements of Operations for the three and nine months ended September 30, 2016 related to Recall is impracticable for us to determine. Subsequent to the closing of the Recall Transaction, we began integrating Recall and our existing operations in order to achieve operational synergies. As a result, the revenue generated by Recall, as well as the underlying costs of sales and selling, general and administrative expenses to support Recall's business, are now integrated with the revenue we generate, as well as the costs of sales and selling, general and administrative expenses that supported our business, prior to the acquisition of Recall.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(4) Acquisitions (Continued)

In addition to our acquisition of Recall, we completed certain other acquisitions during 2016. The unaudited pro forma results of operations (including revenue and earnings) for the current and prior periods reflecting these acquisitions and certain acquisitions in 2015 are not presented due to the insignificant impact of these acquisitions on our consolidated results of operations.

b. Other 2016 Acquisitions

In March 2016, we acquired a controlling interest in Docufile Holdings Proprietary Limited ("Docufile"), a storage and records management company with operations in South Africa, for approximately \$15,000. The acquisition of Docufile represents our entrance into Africa.

In March 2016, in order to expand our presence in the Baltic region, we acquired the stock of Archyvu Sistemas, a storage and records management company with operations in Lithuania, Latvia and Estonia, for approximately \$5,100.

In August 2016, we reached an agreement in principle under a non-binding memorandum of understanding to acquire the information management operations of Santa Fe Group A/S ("Santa Fe") in ten regions within Europe and Asia (the "Santa Fe Transaction") for approximately 27,000 Euro, or approximately \$30,300, based upon the exchange rate between the United States dollar and the Euro as of September 30, 2016. Santa Fe operates its information management business in Spain, India, Hong Kong, Macau, Indonesia, the Philippines, Singapore, Malaysia, South Korea and Taiwan. The memorandum of understanding between us and Santa Fe is non-binding and any binding agreement we enter into with Santa Fe will be subject to closing conditions; accordingly, we can provide no assurance that we will complete this acquisition, that the acquisition will not be delayed or that the terms of the acquisition will not change.

A summary of the cumulative consideration paid and the preliminary allocation of the purchase price paid for all of our 2016 acquisitions is as follows:

| | Recall | Other Fiscal 2016 Year Acquisitions (excluding Recall) | Total |
|---|-----------|--|-----------|
| Cash Paid (gross of cash acquired)(1) | \$331,834 | \$ 21,817 | \$353,651 |
| Fair Value of Common Stock Issued | 1,835,026 | — | 1,835,026 |
| Fair Value of Noncontrolling Interests | — | 3,506 | 3,506 |
| Total Consideration | 2,166,860 | 25,323 | 2,192,183 |
| Fair Value of Identifiable Assets Acquired: | | | |
| Cash | 76,531 | 567 | 77,098 |
| Accounts Receivable and Prepaid Expenses | 204,610 | 2,582 | 207,192 |
| Fair Value of Divestments(2) | 122,978 | — | 122,978 |
| Other Assets | 47,574 | 541 | 48,115 |
| Property, Plant and Equipment(3) | 677,509 | 8,409 | 685,918 |

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| | | | |
|--|-------------|-----------|--------------|
| Customer Relationship Intangible Assets(4) | 729,514 | 10,614 | 740,128 |
| Debt Assumed | (789,264 |) — | (789,264) |
| Accounts Payable, Accrued Expenses and Other Liabilities | (258,937 |) (8,450 |) (267,387) |
| Deferred Income Taxes | (184,590 |) (2,720 |) (187,310) |
| Total Fair Value of Identifiable Net Assets Acquired | 625,925 | 11,543 | 637,468 |
| Goodwill Initially Recorded(5) | \$1,540,935 | \$ 13,780 | \$1,554,715 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(4) Acquisitions (Continued)

Included in cash paid for acquisitions in the Consolidated Statement of Cash Flows for the nine months ended (1) September 30, 2016 is net cash acquired of \$77,098 and cash received of \$182 related to acquisitions made in previous years.

(2) Represents the fair value, less costs to sell, of the Initial United States Divestments, the Seattle/Atlanta Divestments, the Recall Canadian Divestments and the UK Divestments.

Consists primarily of buildings, racking structures, leasehold improvements and computer hardware and software. (3) These assets 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.

(4) The weighted average lives of customer relationship intangible assets associated with acquisitions in 2016 was 14 years, primarily related to the customer relationship intangible assets associated with the Recall Transaction.

The goodwill associated with Recall is primarily attributable to the assembled workforce, expanded market (5) opportunities and costs and other operating synergies anticipated upon the integration of the operations of us and Recall.

Allocations of the purchase price for acquisitions made in 2016 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. Assets and liabilities that were acquired and classified as held for sale immediately following the Recall Transaction were valued based on the estimated fair value of the divestment, less costs to sell. The preliminary purchase price allocations that are not finalized as of September 30, 2016 primarily relate to the final assessment of the fair values of intangible assets (primarily customer relationship intangible assets and trademarks), property, plant and equipment (primarily building and racking structures), operating leases, contingencies and income taxes (primarily deferred income taxes) associated with the Recall Transaction.

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 months ended September 30, 2016 were not material to our results from operations.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt

Long-term debt is as follows:

| | December 31, 2015 | | | |
|--|------------------------------------|---|--------------------|---------------|
| | Debt | Unamortized Deferred Financing Costs | Carrying Amount | Fair Value |
| Revolving Credit Facility(1) | \$784,438 | \$ (9,410) | \$775,028 | \$784,438 |
| Term Loan(1) | 243,750 | — | 243,750 | 243,750 |
| 6% Senior Notes due 2020 (the "6% Notes due 2020")(2)(3)(4) | 1,000,000 | (16,124) | 983,876 | 1,052,500 |
| 6 ¹ / ₈ % CAD Senior Notes due 2021 (the "CAD Notes due 2021")(2)(5) | 144,190 | (1,924) | 142,266 | 147,074 |
| 6 ¹ / ₈ % GBP Senior Notes due 2022 (the "GBP Notes")(2)(4)(6) | 592,140 | (8,757) | 583,383 | 606,944 |
| 6% Senior Notes due 2023 (the "6% Notes due 2023")(2)(3) | 600,000 | (8,420) | 591,580 | 618,000 |
| 5 ³ / ₄ % Senior Subordinated Notes due 2024 (the "5 ³ / ₄ % Notes")(2)(3) | 1,000,000 | (11,902) | 988,098 | 961,200 |
| Real Estate Mortgages, Capital Leases and Other(7) | 333,559 | (1,070) | 332,489 | 333,559 |
| Accounts Receivable Securitization Program(8) | 205,900 | (692) | 205,208 | 205,900 |
| Total Long-term Debt | 4,903,977 | (58,299) | 4,845,678 | |
| Less Current Portion | (88,068) | — | (88,068) | |
| Long-term Debt, Net of Current Portion | \$4,815,909 | \$ (58,299) | \$4,757,610 | |
| | September 30, 2016 | | | |
| | Debt (inclusive of discount) | Unamortized Deferred Financing Costs | Carrying Amount | Fair Value |
| Revolving Credit Facility(1) | \$1,240,761 | \$ (8,166) | \$1,232,595 | \$1,240,761 |
| Term Loan(1) | 234,375 | — | 234,375 | 234,375 |
| Australian Dollar Term Loan (the "AUD Term Loan")(9) | 188,967 | (3,713) | 185,254 | 190,876 |
| 6% Notes due 2020(2)(3)(4) | 1,000,000 | (13,578) | 986,422 | 1,055,000 |
| CAD Notes due 2021(2)(5) | 152,179 | (1,762) | 150,417 | 158,837 |
| 4 ³ / ₈ % Senior Notes due 2021 (the "4 ³ / ₈ % Notes")(2)(3)(4) | 500,000 | (8,051) | 491,949 | 515,000 |
| GBP Notes(2)(4)(6) | 518,808 | (6,816) | 511,992 | 544,748 |
| 6% Notes due 2023(2)(3) | 600,000 | (7,597) | 592,403 | 642,000 |
| 5 ³ / ₈ % CAD Senior Notes due 2023 (the "CAD Notes due 2023")(2)(4)(5) | 190,223 | (3,370) | 186,853 | 191,412 |
| 5 ³ / ₄ % Notes(2)(3) | 1,000,000 | (10,872) | 989,128 | 1,032,500 |
| 5 ³ / ₈ % Senior Notes due 2026 (the "5 ³ / ₈ % Notes")(2)(4)(10) | 250,000 | (4,159) | 245,841 | 249,375 |
| Real Estate Mortgages, Capital Leases and Other(7) | 444,772 | (1,113) | 443,659 | 444,772 |
| Accounts Receivable Securitization Program(8) | 208,800 | (461) | 208,339 | 208,800 |
| Total Long-term Debt | 6,528,885 | (69,658) | 6,459,227 | |
| Less Current Portion | (121,203) | — | (121,203) | |
| Long-term Debt, Net of Current Portion | \$6,407,682 | \$ (69,658) | \$6,338,024 | |

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IRON MOUNTAIN INCORPORATED

NOTES TO 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 these debt instruments, 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 (defined below). The fair value (Level 3 of fair value hierarchy described at Note 2.g.) of these debt instruments approximates the carrying value (as borrowings under these debt instruments are based on current variable market interest rates (plus a margin that is subject to change based on our consolidated leverage ratio)), as of December 31, 2015 and September 30, 2016, respectively.

(2) The fair values (Level 1 of fair value hierarchy described at Note 2.g.) of these debt instruments are based on quoted market prices for these notes on December 31, 2015 and September 30, 2016, respectively.

Collectively, the "Parent Notes." IMI is the direct obligor on the Parent Notes, which are fully and unconditionally guaranteed, on a senior or senior subordinated basis, as the case may be, by its direct and indirect 100% owned United States subsidiaries that represent the substantial majority of our United States operations (the "Guarantors"). These guarantees are joint and several obligations of the Guarantors. Canada Company, Iron Mountain Europe PLC ("IME"), the Special Purpose Subsidiaries (as defined below) and the remainder of our subsidiaries do not guarantee the Parent Notes. See Note 6.

The 6% Notes due 2020, the 4³/₈% Notes, the GBP Notes, the CAD Notes due 2023 and the 5³/₈% Notes (collectively, the "Unregistered Notes") have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or under the securities laws of any other jurisdiction. Unless they are registered, the Unregistered Notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction.

Canada Company is the direct obligor on the CAD Notes due 2021 and the CAD Notes due 2023 (collectively, the "CAD Notes"), which are fully and unconditionally guaranteed, on a senior basis, by IMI and the Guarantors. These guarantees are joint and several obligations of IMI and the Guarantors. See Note 6.

(6) IME is the direct obligor on the GBP Notes, which are fully and unconditionally guaranteed, on a senior basis, by IMI and the Guarantors. These guarantees are joint and several obligations of IMI and the Guarantors. See Note 6.

(7) We believe the fair value (Level 3 of fair value hierarchy described at Note 2.g.) of this debt approximates its carrying value.

(8) The Special Purpose Subsidiaries are the obligors under this program. We believe the fair value (Level 3 of fair value hierarchy described at Note 2.g.) of this debt approximates its carrying value.

The fair value (Level 3 of fair value hierarchy described at Note 2.g.) of this debt instrument approximates the carrying value as borrowings under this debt instrument are based on a current variable market interest rate. The amount of debt for the AUD Term Loan reflects an unamortized original issue discount of \$1,909 as of September 30, 2016.

(10) Iron Mountain US Holdings, Inc. ("IM US Holdings"), a 100% owned subsidiary of IMI and one of the Guarantors, is the direct obligor on the $5\frac{3}{8}\%$ Notes, which are fully and unconditionally guaranteed, on a senior basis, by IMI and the other Guarantors. These guarantees are joint and several obligations of IMI and such Guarantors. See Note 6.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt (Continued)

a. Credit Agreement

On July 2, 2015, we entered into a new credit agreement (the "Credit Agreement") to refinance our then existing credit agreement which consisted of a revolving credit facility (the "Former Revolving Credit Facility") and a term loan and was scheduled to terminate on June 27, 2016. The Credit Agreement consists of a revolving credit facility (the "Revolving Credit Facility") and a term loan (the "Term Loan"). We recorded a charge of \$2,156 to other expense (income), net in the third quarter of 2015 related to the refinancing of the Credit Agreement, representing a write-off of unamortized deferred financing costs.

On June 24, 2016, Iron Mountain Information Management, LLC ("IMIM") entered into a commitment increase supplement (the "Commitment Increase Supplement"), pursuant to which we increased the maximum amount permitted to be borrowed under the Revolving Credit Facility from \$1,500,000 to \$1,750,000. After entering into the Commitment Increase Supplement, the maximum amount available for borrowing under the Credit Agreement is \$2,000,000 (consisting of a Revolving Credit Facility of \$1,750,000 and a Term Loan of \$250,000). We continue to 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 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.

IMI and the Guarantors guarantee all obligations under the Credit Agreement. 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 September 30, 2016, we had \$1,240,761 and \$234,375 of outstanding borrowings under the Revolving Credit Facility and the Term Loan, respectively. Of the \$1,240,761 of outstanding borrowings under the Revolving Credit Facility, \$718,800 was denominated in United States dollars, 6,000 was denominated in Canadian dollars, 255,150 was denominated in Euros and 303,000 was denominated in Australian dollars. In addition, we also had various outstanding letters of credit totaling \$55,392. The remaining amount available for borrowing under the Revolving Credit Facility as of September 30, 2016, 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 \$453,847 (which amount represents the maximum availability as of such date). The average interest rate in effect under the Credit Agreement was 2.9% as of September 30, 2016. The average interest rate in effect under the Revolving Credit Facility was 2.9% and ranged from 2.3% to 4.8% as of September 30, 2016 and the interest rate in effect under the Term Loan as of September 30, 2016 was 2.8%.

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.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt (Continued)

Our leverage and fixed charge coverage ratios under the Credit Agreement as of December 31, 2015 and September 30, 2016, respectively, and our leverage ratio under our indentures as of December 31, 2015 and September 30, 2016, respectively, are as follows:

| | December 31, 2015 | September 30, 2016 | Maximum/Minimum Allowable |
|--|----------------------|-----------------------|---------------------------|
| Net total lease adjusted leverage ratio | 5.6 | 5.7 | Maximum allowable of 6.5 |
| Net secured debt lease adjusted leverage ratio | 2.6 | 2.6 | Maximum allowable of 4.0 |
| Bond leverage ratio (not lease adjusted) | 5.5 | 5.4 | Maximum allowable of 6.5 |
| Fixed charge coverage ratio | 2.4 | 2.5 | 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 is applicable 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.

Commitment fees and letters of credit fees, which are based on the unused balances under the Former Revolving Credit Facility, the Revolving Credit Facility and the Accounts Receivable Securitization Program (as defined below) for the three and nine months ended September 30, 2015 and 2016 are as follows:

| | Three Months Ended September 30, 2015 | | Nine Months Ended September 30, 2016 | |
|--|--|-------|---|---------|
| Commitment fees and letters of credit fees | \$883 | \$428 | \$2,741 | \$1,457 |

b. Bridge Facility

On April 19, 2016, in order to provide a portion of the financing necessary to close the Recall Transaction, we entered into a commitment letter with JPMorgan Chase Bank, N.A., as a lender and administrative agent, and the other lenders party thereto (the "Lenders"), pursuant to which the Lenders committed to provide us an unsecured bridge term loan facility of up to \$850,000 (the "Bridge Facility"). On April 29, 2016, we entered into a bridge credit agreement (the "Bridge Credit Agreement") with the Lenders and borrowed the full amount of the Bridge Facility. We used the proceeds from the Bridge Facility, together with borrowings under the Revolving Credit Facility, to finance a portion of the cost of the Recall Transaction, including refinancing Recall's existing indebtedness and to pay costs we incurred in connection with the Recall Transaction.

On May 31, 2016, we used the proceeds from the issuance of the 4 % Notes and the 5 % Notes, together with cash on hand and borrowings under the Revolving Credit Facility, to repay the Bridge Facility, and effective May 31, 2016, we terminated the commitments of the lenders under the Bridge Credit Agreement. We recorded a charge to other expense (income), net of \$9,283 during the second quarter of 2016 related to the early extinguishment of the Bridge Credit Agreement. This charge primarily consisted of the write-off of unamortized deferred financing costs.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt (Continued)

c. Issuance of 4³/₈% Notes, 5³/₈% Notes and CAD Notes due 2023

In May 2016, IMI completed a private offering of \$500,000 in aggregate principal amount of the 4³/₈% Notes and IM US Holdings completed a private offering of \$250,000 in aggregate principal amount of the 5³/₈% Notes. The 4³/₈% Notes and 5³/₈% Notes were issued at par. The aggregate net proceeds of \$738,750 from the 4³/₈% Notes and 5³/₈% Notes, after paying the initial purchasers' commissions, were used, together with cash on hand and borrowings under the Revolving Credit Facility, for the repayment of all outstanding borrowings under the Bridge Credit Agreement. On September 15, 2016, Canada Company completed a private offering of 250,000 Canadian dollars in aggregate principal amount of the CAD Notes due 2023. The CAD Notes due 2023 were issued at par. The aggregate net proceeds from the CAD Notes due 2023 of 246,250 Canadian dollars (or \$186,693, based upon the exchange rate between the Canadian dollar and the United States dollar on September 15, 2016 (the settlement date for the CAD Notes due 2023)), after paying the initial purchasers' commissions, were used to repay outstanding borrowings under the Revolving Credit Facility.

d. 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 on the Revolving Credit Facility in October 2016 and for general corporate purposes.

Principal payments on the AUD Term Loan are to be paid in quarterly installments in an amount equivalent to 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 borrowings under the AUD Term Loan is based upon BBSY (an Australian benchmark variable interest rate) plus 4.3%. As of September 30, 2016, we had 250,000 Australian dollars outstanding on the AUD Term Loan and the interest rate in effect under the AUD Term Loan was 6.1%.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(5) Debt (Continued)

e. 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 "Special Purpose Subsidiaries"). The Special Purpose Subsidiaries use the accounts receivable balances to collateralize loans obtained from certain financial institutions. The 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 Consolidated Balance Sheets, (ii) our 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 Consolidated Statements of Cash Flows. IMIM retains the responsibility of servicing the accounts receivable balances pledged as collateral in this transaction 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 September 30, 2016, the maximum availability allowed and amount outstanding under the Accounts Receivable Securitization Program was \$208,800. The interest rate in effect under the Accounts Receivable Securitization Program was 1.4% as of September 30, 2016. Commitment fees at a rate of 40 basis points are charged on amounts made available but not borrowed under the Accounts Receivable Securitization Program.

f. Cash Pooling

Subsequent to the closing of the Recall Transaction, certain of our international subsidiaries began participating in a cash pooling arrangement (the "Cash Pool") with Bank Mendes Gans ("BMG") in order to help manage global liquidity requirements. The Cash Pool allows participating subsidiaries to borrow funds from BMG against amounts held on deposit with BMG by other participating subsidiaries. The Cash Pool has a legal right of offset and, therefore, amounts are presented in our Consolidated Balance Sheet on a net basis. Each subsidiary receives interest on the cash balances held on deposit or pays interest on the amounts owed based on an applicable rate as defined in the Cash Pool agreement. At September 30, 2016, we had a net cash position of approximately \$18,900 (consisting of a gross cash position of approximately \$50,700 less outstanding borrowings of approximately \$31,800 by participating subsidiaries), which is reflected as cash and cash equivalents in the Consolidated Balance Sheet.

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IRON MOUNTAIN INCORPORATED

NOTES TO 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, 2015 and September 30, 2016 and for the three and nine months ended September 30, 2015 and 2016 and are prepared on the same basis as the consolidated financial statements.

The Parent Notes, the CAD Notes, GBP Notes and the 5³/₈% Notes are guaranteed by the subsidiaries referred to below as the Guarantors. These subsidiaries are 100% owned by IMI. 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 IM US Holdings. 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 and the Special Purpose Subsidiaries 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 Consolidated Balance Sheets and equity in the earnings (losses) of subsidiaries, net of tax in the below Consolidated Statements of Operations and Comprehensive (Loss) Income 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 (“Crozier”) 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, (i) the assets, liabilities and equity of the Crozier Entities are now reported in the Guarantor column of the accompanying Consolidated Balance Sheet as of September 30, 2016; (ii) the revenues and expenses of the Crozier Entities are now reported in the Guarantor column in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended September 30, 2016; and (iii) the cash flows of the Crozier Entities are now reported in the Guarantor column in the accompanying Consolidated Statement of Cash Flows for the nine months ended September 30, 2016. We have recast the accompanying Consolidated Balance Sheet as of December 31, 2015 to conform to the current period presentation of the Crozier Entities. We acquired Crozier in December 2015; therefore, the Crozier Merger had no impact on the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended September 30, 2015 and the accompanying Consolidated Statement of Cash Flows for the nine months ended September 30, 2015.

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IRON MOUNTAIN INCORPORATED

NOTES TO 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)

CONSOLIDATED BALANCE SHEETS

| | December 31, 2015 | | | | | |
|--|-------------------|--------------|----------------|----------------|-----------------|--------------|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Assets | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$ 151 | \$ 7,803 | \$ 13,182 | \$ 107,245 | \$ — | \$ 128,381 |
| Accounts receivable | — | 18,917 | 30,428 | 515,056 | — | 564,401 |
| Intercompany receivable | — | 1,038,141 | — | — | (1,038,141) | — |
| Other current assets | 898 | 107,235 | 2,305 | 54,721 | (29) | 165,130 |
| Total Current Assets | 1,049 | 1,172,096 | 45,915 | 677,022 | (1,038,170) | 857,912 |
| Property, Plant and Equipment, Net | 661 | 1,633,885 | 137,100 | 725,512 | — | 2,497,158 |
| Other Assets, Net: | | | | | | |
| Long-term notes receivable from affiliates and intercompany receivable | 3,325,005 | 1,869 | — | — | (3,326,874) | — |
| Investment in subsidiaries | 727,710 | 459,429 | 27,731 | 2,862 | (1,217,732) | — |
| Goodwill | — | 1,640,130 | 152,975 | 567,873 | — | 2,360,978 |
| Other | 623 | 414,407 | 22,637 | 196,872 | — | 634,539 |
| Total Other Assets, Net | 4,053,338 | 2,515,835 | 203,343 | 767,607 | (4,544,606) | 2,995,517 |
| Total Assets | \$ 4,055,048 | \$ 5,321,816 | \$ 386,358 | \$ 2,170,141 | \$ (5,582,776) | \$ 6,350,587 |
| Liabilities and Equity | | | | | | |
| Intercompany Payable | \$ 879,649 | \$ — | \$ 5,892 | \$ 152,600 | \$ (1,038,141) | \$ — |
| Current Portion of Long-Term Debt | — | 41,159 | — | 46,938 | (29) | 88,068 |
| Total Other Current Liabilities | 56,740 | 463,556 | 26,804 | 206,663 | — | 753,763 |
| Long-Term Debt, Net of Current Portion | 2,608,818 | 674,798 | 284,798 | 1,189,196 | — | 4,757,610 |
| Long-Term Notes Payable to Affiliates and Intercompany Payable | 1,000 | 3,325,005 | 869 | — | (3,326,874) | — |
| Other Long-term Liabilities | — | 119,454 | 37,402 | 65,683 | — | 222,539 |
| Commitments and Contingencies (See Note 8) | | | | | | |
| Total Iron Mountain Incorporated Stockholders' Equity | 508,841 | 697,844 | 30,593 | 489,295 | (1,217,732) | 508,841 |
| Noncontrolling Interests | — | — | — | 19,766 | — | 19,766 |
| Total Equity | 508,841 | 697,844 | 30,593 | 509,061 | (1,217,732) | 528,607 |
| Total Liabilities and Equity | \$ 4,055,048 | \$ 5,321,816 | \$ 386,358 | \$ 2,170,141 | \$ (5,582,776) | \$ 6,350,587 |

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IRON MOUNTAIN INCORPORATED

NOTES TO 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)

CONSOLIDATED BALANCE SHEETS (Continued)

September 30, 2016

| | Parent | Guarantors | Canada Company | Non- Guarantors | Eliminations | Consolidated |
|---|--------------|--------------|-------------------|--------------------|-----------------|--------------|
| Assets | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$ 1,710 | \$ 26,044 | \$ 14,792 | \$ 415,582 | \$— | \$ 458,128 |
| Accounts receivable | — | 94,358 | 38,707 | 567,173 | — | 700,238 |
| Intercompany receivable | 562,568 | 546,766 | — | — | (1,109,334) | — |
| Other current assets | — | 66,893 | 685 | 113,514 | (29) | 181,063 |
| Assets held for sale (see Note 10) | — | 22,429 | 25,533 | 79,950 | — | 127,912 |
| Total Current Assets | 564,278 | 756,490 | 79,717 | 1,176,219 | (1,109,363) | 1,467,341 |
| Property, Plant and Equipment, Net | 527 | 1,852,010 | 158,011 | 1,155,980 | — | 3,166,528 |
| Other Assets, Net: | | | | | | |
| Long-term notes receivable from affiliates and intercompany receivable | 3,948,530 | 1,000 | — | — | (3,949,530) | — |
| Investment in subsidiaries | 761,272 | 537,305 | 34,620 | 81,194 | (1,414,391) | — |
| Goodwill | — | 2,511,380 | 232,052 | 1,118,378 | — | 3,861,810 |
| Other | — | 829,635 | 54,148 | 525,454 | — | 1,409,237 |
| Total Other Assets, Net | 4,709,802 | 3,879,320 | 320,820 | 1,725,026 | (5,363,921) | 5,271,047 |
| Total Assets | \$ 5,274,607 | \$ 6,487,820 | \$ 558,548 | \$ 4,057,225 | \$ (6,473,284) | \$ 9,904,916 |
| Liabilities and Equity | | | | | | |
| Intercompany Payable | \$— | \$— | \$ 8,451 | \$ 1,100,883 | \$ (1,109,334) | \$— |
| Current Portion of Long-Term Debt | — | 46,749 | — | 74,483 | (29) | 121,203 |
| Total Other Current Liabilities | 55,378 | 495,255 | 32,535 | 300,387 | — | 883,555 |
| Liabilities held for sale (see Note 10) | — | — | — | 19,269 | — | 19,269 |
| Long-Term Debt, Net of Current Portion | 3,093,536 | 1,063,324 | 347,719 | 1,833,445 | — | 6,338,024 |
| Long-Term Notes Payable to Affiliates and Intercompany Payable | 1,000 | 3,948,530 | — | — | (3,949,530) | — |
| Other Long-term Liabilities | — | 159,109 | 54,029 | 179,473 | — | 392,611 |
| Commitments and Contingencies (See Note 8) | | | | | | |
| Total Iron Mountain Incorporated Stockholders' Equity | 2,124,693 | 774,853 | 115,814 | 523,724 | (1,414,391) | 2,124,693 |
| Noncontrolling Interests | — | — | — | 25,561 | — | 25,561 |
| Total Equity | 2,124,693 | 774,853 | 115,814 | 549,285 | (1,414,391) | 2,150,254 |
| Total Liabilities and Equity | \$ 5,274,607 | \$ 6,487,820 | \$ 558,548 | \$ 4,057,225 | \$ (6,473,284) | \$ 9,904,916 |

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IRON MOUNTAIN INCORPORATED

NOTES TO 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)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Three Months Ended September 30, 2015

| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
|--|----------|------------|----------------|----------------|--------------|--------------|
| Revenues: | | | | | | |
| Storage rental | \$— | \$308,336 | \$29,164 | \$122,552 | \$— | \$460,052 |
| Service | — | 181,230 | 14,558 | 90,689 | — | 286,477 |
| Intercompany service | — | 1,042 | — | 16,243 | (17,285) | — |
| Total Revenues | — | 490,608 | 43,722 | 229,484 | (17,285) | 746,529 |
| Operating Expenses: | | | | | | |
| Cost of sales (excluding depreciation and amortization) | — | 196,060 | 6,008 | 115,595 | — | 317,663 |
| Selling, general and administrative | 19 | 154,202 | 3,565 | 57,907 | — | 215,693 |
| Intercompany service charges | — | 3,257 | 12,986 | 1,042 | (17,285) | — |
| Depreciation and amortization | 45 | 56,145 | 3,089 | 27,213 | — | 86,492 |
| (Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net | — | (197) | 34 | 22 | — | (141) |
| Total Operating Expenses | 64 | 409,467 | 25,682 | 201,779 | (17,285) | 619,707 |
| Operating (Loss) Income | (64) | 81,141 | 18,040 | 27,705 | — | 126,822 |
| Interest Expense (Income), Net | 39,302 | (7,281) | 7,784 | 25,330 | — | 65,135 |
| Other Expense (Income), Net | 686 | 1,577 | (98) | 33,081 | — | 35,246 |
| (Loss) Income from Continuing Operations | | | | | | |
| Before (Benefit) Provision for Income Taxes and Gain on Real Estate | (40,052) | 86,845 | 10,354 | (30,706) | — | 26,441 |
| (Benefit) Provision for Income Taxes | — | (5,210) | 3,041 | 5,943 | — | 3,774 |
| Gain on Sale of Real Estate, Net of Tax | — | — | — | (850) | — | (850) |
| Equity in the (Earnings) Losses of Subsidiaries, Net of Tax | (63,162) | 28,343 | (605) | (7,313) | 42,737 | — |
| Net Income (Loss) | 23,110 | 63,712 | 7,918 | (28,486) | (42,737) | 23,517 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 407 | — | 407 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$23,110 | \$63,712 | \$7,918 | \$(28,893) | \$(42,737) | \$23,110 |
| Net Income (Loss) | \$23,110 | \$63,712 | \$7,918 | \$(28,486) | \$(42,737) | \$23,517 |
| Other Comprehensive Income (Loss): | | | | | | |
| Foreign Currency Translation Adjustments | (85) | — | (7,709) | (26,800) | — | (34,594) |
| Market Value Adjustments for Securities | — | (134) | — | — | — | (134) |
| Equity in Other Comprehensive (Loss) Income of Subsidiaries | (33,852) | (33,637) | (1,805) | (7,709) | 77,003 | — |
| Total Other Comprehensive (Loss) Income | (33,937) | (33,771) | (9,514) | (34,509) | 77,003 | (34,728) |
| Comprehensive (Loss) Income | (10,827) | 29,941 | (1,596) | (62,995) | 34,266 | (11,211) |
| | — | — | — | (384) | — | (384) |

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Comprehensive Income (Loss) Attributable to
Noncontrolling Interests

| | | | | | | |
|---|------------|----------|------------|-------------|----------|-------------|
| Comprehensive (Loss) Income Attributable to Iron Mountain Incorporated | \$(10,827) | \$29,941 | \$(1,596) | \$(62,611) | \$34,266 | \$(10,827) |
|---|------------|----------|------------|-------------|----------|-------------|

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IRON MOUNTAIN INCORPORATED

NOTES TO 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)

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

| | Three Months Ended September 30, 2016 | | | | | |
|--|---------------------------------------|------------|----------------|----------------|--------------|--------------|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Revenues: | | | | | | |
| Storage rental | \$— | \$347,174 | \$33,102 | \$196,189 | \$— | \$ 576,465 |
| Service | — | 212,640 | 16,344 | 137,373 | — | 366,357 |
| Intercompany service | — | 981 | — | 20,561 | (21,542) | — |
| Total Revenues | — | 560,795 | 49,446 | 354,123 | (21,542) | 942,822 |
| Operating Expenses: | | | | | | |
| Cost of sales (excluding depreciation and amortization) | — | 234,791 | 7,942 | 187,075 | — | 429,808 |
| Selling, general and administrative | 28 | 163,997 | 5,084 | 83,835 | — | 252,944 |
| Intercompany service charges | — | 4,104 | 16,457 | 981 | (21,542) | — |
| Depreciation and amortization | 45 | 73,284 | 4,266 | 47,075 | — | 124,670 |
| (Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net | — | 101 | — | (155) | — | (54) |
| Total Operating Expenses | 73 | 476,277 | 33,749 | 318,811 | (21,542) | 807,368 |
| Operating (Loss) Income | (73) | 84,518 | 15,697 | 35,312 | — | 135,454 |
| Interest Expense (Income), Net | 21,689 | (4,074) | 11,929 | 53,756 | — | 83,300 |
| Other Expense (Income), Net | (6,962) | 2,815 | 8,872 | 18,577 | — | 23,302 |
| (Loss) Income from Continuing Operations Before Provision (Benefit) for Income Taxes and Gain on Sale of Real Estate | (14,800) | 85,777 | (5,104) | (37,021) | — | 28,852 |
| Provision (Benefit) for Income Taxes | — | 22,326 | 786 | 306 | — | 23,418 |
| Gain on Sale of Real Estate, Net of Tax | — | (266) | (59) | — | — | (325) |
| Equity in the (Earnings) Losses of Subsidiaries, Net of Tax | (21,880) | 10,144 | (675) | 5,182 | 7,229 | — |
| (Loss) Income from Continuing Operations | 7,080 | 53,573 | (5,156) | (42,509) | (7,229) | 5,759 |
| Income (Loss) from Discontinued Operations, Net of Tax | — | 1,464 | 649 | (72) | — | 2,041 |
| Net (Loss) Income | 7,080 | 55,037 | (4,507) | (42,581) | (7,229) | 7,800 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 720 | — | 720 |
| Net (Loss) Income Attributable to Iron Mountain Incorporated | \$7,080 | \$55,037 | \$(4,507) | \$(43,301) | \$(7,229) | \$ 7,080 |
| Net (Loss) Income | \$7,080 | \$55,037 | \$(4,507) | \$(42,581) | \$(7,229) | \$ 7,800 |
| Other Comprehensive Income (Loss): | | | | | | |
| Foreign Currency Translation Adjustments | (313) | — | (2,803) | 14,420 | — | 11,304 |
| Equity in Other Comprehensive Income (Loss) of Subsidiaries | 11,156 | 12,378 | (152) | (2,803) | (20,579) | — |
| Total Other Comprehensive Income (Loss) | 10,843 | 12,378 | (2,955) | 11,617 | (20,579) | 11,304 |

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| | | | | | | |
|--|-----------|-----------|-------------|--------------|--------------|-----------|
| Comprehensive (Loss) Income | 17,923 | 67,415 | (7,462) | (30,964) | (27,808) | 19,104 |
| Comprehensive Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 1,181 | — | 1,181 |
| Comprehensive (Loss) Income Attributable to Iron Mountain Incorporated | \$ 17,923 | \$ 67,415 | \$ (7,462) | \$ (32,145) | \$ (27,808) | \$ 17,923 |

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IRON MOUNTAIN INCORPORATED

NOTES TO 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)

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

| | Nine Months Ended September 30, 2015 | | | | | |
|--|--------------------------------------|------------|----------------|----------------|--------------|--------------|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Revenues: | | | | | | |
| Storage rental | \$— | \$918,841 | \$90,836 | \$370,456 | \$— | \$1,380,133 |
| Service | — | 551,363 | 47,223 | 276,830 | — | 875,416 |
| Intercompany service | — | 2,449 | — | 54,788 | (57,237) | — |
| Total Revenues | — | 1,472,653 | 138,059 | 702,074 | (57,237) | 2,255,549 |
| Operating Expenses: | | | | | | |
| Cost of sales (excluding depreciation and amortization) | — | 588,801 | 19,815 | 356,984 | — | 965,600 |
| Selling, general and administrative | 116 | 435,445 | 11,527 | 180,904 | — | 627,992 |
| Intercompany service charges | — | 9,657 | 45,131 | 2,449 | (57,237) | — |
| Depreciation and amortization | 136 | 167,908 | 9,306 | 82,642 | — | 259,992 |
| Loss (Gain) on disposal/write-down of property, plant and equipment (excluding real estate), net | — | 565 | 34 | 108 | — | 707 |
| Total Operating Expenses | 252 | 1,202,376 | 85,813 | 623,087 | (57,237) | 1,854,291 |
| Operating (Loss) Income | (252) | 270,277 | 52,246 | 78,987 | — | 401,258 |
| Interest Expense (Income), Net | 117,694 | (20,373) | 24,329 | 74,470 | — | 196,120 |
| Other (Income) Expense, Net | (225) | 6,099 | (235) | 53,960 | — | 59,599 |
| (Loss) Income from Continuing Operations Before Provision (Benefit) for Income Taxes and Gain on Real Estate | (117,721) | 284,551 | 28,152 | (49,443) | — | 145,539 |
| Provision (Benefit) for Income Taxes | — | 3,455 | 10,900 | 12,771 | — | 27,126 |
| Gain on Sale of Real Estate, Net of Tax | — | — | — | (850) | — | (850) |
| Equity in the (Earnings) Losses of Subsidiaries, Net of Tax | (235,257) | 46,440 | (2,538) | (17,252) | 208,607 | — |
| Net Income (Loss) | 117,536 | 234,656 | 19,790 | (44,112) | (208,607) | 119,263 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 1,727 | — | 1,727 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$117,536 | \$234,656 | \$19,790 | \$(45,839) | \$(208,607) | \$117,536 |
| Net Income (Loss) | \$117,536 | \$234,656 | \$19,790 | \$(44,112) | \$(208,607) | \$119,263 |
| Other Comprehensive (Loss) Income: | | | | | | |
| Foreign Currency Translation Adjustments | 3,381 | — | (14,612) | (78,538) | — | (89,769) |
| Market Value Adjustments for Securities | — | (111) | — | — | — | (111) |
| Equity in Other Comprehensive (Loss) Income of Subsidiaries | (92,037) | (91,626) | (3,270) | (14,612) | 201,545 | — |
| Total Other Comprehensive (Loss) Income | (88,656) | (91,737) | (17,882) | (93,150) | 201,545 | (89,880) |
| Comprehensive Income (Loss) | 28,880 | 142,919 | 1,908 | (137,262) | (7,062) | 29,383 |
| | — | — | — | 503 | — | 503 |

Comprehensive Income (Loss) Attributable
to Noncontrolling Interests

| | | | | | | |
|---|----------|-----------|---------|-------------|-----------|------------|
| Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated | \$28,880 | \$142,919 | \$1,908 | \$(137,765) | \$(7,062) |) \$28,880 |
|---|----------|-----------|---------|-------------|-----------|------------|

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IRON MOUNTAIN INCORPORATED

NOTES TO 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)

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

Nine Months Ended September 30, 2016

| | Parent | Guarantors | Canada Company | Non- Guarantors | Eliminations | Consolidated |
|--|-----------|------------|-------------------|--------------------|---------------|--------------|
| Revenues: | | | | | | |
| Storage rental | \$— | \$995,206 | \$93,038 | \$488,114 | \$— | \$1,576,358 |
| Service | — | 604,414 | 47,893 | 348,595 | — | 1,000,902 |
| Intercompany service | — | 3,007 | — | 57,809 | (60,816) |) — |
| Total Revenues | — | 1,602,627 | 140,931 | 894,518 | (60,816) |) 2,577,260 |
| Operating Expenses: | | | | | | |
| Cost of sales (excluding depreciation and amortization) | — | 665,207 | 21,661 | 464,694 | — | 1,151,562 |
| Selling, general and administrative | 621 | 506,987 | 13,052 | 217,127 | — | 737,787 |
| Intercompany service charges | — | 11,267 | 46,542 | 3,007 | (60,816) |) — |
| Depreciation and amortization | 134 | 198,749 | 11,307 | 116,706 | — | 326,896 |
| (Gain) Loss on disposal/write-down of property, plant and equipment (excluding real estate), net | — | (1,311) |) 6 | 174 | — | (1,131) |
| Total Operating Expenses | 755 | 1,380,899 | 92,568 | 801,708 | (60,816) |) 2,215,114 |
| Operating (Loss) Income | (755) |) 221,728 | 48,363 | 92,810 | — | 362,146 |
| Interest Expense (Income), Net | 89,742 | (18,654) |) 33,311 | 120,829 | — | 225,228 |
| Other Expense (Income), Net | 44,769 | 6,987 | 8,916 | (23,666) |) — | 37,006 |
| (Loss) Income from Continuing Operations | | | | | | |
| Before Provision (Benefit) for Income Taxes and Gain on Sale of Real Estate | (135,266) | 233,395 | 6,136 | (4,353) |) — | 99,912 |
| Provision (Benefit) for Income Taxes | — | 39,327 | 4,826 | 2,004 | — | 46,157 |
| Gain on Sale of Real Estate, Net of Tax | — | (266) |) (59) |) — | — | (325) |
| Equity in the (Earnings) Losses of Subsidiaries, Net of Tax | (191,152) | (43,724) |) (3,361) |) (2,653) |) 240,890 | — |
| Income (Loss) from Continuing Operations | 55,886 | 238,058 | 4,730 | (3,704) |) (240,890) |) 54,080 |
| Income (Loss) from Discontinued Operations, Net of Tax | — | 2,354 | 1,284 | (10) |) — | 3,628 |
| Net Income (Loss) | 55,886 | 240,412 | 6,014 | (3,714) |) (240,890) |) 57,708 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 1,822 | — | 1,822 |
| Net Income (Loss) Attributable to Iron Mountain Incorporated | \$55,886 | \$240,412 | \$6,014 | \$(5,536) |) \$(240,890) |) \$55,886 |
| Net Income (Loss) | \$55,886 | \$240,412 | \$6,014 | \$(3,714) |) \$(240,890) |) \$57,708 |
| Other Comprehensive Income (Loss): | | | | | | |
| Foreign Currency Translation Adjustments | (901) |) — | (5,908) |) 44,880 | — | 38,071 |
| Market Value Adjustments for Securities | — | (734) |) — | — | — | (734) |
| Equity in Other Comprehensive Income (Loss) of Subsidiaries | 37,372 | 33,908 | 461 | (5,908) |) (65,833) |) — |

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| | | | | | | |
|--|----------|-----------|----------|----------|--------------|----------|
| Total Other Comprehensive Income (Loss) | 36,471 | 33,174 | (5,447) | 38,972 | (65,833) | 37,337 |
| Comprehensive Income (Loss) | 92,357 | 273,586 | 567 | 35,258 | (306,723) | 95,045 |
| Comprehensive Income (Loss) Attributable to Noncontrolling Interests | — | — | — | 2,688 | — | 2,688 |
| Comprehensive Income (Loss) Attributable to Iron Mountain Incorporated | \$92,357 | \$273,586 | \$567 | \$32,570 | \$(306,723) | \$92,357 |

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IRON MOUNTAIN INCORPORATED

NOTES TO 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)

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine Months Ended September 30, 2015 | | | | | |
|---|--------------------------------------|--------------|----------------|----------------|-------------|--------------|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Elimination | Consolidated |
| Cash Flows from Operating Activities: | | | | | | |
| Cash Flows from Operating Activities | \$(130,151) | \$365,002 | \$27,249 | \$57,995 | \$ — | \$ 320,095 |
| Cash Flows from Investing Activities: | | | | | | |
| Capital expenditures | — | (128,461) | (11,341) | (62,779) | — | (202,581) |
| Cash paid for acquisitions, net of cash acquired | — | (9,871) | (5,260) | (12,844) | — | (27,975) |
| Intercompany loans to subsidiaries | (290,254) | 136,995 | — | — | 153,259 | — |
| Investment in subsidiaries | (16,000) | (16,000) | — | — | 32,000 | — |
| Decrease in restricted cash | 33,860 | — | — | — | — | 33,860 |
| Acquisitions of customer relationships and customer inducements | — | (26,920) | (677) | (7,566) | — | (35,163) |
| Proceeds from sales of property and equipment and other, net (including real estate) | — | 475 | 32 | 1,525 | — | 2,032 |
| Cash Flows from Investing Activities | (272,394) | (43,782) | (17,246) | (81,664) | 185,259 | (229,827) |
| Cash Flows from Financing Activities: | | | | | | |
| Repayment of revolving credit and term loan facilities and other debt | — | (6,732,070) | (510,109) | (1,297,398) | — | (8,539,577) |
| Proceeds from revolving credit and term loan facilities and other debt | — | 6,169,400 | 507,741 | 1,465,302 | — | 8,142,443 |
| Net proceeds from sales of senior notes | 985,000 | — | — | — | — | 985,000 |
| Debt (repayment to) financing from and equity (distribution to) contribution from noncontrolling interests, net | — | — | — | (1,260) | — | (1,260) |
| Intercompany loans from parent | — | 298,690 | (636) | (144,795) | (153,259) | — |
| Equity contribution from parent | — | 16,000 | — | 16,000 | (32,000) | — |
| Parent cash dividends | (303,712) | — | — | — | — | (303,712) |
| Net proceeds (payments) associated with employee stock-based awards | 13,988 | — | — | — | — | 13,988 |
| Excess tax benefit (deficiency) from stock-based compensation | 323 | — | — | — | — | 323 |
| Payment of debt financing and stock issuance costs | (29) | (10,661) | — | (975) | — | (11,665) |
| Cash Flows from Financing Activities | 695,570 | (258,641) | (3,004) | 36,874 | (185,259) | 285,540 |
| Effect of exchange rates on cash and cash equivalents | — | (67) | (802) | (7,973) | — | (8,842) |
| Increase (Decrease) in cash and cash equivalents | 293,025 | 62,512 | 6,197 | 5,232 | — | 366,966 |
| Cash and cash equivalents, beginning of period | 2,399 | 4,713 | 4,979 | 113,842 | — | 125,933 |
| Cash and cash equivalents, end of period | \$295,424 | \$67,225 | \$11,176 | \$119,074 | \$ — | \$492,899 |

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IRON MOUNTAIN INCORPORATED

NOTES TO 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)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

| | Nine Months Ended September 30, 2016 | | | | | |
|---|--------------------------------------|-------------|----------------|----------------|--------------|--------------|
| | Parent | Guarantors | Canada Company | Non-Guarantors | Eliminations | Consolidated |
| Cash Flows from Operating Activities: | | | | | | |
| Cash Flows from Operating Activities—Continuing Operations | \$(122,725) | \$426,082 | \$31,171 | \$84,424 | \$ — | \$418,952 |
| Cash Flows from Operating Activities—Discontinued Operations | — | 2,213 | 1,443 | (16) | — | 3,640 |
| Cash Flows from Operating Activities | (122,725) | 428,295 | 32,614 | 84,408 | — | 422,592 |
| Cash Flows from Investing Activities: | | | | | | |
| Capital expenditures | — | (151,785) | (6,219) | (88,025) | — | (246,029) |
| Cash paid for acquisitions, net of cash acquired | — | 4,057 | (2,381) | (278,047) | — | (276,371) |
| Intercompany loans to subsidiaries | (11,220) | (183,281) | — | — | 194,501 | — |
| Investment in subsidiaries | (1,585) | (1,585) | — | — | 3,170 | — |
| Acquisitions of customer relationships and customer inducements | — | (32,989) | — | (7,866) | — | (40,855) |
| Net proceeds from divestments (see Note 10) | — | 53,950 | — | — | — | 53,950 |
| Proceeds from sales of property and equipment and other, net (including real estate) | — | 161 | — | 2,036 | — | 2,197 |
| Cash Flows from Investing Activities—Continuing Operations | (12,805) | (311,472) | (8,600) | (371,902) | 197,671 | (507,108) |
| Cash Flows from Investing Activities—Discontinued Operations | — | (12) | — | — | — | (12) |
| Cash Flows from Investing Activities | (12,805) | (311,484) | (8,600) | (371,902) | 197,671 | (507,120) |
| Cash Flows from Financing Activities: | | | | | | |
| Repayment of revolving credit, term loan and bridge facilities and other debt | (1,130,020) | (5,721,732) | (1,269,696) | (3,438,937) | — | (11,560,385) |
| Proceeds from revolving credit, term loan and bridge facilities and other debt | 1,116,995 | 5,366,524 | 1,130,193 | 3,813,677 | — | 11,427,389 |
| Net proceeds from sales of senior notes | 492,500 | 246,250 | 186,693 | — | — | 925,443 |
| Debt financing from (repayment to) and equity contribution from (distribution to) noncontrolling interests, net | — | — | — | (6) | — | (6) |
| Intercompany loans from parent | — | 13,303 | (67,169) | 248,367 | (194,501) | — |
| Equity contribution from parent | — | 1,585 | — | 1,585 | (3,170) | — |
| Parent cash dividends | (360,462) | — | — | — | — | (360,462) |
| Net proceeds (payments) associated with employee stock-based awards | 26,374 | — | — | — | — | 26,374 |
| Excess tax benefit (deficiency) from stock-based compensation | 91 | — | — | — | — | 91 |
| Payment of debt financing and stock issuance costs | (8,389) | (4,500) | (531) | (3,687) | — | (17,107) |

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| | | | | | | |
|--|---------|-----------|-----------|-----------|----------|-----------|
| Cash Flows from Financing Activities—Continuing Operations | 137,089 | (98,570) | (20,510) | 620,999 | (197,671 | 441,337 |
| Cash Flows from Financing Activities—Discontinued Operations | — | — | — | — | — | — |
| Cash Flows from Financing Activities | 137,089 | (98,570) | (20,510) | 620,999 | (197,671 | 441,337 |
| Effect of exchange rates on cash and cash equivalents | — | — | (1,894) | (25,168) | — | (27,062) |
| Increase (Decrease) in cash and cash equivalents | 1,559 | 18,241 | 1,610 | 308,337 | — | 329,747 |
| Cash and cash equivalents, beginning of period | 151 | 7,803 | 13,182 | 107,245 | — | 128,381 |
| Cash and cash equivalents, end of period | \$1,710 | \$26,044 | \$14,792 | \$415,582 | \$ — | \$458,128 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(7) Segment Information

During the fourth quarter of 2015, as a result of changes in the senior management of our business in Norway, we determined that our Norway operations are now being managed as a component of our Other International Business segment rather than as a component of our Western European Business segment. As a result of this change, previously reported segment information has been restated to conform to the current presentation. There were no changes to our operating segments or our reportable operating segments as a result of the Recall Transaction.

Our five reportable operating segments are described as follows:

North American Records and Information Management Business—provides records and information management services, including the storage of physical records, including media such as microfilm and microfiche, master audio and videotapes, film, X-rays and blueprints, including healthcare information services, vital records services, service and courier operations, and the collection, handling and disposal of sensitive documents for corporate customers (“Records Management”); information destruction services (“Destruction”); and DMS throughout the United States and Canada; as well as fulfillment services and technology escrow services in the United States.

North American Data Management Business—provides storage and rotation of backup computer media as part of corporate disaster recovery plans, including service and courier operations (“Data Protection & Recovery”); server and computer backup services; digital content repository systems to house, distribute, and archive key media assets; and storage, safeguarding and electronic or physical delivery of physical media of all types, primarily for entertainment and media industry clients, throughout the United States and Canada.

Western European Business—provides records and information management services, including Records Management, Data Protection & Recovery and DMS throughout Austria, Belgium, France, Germany, Ireland, Netherlands, Spain, Switzerland and the United Kingdom, as well as DMS in Sweden.

Other International Business—provides records and information management services throughout the remaining European countries in which we operate, Latin America, Asia Pacific and Africa, including Records Management, Data Protection & Recovery and DMS. Our European operations provide records and information management services, including Records Management, Data Protection & Recovery and DMS throughout the Czech Republic, Denmark, Finland, Greece, Hungary, Norway, Poland, Romania, Russia, Serbia, Slovakia, Turkey and Ukraine; Records Management and DMS in Estonia, Latvia and Lithuania; and Records Management in Sweden. Our Latin America operations provide records and information management services, including Records Management, Data Protection & Recovery, Destruction and DMS throughout Argentina, Brazil, Chile, Colombia, Mexico and Peru. Our Asia Pacific operations provide records and information management services, including Records Management, Data Protection & Recovery and DMS throughout Australia and New Zealand, with Records Management and Data Protection & Recovery also provided in certain markets in China, Hong Kong-SAR, India, Malaysia, Singapore, Taiwan and Thailand. Our African operations provide Records Management, Data Protection & Recovery, and DMS in South Africa.

Corporate and Other Business—primarily consists of our data center and fine art storage businesses in the United States, the primary product offerings of our Adjacent Businesses operating segment, as well as costs related to executive and staff functions, including finance, human resources and information technology, which benefit the enterprise as a whole. These costs are primarily related to the general management of these functions on a corporate level and the design and development of programs, policies and procedures that are then implemented in the individual segments, with each segment bearing its own cost of implementation. Our Corporate and Other Business segment also includes stock-based employee compensation expense associated with all Employee Stock-Based Awards.

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IRON MOUNTAIN INCORPORATED

NOTES TO 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 September 30, 2015 | | | | | | |
| Total Revenues | \$ 441,237 | \$ 97,385 | \$ 99,003 | \$ 103,327 | \$ 5,577 | \$ 746,529 |
| Depreciation and Amortization | 45,985 | 5,389 | 11,126 | 14,399 | 9,593 | 86,492 |
| Depreciation | 41,034 | 5,142 | 9,631 | 9,991 | 9,684 | 75,482 |
| Amortization | 4,951 | 247 | 1,495 | 4,408 | (91) | 11,010 |
| Adjusted OIBDA | 175,331 | 50,268 | 30,789 | 21,267 | (49,820) | 227,835 |
| Expenditures for Segment Assets | 42,670 | 1,891 | 7,138 | 17,809 | 10,934 | 80,442 |
| Capital Expenditures | 32,026 | 1,891 | 3,417 | 14,957 | 10,934 | 63,225 |
| Cash Paid (Received) for Acquisitions, Net of Cash Acquired | 3,986 | — | — | 2,275 | — | 6,261 |
| Acquisitions of Customer Relationships and Customer Inducements | 6,658 | — | 3,721 | 577 | — | 10,956 |
| For the Three Months Ended September 30, 2016 | | | | | | |
| Total Revenues | 499,977 | 107,477 | 122,785 | 197,084 | 15,499 | 942,822 |
| Depreciation and Amortization | 55,256 | 9,680 | 14,409 | 30,279 | 15,046 | 124,670 |
| Depreciation | 47,634 | 5,822 | 10,657 | 20,615 | 13,632 | 98,360 |
| Amortization | 7,622 | 3,858 | 3,752 | 9,664 | 1,414 | 26,310 |
| Adjusted OIBDA | 199,559 | 59,714 | 37,546 | 53,844 | (56,460) | 294,203 |
| Expenditures for Segment Assets | 48,135 | 9,391 | 13,057 | 16,320 | 19,388 | 106,291 |
| Capital Expenditures | 29,061 | 9,391 | 8,266 | 16,258 | 19,388 | 82,364 |
| Cash (Received) Paid for Acquisitions, Net of Cash Acquired | 17 | — | 225 | (424) | — | (182) |
| Acquisitions of Customer Relationships and Customer Inducements | 19,057 | — | 4,566 | 486 | — | 24,109 |
| As of and for the Nine Months Ended September 30, 2015 | | | | | | |
| Total Revenues | 1,332,811 | 294,220 | 296,337 | 317,378 | 14,803 | 2,255,549 |
| Depreciation and Amortization | 137,581 | 16,231 | 34,022 | 43,553 | 28,605 | 259,992 |
| Depreciation | 122,705 | 15,726 | 29,590 | 29,922 | 28,554 | 226,497 |
| Amortization | 14,876 | 505 | 4,432 | 13,631 | 51 | 33,495 |
| Adjusted OIBDA | 533,598 | 152,178 | 87,146 | 63,143 | (153,784) | 682,281 |
| Total Assets (1)(2) | 3,610,618 | 645,832 | 892,798 | 866,138 | 588,568 | 6,603,954 |
| Expenditures for Segment Assets | 129,512 | 15,879 | 19,676 | 61,111 | 39,541 | 265,719 |
| Capital Expenditures | 96,135 | 8,837 | 11,967 | 48,500 | 37,142 | 202,581 |

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| | | | | | | |
|--|-----------|---------|-----------|-----------|-----------|-----------|
| Cash Paid (Received) for Acquisitions, Net of Cash Acquired | 12,764 | (21 |) 2,510 | 10,323 | 2,399 | 27,975 |
| Acquisitions of Customer Relationships and Customer Inducements | 20,613 | 7,063 | 5,199 | 2,288 | — | 35,163 |
| As of and for the Nine Months Ended September 30, 2016 | | | | | | |
| Total Revenues | 1,426,128 | 307,090 | 334,859 | 464,094 | 45,089 | 2,577,260 |
| Depreciation and Amortization | 158,071 | 21,427 | 40,729 | 70,462 | 36,207 | 326,896 |
| Depreciation | 135,756 | 17,076 | 31,026 | 49,840 | 33,582 | 267,280 |
| Amortization | 22,315 | 4,351 | 9,703 | 20,622 | 2,625 | 59,616 |
| Adjusted OIBDA | 565,254 | 170,255 | 102,765 | 117,351 | (164,842) | 790,783 |
| Total Assets (1) | 5,021,015 | 867,181 | 1,231,580 | 2,134,678 | 650,462 | 9,904,916 |
| Expenditures for Segment Assets | 114,673 | 17,968 | 17,959 | 330,065 | 82,590 | 563,255 |
| Capital Expenditures | 85,883 | 16,520 | 18,303 | 43,800 | 81,523 | 246,029 |
| Cash (Received) Paid for Acquisitions, Net of Cash Acquired (3) | (2,659 |) (59 |) (6,878 |) 284,925 | 1,042 | 276,371 |
| Acquisitions of Customer Relationships and Customer Inducements | 31,449 | 1,507 | 6,534 | 1,340 | 25 | 40,855 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(7) Segment Information (Continued)

(1) Excludes all intercompany receivables or payables and investment in subsidiary balances.

During the fourth quarter of 2015, we adopted ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a reduction of the related debt liability rather than an asset. Total assets as of September 30, 2015 for the Western European Business, Other International Business and Corporate and Other Business segments have been reduced by \$9,215, \$548, and \$56,105, respectively, to reflect the adoption of ASU 2015-03.

Cash paid for acquisitions, net of cash acquired for the Other International Business segment for the nine months ended September 30, 2016 primarily consists of the cash component of the purchase price for the Recall 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 in Notes to Consolidated Financial Statements included in this Quarterly Report on Form 10-Q and in our Annual Report. Adjusted OIBDA for each segment is defined as operating income before depreciation, amortization, intangible impairments, (gain) loss on disposal/write-down of property, plant and equipment (excluding real estate), net, costs associated with our conversion to a REIT, excluding REIT compliance costs beginning January 1, 2014 which we expect to recur in future periods ("REIT Costs") and Recall Costs (as defined below) directly attributable to the segment. Internally, we use Adjusted OIBDA as the basis for evaluating the performance of, and allocating resources to, our operating segments.

A reconciliation of Adjusted OIBDA to income (loss) from continuing operations before provision (benefit) for income taxes and gain on sale of real estate is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|-----------|
| | 2015 | 2016 | 2015 | 2016 |
| Adjusted OIBDA | \$227,835 | \$294,203 | \$682,281 | \$790,783 |
| Less: Depreciation and Amortization | 86,492 | 124,670 | 259,992 | 326,896 |
| (Gain) Loss on Disposal/Write-Down of Property, Plant and Equipment (Excluding Real Estate), Net | (141) | (54) | 707 | (1,131) |
| Recall Costs(1) | 14,662 | 34,133 | 20,324 | 102,872 |
| Interest Expense, Net | 65,135 | 83,300 | 196,120 | 225,228 |
| Other Expense (Income), Net | 35,246 | 23,302 | 59,599 | 37,006 |
| Income (Loss) from Continuing Operations before Provision (Benefit) for Income Taxes and Gain on Sale of Real Estate | \$26,441 | \$28,852 | \$145,539 | \$99,912 |

Includes operating expenditures associated with our acquisition of Recall, including operating expenditures to complete the Recall Transaction, including advisory and professional fees and costs to complete the Divestments required in connection with receipt of regulatory approval and to provide transitional services required to support (1) the divested businesses during a transition period ("Recall Deal Close & Divestment Costs"), as well as operating expenditures to integrate Recall with our existing operations, including moving, severance, facility upgrade, REIT conversion and system upgrade costs ("Recall Integration Costs" and, collectively with Recall Deal Close & Divestment Costs, "Recall Costs").

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IRON MOUNTAIN INCORPORATED

NOTES TO 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. The matters described below represent our significant loss contingencies. We have evaluated each matter and, if both probable and estimable, 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 \$21,000 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 five customers. Four of those lawsuits have been settled and one, 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, remains pending. 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 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 are three pending customer-related lawsuits stemming from the fire, which are 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 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 against us. 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 2015 and in the first nine months of 2016, our board of directors declared the following dividends:

| Declaration Date | Dividend Per Share | Record Date | Total Amount | Payment Date |
|-------------------|--------------------------|--------------------|-----------------|--------------------|
| February 19, 2015 | \$ 0.4750 | March 6, 2015 | \$99,795 | March 20, 2015 |
| May 28, 2015 | 0.4750 | June 12, 2015 | 100,119 | June 26, 2015 |
| August 27, 2015 | 0.4750 | September 11, 2015 | 100,213 | September 30, 2015 |
| October 29, 2015 | 0.4850 | December 1, 2015 | 102,438 | December 15, 2015 |
| February 18, 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 |

(10) Divestments

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.

The assets and liabilities related to the Seattle/Atlanta Divestments, the Australia Divestment Business, the Canadian Divestments and the UK Divestments are included in our Consolidated Balance Sheet as of September 30, 2016. The assets and liabilities related to the Initial United States Divestments were sold to Access CIG in the Access Sale on May 4, 2016.

The following provides additional information regarding (a) the assets and liabilities related to the Seattle/Atlanta Divestments, the Australia Divestment Business, the Canadian Divestments and the UK Divestments (collectively, the "Divestments Held for Sale"), each of which are classified as held for sale on our Consolidated Balance Sheet beginning in the second quarter of 2016; and (b) the presentation of the Divestments in our Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2016, respectively, and our Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2016, respectively.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(10) Divestments (Continued)

a.Assets and Liabilities Held for Sale

We have concluded that, as of September 30, 2016, the assets and liabilities related to the Divestments Held for Sale meet the criteria to be reported as held for sale on our Consolidated Balance Sheet as of September 30, 2016.

Our assets and liabilities held for sale as of September 30, 2016 are comprised of the following:

| Description | Seattle/Atlanta Divestments | Australia Divestment Business | Recall Canadian Divestments | Iron Mountain Canadian Divestments | UK Divestments | Total |
|---|--------------------------------|-------------------------------------|-----------------------------------|---|-------------------|------------|
| Assets held for sale: | | | | | | |
| Accounts receivable | \$ — | \$ 8,508 | \$ — | \$ — | \$ — | \$8,508 |
| Deferred income taxes | — | 1,107 | — | — | — | 1,107 |
| Prepaid expenses and other | — | 613 | — | — | — | 613 |
| Property, plant and equipment, net | — | 24,253 | — | 1,641 | — | 25,894 |
| Goodwill | — | 27,130 | — | 3,288 | — | 30,418 |
| Estimated fair value of assets held for sale, less costs to sell | 22,429 | — | 20,642 | — | 3,507 | 46,578 |
| Customer relationships and customer inducements | — | 14,359 | — | — | — | 14,359 |
| Other | — | 435 | — | — | — | 435 |
| | \$ 22,429 | \$ 76,405 | \$ 20,642 | \$ 4,929 | \$ 3,507 | \$ 127,912 |
| Liabilities held for sale: | | | | | | |
| Accounts payable | \$ — | \$ 2,211 | \$ — | \$ — | \$ — | \$2,211 |
| Accrued expenses | — | 5,601 | — | — | — | 5,601 |
| Deferred revenue | — | 1,366 | — | — | — | 1,366 |
| Other long-term liabilities | — | 7,390 | — | — | — | 7,390 |
| Deferred rent | — | 2,701 | — | — | — | 2,701 |
| | \$ — | \$ 19,269 | \$ — | \$ — | \$ — | \$ 19,269 |

The assets and liabilities associated with the Seattle/Atlanta Divestments and the Canadian Divestments are included in our North American Records and Information Management Business segment. The assets and liabilities associated with the Australia Divestment Business are included in our Other International Business segment. The assets and liabilities associated with the UK Divestments are included in our Western European Business segment.

b.Presentation of Divestments in Consolidated Statements of Operations and Consolidated Statements of Cash Flows

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 in our Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2016, respectively, and in our Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2016, respectively, 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 the Iron Mountain Divestments are included as a component of income (loss) from continuing operations in our Consolidated

Statements of Operations for the three and nine months ended September 30, 2015 and 2016, respectively, and the cash flows associated with these businesses are included as a component of cash flows from continuing operations in our Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2016, respectively.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(10) Divestments (Continued)

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 for the three and nine months ended September 30, 2016 and in our Consolidated Statements of Cash Flows for the nine months ended September 30, 2016, respectively, 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.

The table below summarizes certain results of operations of the Recall Divestments:

| Description | Three Months Ended September 30, 2016 | | | |
|---|--|--------------------------------|-----------------------------------|----------------------------|
| | Initial United States Divestments(1) | Seattle/Atlanta Divestments | Recall Canadian Divestments | UK Divestments Total |
| Total Revenues | \$— | \$ 3,200 | \$ 2,977 | \$ 385) \$6,562 |
| Income (Loss) from Discontinued Operations Before Provision (Benefit) for Income Taxes | —1,534 | | 888 | (88) 2,334 |
| Provision (Benefit) for Income Taxes | —70 | | 239 | (16) 293 |
| Income (Loss) from Discontinued Operations, Net of Tax | \$— | \$ 1,464 | \$ 649 | \$ (72) \$2,041 |

| Description | Nine Months Ended September 30, 2016 | | | |
|---|--|--------------------------------|-----------------------------------|----------------------------|
| | Initial United States Divestments(1) | Seattle/Atlanta Divestments | Recall Canadian Divestments | UK Divestments Total |
| Total Revenues | \$— | \$ 5,010 | \$ 4,865 | \$ 696) \$10,571 |
| Income (Loss) from Discontinued Operations Before Provision (Benefit) for Income Taxes | —2,468 | | 1,755 | (13) 4,210 |
| Provision (Benefit) for Income Taxes | —114 | | 471 | (3) 582 |
| Income (Loss) from Discontinued Operations, Net of Tax | \$— | \$ 2,354 | \$ 1,284 | \$ (10) \$3,628 |

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 Consolidated Statements of Operations for the three and nine months ended September 30, 2016, respectively, and the cash flows (1) associated with the Initial United States Divestments are not included in our Consolidated Statement of Cash Flows for the nine months ended September 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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(11) Transformation Initiative

During the third quarter of 2015, we implemented a plan that calls for certain organizational realignments to reduce our overhead costs, particularly in our developed markets, in order to optimize our selling, general and administrative cost structure and to support investments to advance our growth strategy (the “Transformation Initiative”), which is expected to be completed by the end of 2017. As a result of the Transformation Initiative, we recorded a charge of \$9,080 for both the three and nine months ended September 30, 2015 and a charge of \$188 and \$6,007 for the three and nine months ended September 30, 2016, respectively, primarily related to employee severance and associated benefits. Costs included in the accompanying Consolidated Statements of Operations associated with the Transformation Initiative are as follows:

| | Three Months Ended September 30, 2015 | | Nine Months Ended September 30, 2016 | |
|---|--|-------|---|---------|
| Cost of sales (excluding depreciation and amortization) | \$— | \$— | \$— | \$— |
| Selling, general and administrative expenses | 9,080 | 188 | 9,080 | 6,007 |
| Total | \$9,080 | \$188 | \$9,080 | \$6,007 |

Costs recorded by segment associated with the Transformation Initiative are as follows:

| | Three Months Ended September 30, 2015 | | Nine Months Ended September 30, 2016 | |
|--|--|-------|---|---------|
| North American Records and Information Management Business | \$5,200 | \$40 | \$5,200 | \$2,329 |
| North American Data Management Business | 241 | — | 241 | 395 |
| Western European Business | 1,439 | — | 1,439 | 204 |
| Other International Business | — | — | — | — |
| Corporate and Other Business | 2,200 | 148 | 2,200 | 3,079 |
| Total | \$9,080 | \$188 | \$9,080 | \$6,007 |

Through September 30, 2016, we have recorded cumulative charges to our Consolidated Statements of Operations associated with the Transformation Initiative of \$16,174. As of September 30, 2016, we had accrued \$751 related to the Transformation Initiative. We expect that this liability will be paid throughout the remainder of 2016.

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(12) Recall Costs

We expect to incur approximately \$300,000 of Recall Costs, including approximately \$80,000 of Recall Deal Close & Divestment Costs, as well as approximately \$220,000 of Recall Integration Costs.

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

| | Recall Deal Close & Divestment Costs | | | |
|---|--------------------------------------|----------|-------------------|----------|
| | Three Months Ended | | Nine Months Ended | |
| | September 30, | | September 30, | |
| | 2015 | 2016 | 2015 | 2016 |
| Cost of sales (excluding depreciation and amortization) | \$— | \$— | \$— | \$— |
| Selling, general and administrative expenses | 14,662 | 3,861 | 20,324 | 35,938 |
| Total Recall Deal Close & Divestment Costs | \$14,662 | \$3,861 | \$20,324 | \$35,938 |
| | Recall Integration Costs | | | |
| | Three Months Ended | | Nine Months Ended | |
| | September 30, | | September 30, | |
| | 2015 | 2016 | 2015 | 2016 |
| Cost of sales (excluding depreciation and amortization) | \$— | \$4,457 | \$— | \$4,788 |
| Selling, general and administrative expenses | — | 25,815 | — | 62,146 |
| Total Recall Integration Costs | \$— | \$30,272 | \$— | \$66,934 |

Total Recall Costs \$14,662 \$34,133 \$20,324 \$102,872

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

| | Recall Deal Close & Divestment Costs | | | |
|--|--------------------------------------|---------|-------------------|----------|
| | Three Months Ended | | Nine Months Ended | |
| | September 30, | | September 30, | |
| | 2015 | 2016 | 2015 | 2016 |
| North American Records and Information Management Business | \$— | \$— | \$— | \$— |
| North American Data Management Business | — | — | — | — |
| Western European Business | — | — | — | — |
| Other International Business | — | — | — | — |
| Corporate and Other Business | 14,662 | 3,861 | 20,324 | 35,938 |
| Total Recall Deal Close & Divestment Costs | \$14,662 | \$3,861 | \$20,324 | \$35,938 |

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IRON MOUNTAIN INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In Thousands, Except Share and Per Share Data)

(Unaudited)

(12) Recall Costs (Continued)

| | Recall Integration Costs | | | |
|--|--------------------------|----------|---------------|----------|
| | Three Months | | Nine Months | |
| | Ended | | Ended | |
| | September 30, | | September 30, | |
| | 2015 | 2016 | 2015 | 2016 |
| North American Records and Information Management Business | \$— | \$4,989 | \$— | \$7,822 |
| North American Data Management Business | — | 1,578 | — | 2,095 |
| Western European Business | — | 7,483 | — | 11,613 |
| Other International Business | — | 5,638 | — | 11,586 |
| Corporate and Other Business | — | 10,584 | — | 33,818 |
| Total Recall Integration Costs | \$— | \$30,272 | \$— | \$66,934 |

Total Recall Costs \$14,662 \$34,133 \$20,324 \$102,872

As of September 30, 2016, we had accrued approximately \$25,555 of Recall Integration Costs, primarily related to employee severance costs. We expect that this liability will be paid throughout the remainder of 2016.

(13) Subsequent Events

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 Special Purpose Subsidiary"). The Mortgage Special Purpose Subsidiary then used the real estate to secure collateralized loans from Goldman Sachs. The Mortgage Special Purpose Subsidiary is a consolidated subsidiary of IMI. Borrowings under the Mortgage Securitization Program bear interest at 3.5%. The Mortgage Securitization Program is scheduled to terminate in November 2026. Proceeds from the Mortgage Securitization Program will be used to repay outstanding borrowings on the Revolving Credit Facility.

Australia Sale

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 "Buyers") 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), subject to adjustments. The purchase price 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 Buyers 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 purchase price for the Australia Sale is subject to certain adjustments, including a working capital adjustment and adjustments associated with customer attrition subsequent to the closing of the Australia Sale. We recorded a charge of \$14,000 associated with the anticipated loss on disposal of the Australia Divestment Business during the quarter ended September 30, 2016, representing the excess of the carrying value of the Australia Divestment Business compared to its fair value (less costs to sell) as of September 30, 2016, based upon the sale price described above.

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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 nine months ended September 30, 2016 should be read in conjunction with our Consolidated Financial Statements and Notes thereto for the three and nine months ended September 30, 2016, included herein, and for the year ended December 31, 2015, included in our Annual Report on Form 10-K filed with the United States Securities and Exchange Commission ("SEC") on February 26, 2016 (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 2016 consolidated internal revenue growth rate and capital expenditures, (3) statements made in relation to our acquisition of Recall Holdings Limited ("Recall") pursuant to the Scheme Implementation Deed, as amended, with Recall (the "Recall Transaction") including (i) the total cost to integrate the combined companies and (ii) the expected proceeds from the Divestments (as defined in Note 4 to Notes to Consolidated Financial Statements included in this Quarterly Report) associated with 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 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;
- our ability or inability to complete acquisitions on satisfactory terms and to integrate acquired companies efficiently;
- changes in the amount of our capital expenditures;
- changes in the cost of our debt;
- the impact of alternative, more attractive investments on dividends;
- the cost or potential liabilities associated with real estate necessary for our business;
- the performance of business partners upon whom we depend for technical assistance or management expertise outside the United States;
- changes in the valuation of records and information businesses which could impact the proceeds we will receive from the Divestments; and
- other trends in competitive or economic conditions affecting our financial condition or results of operations not presently contemplated.

You should not rely upon forward-looking statements except as statements of our present intentions and of our present expectations, which may or may not occur. You should read these cautionary statements as being applicable to all forward-looking statements wherever they appear. Except as required by law, we undertake no obligation to release

publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures we have made in this Quarterly Report, as well as our other periodic reports filed with the SEC including under "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 filed with the SEC on April 28, 2016 and in our Annual Report.

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Overview

The following discussions set forth, for the periods indicated, management's discussion and analysis of financial condition and results of operations. Significant trends and changes are discussed for the three and nine month periods ended September 30, 2016 within each section. Trends and changes that are consistent with the three and nine month periods are not repeated and are discussed on a year to date basis.

Recall Acquisition

On May 2, 2016 (Sydney, Australia time), we completed the Recall Transaction. At the closing of the Recall Transaction, we paid approximately \$331.8 million and issued approximately 50.2 million shares of our common stock which, based upon the closing price of our common stock as of April 29, 2016 (the last day of trading on the New York Stock Exchange (the "NYSE") prior to the closing of the Recall Transaction) of \$36.53 per share, resulted in a total purchase price to Recall shareholders of approximately \$2,166.9 million.

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. With respect to the acquisition of Recall, the results of operations of Recall have been included in our consolidated results from May 2, 2016. See Note 4 to Notes to Consolidated Financial Statements included in this Quarterly Report for unaudited pro forma results of operations for us and Recall, as if the Recall Transaction was completed on January 1, 2015, for the three and nine months ended September 30, 2015 and 2016, respectively.

We currently estimate total operating and capital expenditures associated with the Recall Transaction to be approximately \$380.0 million, the majority of which is expected to be incurred by the end of 2018. This amount consists of (i) approximately \$80.0 million of operating expenditures to complete the Recall Transaction, including advisory and professional fees and costs to complete the Divestments required in connection with receipt of regulatory approval and to provide transitional services required to support the divested businesses during a transition period ("Recall Deal Close & Divestment Costs"), (ii) approximately \$220.0 million of operating expenditures to integrate Recall with our existing operations, including moving, severance, facility upgrade, REIT conversion and system upgrade costs ("Recall Integration Costs" and, collectively with Recall Deal Close & Divestment Costs, "Recall Costs") and (iii) approximately \$80.0 million of capital expenditures to integrate Recall with our existing operations. From January 1, 2015 through September 30, 2016, we have incurred cumulative operating and capital expenditures associated with the Recall Transaction of \$156.9 million, including \$149.9 million of Recall Costs and \$7.0 million of capital expenditures.

See Note 12 to Notes to Consolidated Financial Statements included in this Quarterly Report for more information on Recall Costs, including costs recorded by segment as well as recorded between cost of sales and selling, general and administrative expenses.

Transformation Initiative

During the third quarter of 2015, we implemented a plan that calls for certain organizational realignments to reduce our overhead costs, particularly in our developed markets, in order to optimize our selling, general and administrative cost structure and to support investments to advance our growth strategy (the "Transformation Initiative"), which is expected to be completed by the end of 2017. As a result of the Transformation Initiative, we recorded a charge of \$0.2 million and \$6.0 million for the three and nine months ended September 30, 2016, respectively, and a charge of \$9.1 million for both the three and nine months ended September 30, 2015, primarily related to employee severance and associated benefits. See Note 11 to Notes to Consolidated Financial Statements included in this Quarterly Report for more information on costs related to the Transformation Initiative, including costs recorded by segment as well as between cost of sales and selling, general and administrative expenses.

As we quantify incremental costs associated with future Transformation Initiative actions to achieve our \$125.0 million cost reduction goal, we will disclose the relevant cost estimates and charges in the period that such actions are approved.

General

During the fourth quarter of 2015, as a result of changes in the senior management of our business in Norway, we determined that our Norway operations are now being managed as a component of our Other International Business

segment rather than as a component of our Western European Business segment. As a result of this change, previously reported segment information has been restated to conform to the current presentation. There were no changes to our operating segments or our reportable operating segments as a result of the Recall Transaction.

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Our revenues consist of storage rental revenues as well as service revenues and are reflected net of sales and value added taxes. Storage rental revenues, which are considered a key driver of financial performance for the storage and information management services industry, consist primarily of recurring periodic rental charges related to the storage of materials or data (generally on a per unit basis) that are typically retained by customers for many years and technology escrow services that protect and manage source code. Service revenues include charges for related service activities, which include: (1) the handling of records, including the addition of new records, temporary removal of records from storage, refiling of removed records and the destruction of records; (2) courier operations, consisting primarily of the pickup and delivery of records upon customer request; (3) secure shredding of sensitive documents and the related sale of recycled paper, the price of which can fluctuate from period to period; (4) other services, including document management solutions, which relate to physical and digital records, and project revenues; (5) customer termination and permanent removal fees; (6) data restoration projects; (7) special project work; (8) the storage, assembly and detailed reporting of customer marketing literature and delivery to sales offices, trade shows and prospective customers' sites based on current and prospective customer orders; (9) consulting services; and (10) technology services and product sales (including specially designed storage containers and related supplies). Our service revenue growth has been negatively impacted by declining activity rates as stored records are becoming less active. While customers continue to store their records with us, they are less likely than they have been in the past to retrieve records for research purposes, thereby reducing service activity levels.

Cost of sales (excluding depreciation and amortization) consists primarily of wages and benefits for field personnel, facility occupancy costs (including rent and utilities), transportation expenses (including vehicle leases and fuel), other product cost of sales and other equipment costs and supplies. Of these, wages and benefits and facility occupancy costs are the most significant. Selling, general and administrative expenses consist primarily of wages and benefits for management, administrative, information technology, sales, account management and marketing personnel, as well as expenses related to communications and data processing, travel, professional fees, bad debts, training, office equipment and supplies. Trends in facility occupancy costs are impacted by the total number of facilities we occupy, the mix of properties we own versus properties we occupy under operating leases, fluctuations in per square foot occupancy costs, and the levels of utilization of these properties. Trends in total wages and benefits in dollars and as a percentage of total consolidated revenue are influenced by changes in headcount and compensation levels, achievement of incentive compensation targets, workforce productivity and variability in costs associated with medical insurance and workers' compensation.

The expansion of our international businesses has impacted the major cost of sales components and selling, general and administrative expenses. Our international operations are more labor intensive than our operations in North America and, therefore, labor costs are a higher percentage of international segment revenue. In addition, the overhead structure of our expanding international operations has not achieved the same level of overhead leverage as our North American segments, which may result in an increase in selling, general and administrative expenses, as a percentage of consolidated revenue, as our international operations become a more meaningful percentage of our consolidated results.

Our depreciation and amortization charges result primarily from the capital-intensive nature of our business. The principal components of depreciation relate to storage systems, which include racking structures, building and leasehold improvements, computer systems hardware and software and buildings. Amortization relates primarily to customer relationship intangible assets. Both depreciation and amortization are impacted by the timing of acquisitions.

Our consolidated revenues and expenses are subject to variations caused by the net effect of foreign currency translation on revenues and expenses incurred by our entities outside the United States. It is difficult to predict the future fluctuations of foreign currency exchange rates and how those fluctuations will impact our Consolidated Statements of Operations. As a result of the relative size of our international operations, these fluctuations may be material on individual balances. Our revenues and expenses from our international operations are generally denominated in the local currency of the country in which they are derived or incurred. Therefore, the impact of

currency fluctuations on our operating income and operating margin is partially mitigated. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we compare the percentage change in the results from one period to another period in this report using constant currency presentation. The constant currency growth rates are calculated by translating the 2015 results at the 2016 average exchange rates. Constant currency growth rates are a non-GAAP measure.

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The following table is a comparison of underlying average exchange rates of the foreign currencies that had the most significant impact on our United States dollar-reported revenues and expenses:

| | Average Exchange Rates for the Three Months Ended September 30, 2015 2016 | | Percentage Strengthening / (Weakening) of Foreign Currency | |
|------------------------|---|---------|--|----|
| Australian dollar | \$0.726 | \$0.758 | 4.4 | % |
| Brazilian real | \$0.284 | \$0.308 | 8.5 | % |
| British pound sterling | \$1.549 | \$1.313 | (15.2 |)% |
| Canadian dollar | \$0.765 | \$0.767 | 0.3 | % |
| Euro | \$1.113 | \$1.116 | 0.3 | % |
| | Average Exchange Rates for the Nine Months Ended September 30, 2015 2016 | | Percentage Strengthening / (Weakening) of Foreign Currency | |
| Australian dollar | \$0.763 | \$0.742 | (2.8 |)% |
| Brazilian real | \$0.320 | \$0.283 | (11.6 |)% |
| British pound sterling | \$1.532 | \$1.393 | (9.1 |)% |
| Canadian dollar | \$0.795 | \$0.757 | (4.8 |)% |
| Euro | \$1.115 | \$1.116 | 0.1 | % |

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Non-GAAP Measures

Adjusted OIBDA

Adjusted OIBDA is defined as operating income before depreciation, amortization, intangible impairments, (gain) loss on disposal/write-down of property, plant and equipment (excluding real estate), net, Recall Costs and REIT Costs (as defined in Note 7 to Notes to Consolidated Financial Statements included in this Quarterly Report). Adjusted OIBDA does not include certain items that we believe are not indicative of our core operating results, specifically: (1) (gain) loss on disposal/write-down of property, plant and equipment (excluding real estate), net; (2) gain on sale of real estate, net of tax; (3) intangible impairments; (4) Recall Costs; (5) REIT Costs; (6) other expense (income), net; (7) income (loss) from discontinued operations, net of tax; (8) gain (loss) on sale of discontinued operations, net of tax; and (9) net income (loss) attributable to noncontrolling interests. Adjusted OIBDA Margin is calculated by dividing Adjusted OIBDA by total revenues. We use multiples of current or projected Adjusted OIBDA in conjunction with our discounted cash flow models to determine our estimated overall enterprise valuation and to evaluate acquisition targets. We believe Adjusted OIBDA and Adjusted OIBDA Margin provide our current and potential investors with relevant and useful information regarding our ability to generate cash flow to support business investment. These measures are an integral part of the internal reporting system we use to assess and evaluate the operating performance of our business.

Adjusted OIBDA also does not include interest expense, net and the provision (benefit) for income taxes. These expenses are associated with our capitalization and tax structures, which we do not consider when evaluating the operating profitability of our core operations. Finally, Adjusted OIBDA does not include depreciation and amortization expenses, in order to eliminate the impact of capital investments, which we evaluate by comparing capital expenditures to incremental revenue generated and as a percentage of total revenues. Adjusted OIBDA and Adjusted OIBDA Margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America ("GAAP"), such as operating or net income (loss) or cash flows from operating activities (as determined in accordance with GAAP).

Reconciliation of Operating Income to Adjusted OIBDA (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|-----------|
| | 2015 | 2016 | 2015 | 2016 |
| Operating Income | \$126,822 | \$135,454 | \$401,258 | \$362,146 |
| Add: Depreciation and Amortization | 86,492 | 124,670 | 259,992 | 326,896 |
| (Gain) Loss on Disposal/Write-Down of Property, Plant and Equipment (Excluding Real Estate), Net | (141) | (54) | 707 | (1,131) |
| Recall Costs | 14,662 | 34,133 | 20,324 | 102,872 |
| Adjusted OIBDA | \$227,835 | \$294,203 | \$682,281 | \$790,783 |

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Adjusted EPS

Adjusted EPS is defined as reported earnings per share from continuing operations excluding: (1) (gain) loss on disposal/write-down of property, plant and equipment (excluding real estate), net; (2) gain on sale of real estate, net of tax; (3) intangible impairments; (4) other expense (income), net; (5) Recall Costs; (6) REIT Costs; and (7) the tax impact of reconciling items and discrete tax items. Adjusted EPS includes income (loss) attributable to noncontrolling interests. We do not believe these excluded items to be indicative of our ongoing operating results, and they are not considered when we are forecasting our future results. We believe Adjusted EPS is of value to our current and potential investors when comparing our results from past, present and future periods.

Reconciliation of Reported EPS—Fully Diluted from Continuing Operations to Adjusted EPS—Fully Diluted from Continuing Operations:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|--------|---------------------------------|--------|
| | 2015 | 2016 | 2015 | 2016 |
| Reported EPS—Fully Diluted from Continuing Operations | \$0.11 | \$0.02 | \$0.56 | \$0.22 |
| Add: Income (Loss) Attributable to Noncontrolling Interests | — | — | — | — |
| (Gain) Loss on Disposal/Write-Down of Property, Plant and Equipment (Excluding Real Estate), Net | — | — | — | — |
| Gain on Sale of Real Estate, Net of Tax | — | — | — | — |
| Other Expense (Income), Net | 0.17 | 0.09 | 0.28 | 0.15 |
| Recall Costs | 0.07 | 0.13 | 0.10 | 0.43 |
| Tax Impact of Reconciling Items and Discrete Tax Items(1) | (0.04) | 0.03 | (0.05) | 0.01 |
| Adjusted EPS—Fully Diluted from Continuing Operations(2) | \$0.31 | \$0.27 | \$0.89 | \$0.80 |

The difference between our effective tax rate and our structural tax rate (or adjusted effective tax rate) for the three and nine months ended September 30, 2015 and 2016, respectively, is primarily due to (i) the reconciling items above, which impact our reported income (loss) from continuing operations before provision (benefit) for income taxes but have an insignificant impact on our reported provision (benefit) for income taxes and (ii) other discrete tax items. Our structural tax rate for purposes of the calculation of Adjusted EPS for the three and nine months ended September 30, 2015 and 2016 was 16.5% and 18.6%, respectively.

(2) Columns may not foot due to rounding.

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FFO (NAREIT) and FFO (Normalized)

Funds from operations ("FFO") is defined by the National Association of Real Estate Investment Trusts ("NAREIT") and us as net income excluding depreciation on real estate assets and gain on sale of real estate, net of tax ("FFO (NAREIT)"). FFO (NAREIT) does not give effect to real estate depreciation because these amounts are computed, under GAAP, to allocate the cost of a property over its useful life. Because values for well-maintained real estate assets have historically increased or decreased based upon prevailing market conditions, we believe that FFO (NAREIT) provides investors with a clearer view of our operating performance. Our most directly comparable GAAP measure to FFO (NAREIT) is net income. Although NAREIT has published a definition of FFO, modifications to FFO (NAREIT) are common among REITs as companies seek to provide financial measures that most meaningfully reflect their particular business. Our definition of FFO (Normalized) excludes certain items included in FFO (NAREIT) that we believe are not indicative of our core operating results, specifically: (1) (gain) loss on disposal/write-down of property, plant and equipment (excluding real estate), net; (2) intangible impairments; (3) other expense (income), net; (4) deferred income taxes and REIT tax adjustments; (5) Recall Costs; (6) REIT Costs; (7) income (loss) from discontinued operations, net of tax; and (8) gain (loss) on sale of discontinued operations, net of tax.

Reconciliation of Net Income (Loss) to FFO (NAREIT) and FFO (Normalized) (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|-----------|
| | 2015 | 2016 | 2015 | 2016 |
| Net Income (Loss) | \$23,517 | \$7,800 | \$119,263 | \$57,708 |
| Add: Real Estate Depreciation(1) | 44,896 | 61,655 | 134,454 | 165,037 |
| Gain on Sale of Real Estate, Net of Tax(2) | (850) | (325) | (850) | (325) |
| FFO (NAREIT) | 67,563 | 69,130 | 252,867 | 222,420 |
| Add: (Gain) Loss on Disposal/Write-Down of Property, Plant and Equipment (Excluding Real Estate), Net | (141) | (54) | 707 | (1,131) |
| Other Expense, Net(3) | 35,246 | 23,302 | 59,599 | 37,006 |
| Deferred Income Taxes and REIT Tax Adjustments(4) | (685) | (6,976) | (7,175) | (15,035) |
| Recall Costs | 14,662 | 34,133 | 20,324 | 102,872 |
| Income from Discontinued Operations, Net of Tax(5) | — | (2,041) | — | (3,628) |
| FFO (Normalized) | \$116,645 | \$117,494 | \$326,322 | \$342,504 |

(1) Includes depreciation expense related to real estate assets (land improvements, buildings, building improvements, leasehold improvements and racking).

(2) Net of tax provision of \$0.1 million for each of the three and nine months ended September 30, 2016 and \$0.2 million for each of the three and nine months ended September 30, 2015.

(3) Includes foreign currency transaction losses, net of \$10.7 million and \$15.3 million in the three and nine months ended September 30, 2016, respectively, and \$32.5 million and \$56.5 million in the three and nine months ended September 30, 2015, respectively.

(4) REIT tax adjustments primarily include the impact of the repatriation of foreign earnings and accounting method changes related to the REIT conversion (including the impact of amended tax returns).

(5) Net of tax provision of \$0.3 million and \$0.6 million for the three and nine months ended September 30, 2016, respectively.

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Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements and for the period then ended. On an ongoing basis, we evaluate the estimates used. We base our estimates on historical experience, actuarial estimates, current conditions and various other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. Our critical accounting policies include the following, which are listed in no particular order:

Revenue Recognition

Accounting for Acquisitions

Impairment of Tangible and Intangible Assets

Income Taxes

Further detail regarding our critical accounting policies can be found in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report, and the Consolidated Financial Statements and the Notes included therein. We have determined that no material changes concerning our critical accounting policies have occurred since December 31, 2015.

Recent Accounting Pronouncements

See Note 2.k. to Notes to Consolidated Financial Statements included in this Quarterly Report for a description of recently issued accounting pronouncements.

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Results of Operations

Comparison of three and nine months ended September 30, 2016 to three and nine months ended September 30, 2015
(in thousands):

| | Three Months Ended | | Dollar | Percentage | |
|---|--------------------|---------------|-------------|------------|---|
| | September 30, | September 30, | | | |
| | 2015 | 2016 | Change | Change | |
| Revenues | \$746,529 | \$942,822 | \$196,293 | 26.3 | % |
| Operating Expenses | 619,707 | 807,368 | 187,661 | 30.3 | % |
| Operating Income | 126,822 | 135,454 | 8,632 | 6.8 | % |
| Other Expenses, Net | 103,305 | 129,695 | 26,390 | 25.5 | % |
| Income from Continuing Operations | 23,517 | 5,759 | (17,758) | (75.5) | % |
| Income from Discontinued Operations, Net of Tax | — | 2,041 | 2,041 | 100.0 | % |
| Net Income | 23,517 | 7,800 | (15,717) | (66.8) | % |
| Net Income Attributable to Noncontrolling Interests | 407 | 720 | 313 | 76.9 | % |
| Net Income Attributable to Iron Mountain Incorporated | \$23,110 | \$7,080 | \$(16,030) | (69.4) | % |
| Adjusted OIBDA(1) | \$227,835 | \$294,203 | \$66,368 | 29.1 | % |
| Adjusted OIBDA Margin(1) | 30.5 | % 31.2 | % | | |
| | Nine Months Ended | | Dollar | Percentage | |
| | September 30, | September 30, | | | |
| | 2015 | 2016 | Change | Change | |
| Revenues | \$2,255,549 | \$2,577,260 | \$321,711 | 14.3 | % |
| Operating Expenses | 1,854,291 | 2,215,114 | 360,823 | 19.5 | % |
| Operating Income | 401,258 | 362,146 | (39,112) | (9.7) | % |
| Other Expenses, Net | 281,995 | 308,066 | 26,071 | 9.2 | % |
| Income from Continuing Operations | 119,263 | 54,080 | (65,183) | (54.7) | % |
| Income from Discontinued Operations, Net of Tax | — | 3,628 | 3,628 | 100.0 | % |
| Net Income | 119,263 | 57,708 | (61,555) | (51.6) | % |
| Net Income Attributable to Noncontrolling Interests | 1,727 | 1,822 | 95 | 5.5 | % |
| Net Income Attributable to Iron Mountain Incorporated | \$117,536 | \$55,886 | \$(61,650) | (52.5) | % |
| Adjusted OIBDA(1) | \$682,281 | \$790,783 | \$108,502 | 15.9 | % |
| Adjusted OIBDA Margin(1) | 30.2 | % 30.7 | % | | |

See "Non-GAAP Measures—Adjusted OIBDA" in this Quarterly Report for the definition, reconciliation and a (1) discussion of why we believe these measures provide relevant and useful information to our current and potential investors.

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REVENUES

Consolidated revenues consists of the following (in thousands):

| | Three Months Ended | | Dollar Change | Percentage Change | | | | |
|----------------|--------------------|--------------------|---------------|-------------------|----------------------|--------------------|--|--|
| | September 30, 2015 | September 30, 2016 | | Actual | Constant Currency(1) | Internal Growth(2) | | |
| Storage Rental | \$460,052 | \$576,465 | \$116,413 | 25.3% | 27.2% | 2.6% | | |
| Service | 286,477 | 366,357 | 79,880 | 27.9% | 29.9% | (0.5)% | | |
| Total Revenues | \$746,529 | \$942,822 | \$196,293 | 26.3% | 28.2% | 1.4% | | |
| | Nine Months Ended | | Dollar Change | Percentage Change | | | | |
| | September 30, 2015 | September 30, 2016 | | Actual | Constant Currency(1) | Internal Growth(2) | | |
| Storage Rental | \$1,380,133 | \$1,576,358 | \$196,225 | 14.2% | 16.9% | 2.3% | | |
| Service | 875,416 | 1,000,902 | 125,486 | 14.3% | 17.4% | (0.2)% | | |
| Total Revenues | \$2,255,549 | \$2,577,260 | \$321,711 | 14.3% | 17.1% | 1.3% | | |

(1) Constant currency growth rates are calculated by translating the 2015 results at the 2016 average exchange rates.

Our internal revenue growth rate, which is a non-GAAP measure, represents the weighted average year-over-year growth rate of our revenues excluding the impact of business acquisitions, divestitures and foreign currency exchange rate fluctuations. The revenues generated by Recall have been integrated with our existing revenues and

(2) it is impracticable for us to determine actual Recall revenue contribution. Therefore, our internal revenue growth rates exclude the impact of revenues associated with the Recall Transaction based upon forecasted or budgeted Recall revenues beginning in the third quarter of 2016. Our internal revenue growth rate includes the impact of acquisitions of customer relationships.

Consolidated storage rental revenues increased \$116.4 million, or 25.3%, to \$576.5 million and \$196.2 million, or 14.2%, to \$1,576.4 million for the three and nine months ended September 30, 2016, respectively, from \$460.1 million and \$1,380.1 million for the three and nine months ended September 30, 2015, respectively. In the three and nine months ended September 30, 2016, the net impact of acquisitions/divestitures and consolidated internal storage rental revenue growth were partially offset by unfavorable fluctuations in foreign currency exchange rates compared to the three and nine months ended September 30, 2015. The net impact of acquisitions/divestitures contributed 24.6% and 14.6% to the reported storage rental revenue growth rates for the three and nine months ended September 30, 2016, respectively, compared to the same prior year periods, driven primarily by our acquisition of Recall. Internal storage rental revenue growth of 2.3% in the nine months ended September 30, 2016 compared to the same prior year period was driven by sustained internal storage rental revenue growth of 0.7%, 1.7%, 0.8% and 9.9% in our North American Records and Information Management Business, North American Data Management Business, Western European Business and Other International Business segments, respectively. These increases were partially offset by the impact of foreign currency exchange rate fluctuations, which decreased our reported storage rental revenue growth rates for the three and nine months ended September 30, 2016 by 1.9% and 2.7%, respectively, compared to the same prior year periods. Global records management net volumes as of September 30, 2016 increased by 29.2% over the ending volume at September 30, 2015, supported by volume increases across each of our reportable operating segments, primarily associated with the acquisition of Recall.

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Consolidated service revenues increased \$79.9 million, or 27.9%, to \$366.4 million and \$125.5 million, or 14.3%, to \$1,000.9 million for the three and nine months ended September 30, 2016, respectively, from \$286.5 million and \$875.4 million for the three and nine months ended September 30, 2015, respectively. In the three and nine months ended September 30, 2016, the net impact of acquisitions/divestitures was partially offset by negative consolidated internal service revenue growth and unfavorable fluctuations in foreign currency exchange rates compared to the three and nine months ended September 30, 2015. The net impact of acquisitions/divestitures contributed 30.4% and 17.6% to the reported service revenue growth rates for the three and nine months ended September 30, 2016, respectively, compared to the same prior year periods, driven primarily by our acquisition of Recall. Internal service revenue growth was negative 0.5% and negative 0.2% for the three and nine months ended September 30, 2016, respectively, compared to the same prior year periods. The negative internal service revenue growth for the nine months ended September 30, 2016 reflects reduced retrieval/re-file activity and a related decrease in transportation revenues within our North American Records and Information Management Business and Western European Business segments, as well as continued declines in service revenue activity levels in our North American Data Management Business segment as the storage business becomes more archival in nature. In the North American Records and Information Management Business segment, the decline in service activities has begun to stabilize in recent periods, while service revenue declines in the Western European Business and the North American Data Management Business segments are reflecting more recent reductions in service activity levels. Foreign currency exchange rate fluctuations decreased our reported total service revenues by 2.0% and 3.1% for the three and nine months ended September 30, 2016, respectively, compared to the same prior year periods.

For the reasons stated above, our consolidated revenues increased \$196.3 million, or 26.3%, to \$942.8 million and \$321.7 million, or 14.3%, to \$2,577.3 million for the three and nine months ended September 30, 2016, respectively, from \$746.5 million and \$2,255.5 million for the three and nine months ended September 30, 2015, respectively. The net impact of acquisitions/divestitures contributed 26.8% and 15.8% to the reported consolidated revenue growth rates for the three and nine months ended September 30, 2016, respectively, compared to the same prior year periods, driven primarily by our acquisition of Recall. Consolidated internal revenue growth was 1.4% and 1.3% in the three and nine months ended September 30, 2016, respectively, compared to the same prior year periods. These increases were partially offset by the impact of foreign currency exchange rate fluctuations, which decreased our reported consolidated revenues by 1.9% and 2.8% in the three and nine months ended September 30, 2016, respectively, compared to the same prior year periods.

Internal Growth—Eight-Quarter Trend

| | 2014 | | | | 2015 | | | | 2016 | | | |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Fourth | First | Second | Third | Fourth | First | Second | Third | Fourth | First | Second | Third |
| | Quarter | Quarter | Quarter | Quarter | Quarter | Quarter | Quarter | Quarter | Quarter | Quarter | Quarter | Quarter |
| Storage Rental Revenue | 3.5 % | 3.0 % | 2.7 % | 2.8 % | 2.2 % | 2.2 % | 2.1 % | 2.6 % | | | | |
| Service Revenue | 2.3 % | (1.0)% | — % | (0.9)% | 0.3 % | 1.6% | (2.1)% | (0.5)% | | | | |
| Total Revenue | 3.0 % | 1.4 % | 1.6 % | 1.3 % | 1.4 % | 2.0% | 0.4 % | 1.4 % | | | | |

We expect our consolidated internal revenue growth rate for 2016 to be approximately 1.5% to 2.0%. During the past eight quarters, our internal storage rental revenue growth rate has ranged between 2.1% and 3.5%. Our internal storage rental revenue growth rates have been relatively stable over the past two fiscal years, as internal storage rental revenue growth for full year 2014 and 2015 were 2.2% and 2.7%, respectively. At various points in the economic cycle, internal storage rental revenue growth may be influenced by changes in pricing and volume. Within our international portfolio, the Western European Business segment is generating consistent low single-digit internal storage rental revenue growth, while the Other International Business segment is producing high single-digit internal storage rental revenue growth by capturing the first-time outsourcing trends for physical records storage and management in those markets. The internal growth rate for service revenue is inherently more volatile than the internal growth rate for storage rental revenues due to the more discretionary nature of certain services we offer, such as large special projects, and, as a commodity, the volatility of pricing for recycled paper. These revenues, which are often event-driven and

impacted to a greater extent by economic downturns as customers defer or cancel the purchase of certain services as a way to reduce their short-term costs, may be difficult to replicate in future periods. The internal growth rate for total service revenues over the past eight quarters reflects reduced retrieval/re-file activity and a related decrease in transportation revenues within our North American Records and Information Management Business and Western European Business segments, as well as continued service declines in service revenue activity levels in our North American Data Management Business segment as the storage business becomes more archival in nature.

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OPERATING EXPENSES

Cost of Sales

Consolidated cost of sales (excluding depreciation and amortization) consists of the following expenses (in thousands):

| | Three Months Ended | | Dollar Change | Percentage Change | | % of Consolidated Revenues | | Percentage Change | |
|---------------------------------|---------------------------------|--------------------|---------------|-------------------|-------------------|----------------------------|--------|-------------------------|--|
| | September 30, 2015 | September 30, 2016 | | Actual | Constant Currency | 2015 | 2016 | (Favorable)/Unfavorable | |
| Labor | \$158,905 | \$199,459 | \$40,554 | 25.5 % | 27.4 % | 21.3 % | 21.2 % | (0.1)% | |
| Facilities | 105,024 | 146,534 | 41,510 | 39.5 % | 42.0 % | 14.1 % | 15.5 % | 1.4 % | |
| Transportation | 24,958 | 38,337 | 13,379 | 53.6 % | 55.9 % | 3.3 % | 4.1 % | 0.8 % | |
| Product Cost of Sales and Other | 28,776 | 41,021 | 12,245 | 42.6 % | 45.2 % | 3.9 % | 4.4 % | 0.5 % | |
| Recall Costs | — | 4,457 | 4,457 | 100.0 % | 100.0 % | — % | 0.5 % | 0.5 % | |
| | \$317,663 | \$429,808 | \$112,145 | 35.3 % | 37.5 % | 42.6 % | 45.6 % | 3.0 % | |
| | Nine Months Ended September 30, | | Dollar Change | Percentage Change | | % of Consolidated Revenues | | Percentage Change | |
| | 2015 | 2016 | | Actual | Constant Currency | 2015 | 2016 | (Favorable)/Unfavorable | |
| Labor | \$484,389 | \$561,056 | \$76,667 | 15.8 % | 19.5 % | 21.5 % | 21.8 % | 0.3 % | |
| Facilities | 319,833 | 383,648 | 63,815 | 20.0 % | 23.4 % | 14.2 % | 14.9 % | 0.7 % | |
| Transportation | 75,310 | 96,812 | 21,502 | 28.6 % | 31.8 % | 3.3 % | 3.8 % | 0.5 % | |
| Product Cost of Sales and Other | 86,068 | 105,258 | 19,190 | 22.3 % | 26.2 % | 3.8 % | 4.1 % | 0.3 % | |
| Recall Costs | — | 4,788 | 4,788 | 100.0 % | 100.0 % | — % | 0.2 % | 0.2 % | |
| | \$965,600 | \$1,151,562 | \$185,962 | 19.3 % | 22.8 % | 42.8 % | 44.7 % | 1.9 % | |

Labor

Labor expenses decreased to 21.2% of consolidated revenues in the three months ended September 30, 2016 compared to 21.3% in the three months ended September 30, 2015. The decrease in labor expenses as a percentage of consolidated revenue was driven by a 121 basis point decrease in labor expenses associated with our North American Records and Information Management Business segment as a percentage of consolidated revenue (11.42% in the three months ended September 30, 2016 compared to 12.63% in the comparable prior year period), primarily associated with wages and benefits growing at a lower rate than revenue, partially offset by a 97 basis point increase in labor expenses associated with our Other International Business segment as a percentage of consolidated revenue (4.90% in the three months ended September 30, 2016 compared to 3.93% in the comparable prior year period), primarily associated with increased wages and benefits.

Labor expenses increased to 21.8% of consolidated revenues in the nine months ended September 30, 2016 compared to 21.5% in the nine months ended September 30, 2015. The increase in labor expenses as a percentage of consolidated revenue was driven by a 44 basis point increase in labor expenses associated with our Other International Business segment as a percentage of consolidated revenue (4.53% in the nine months ended September 30, 2016 compared to 4.09% in the comparable prior year period), primarily associated with increased wages, a 23 basis point increase in labor expenses associated with our Corporate and Other Business segment as a percentage of consolidated revenue (0.37% in the nine months ended September 30, 2016 compared to 0.14% in the comparable prior year period), primarily associated with the impact of recent acquisitions, as well as a 22 basis point increase in labor expenses associated with our Western European Business segment as a percentage of consolidated revenue (2.88% in the nine months ended September 30, 2016 compared to 2.66% in the comparable prior year period), primarily associated with increased wages and benefits. These increases were partially offset by a 48 basis point decrease in labor expenses associated with our North American Records and Information Management Business segment as a percentage of consolidated revenue (12.14% in the nine months ended September 30, 2016 compared to 12.62% in the comparable prior year period), primarily associated with wages and benefits growing at a lower rate than revenue. Labor expenses for the nine months ended September 30, 2016 increased by \$91.4 million, or 19.5%, on a constant

dollar basis compared to the same prior year period, primarily driven by our acquisition of Recall. Labor expenses were favorably impacted by 3.7 percentage points due to currency rate changes during the nine months ended September 30, 2016 compared to the same prior year period.

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Facilities

Facilities expenses increased to 14.9% of consolidated revenues in the nine months ended September 30, 2016 compared to 14.2% in the nine months ended September 30, 2015. The increase in facilities expenses as a percentage of consolidated revenues was driven by a 94 basis point increase in rent expense as a percentage of consolidated revenues (7.81% in the nine months ended September 30, 2016 compared to 6.87% in the comparable prior year period), partially offset by a 23 basis point decrease in other facilities costs as a percentage of consolidated revenues (7.08% in the nine months ended September 30, 2016 compared to 7.31% in the comparable prior year period). The increase in rent expense was primarily driven by the acquisition of Recall, as Recall's real estate portfolio contains a more significant proportion of leased facilities than our real estate portfolio as it existed prior to the closing of the Recall Transaction. We expect this trend in rent expense to continue through the first quarter of 2017. The decrease in other facilities costs was primarily driven by lower utilities and building maintenance costs associated with our North American Records and Information Management Business segment, as well as lower property taxes associated with our Western European Business segment. Facilities expenses for the nine months ended September 30, 2016 increased by \$72.8 million, or 23.4%, on a constant dollar basis compared to the same prior year period, primarily driven by our acquisition of Recall. Facilities expenses were favorably impacted by 3.4 percentage points due to currency rate changes during the nine months ended September 30, 2016 compared to the same prior year period.

Transportation

Transportation expenses increased to 3.8% of consolidated revenues in the nine months ended September 30, 2016 compared to 3.3% in the nine months ended September 30, 2015. The increase in transportation expenses as a percentage of consolidated revenues was driven by a 31 basis point increase in third party carrier costs (1.15% in the nine months ended September 30, 2016 compared to 0.84% in the comparable prior year period), primarily associated with our Other International Business segment, as well as a 14 basis point increase in vehicle lease and insurance costs (0.45% in the nine months ended September 30, 2016 compared to 0.31% in the comparable prior year period), primarily associated with our Western European Business segment. Transportation expenses for the nine months ended September 30, 2016 increased by \$23.3 million, or 31.8%, on a constant dollar basis compared to the same prior year period, primarily driven by our acquisition of Recall. Transportation expenses were favorably impacted by 3.2 percentage points due to currency rate changes during the nine months ended September 30, 2016 compared to the same prior year period.

Product Cost of Sales and Other

Product cost of sales and other, which includes cartons, media and other service, storage and supply costs, is highly correlated to service revenue streams, particularly project revenues, increased to 4.1% of consolidated revenues for the nine months ended September 30, 2016 compared to 3.8% in the nine months ended September 30, 2015. The increase in product cost of sales and other was driven by a 37 basis point increase in product cost of sales and other associated with our Other International Business segment (1.17% for the nine months ended September 30, 2016 compared to 0.80% in the comparable prior year period) driven by project costs. Product cost of sales and other increased by \$21.9 million, or 26.2%, on a constant dollar basis compared to the same prior year period, primarily driven by our acquisition of Recall. Product cost of sales and other were favorably impacted by 3.9 percentage points due to currency rate changes during the nine months ended September 30, 2016.

Recall Costs

Recall Costs included in cost of sales were \$4.8 million in the nine months ended September 30, 2016, and primarily consisted of employee severance costs.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses consists of the following expenses (in thousands):

| | Three Months Ended | | | Percentage Change | | % of Consolidated Revenues | | Percentage Change | |
|---------------------------------------|--------------------|--------------------|---------------|-------------------|-------------------|----------------------------|-------|-------------------------|---|
| | September 30, 2015 | September 30, 2016 | Dollar Change | Actual | Constant Currency | 2015 | 2016 | (Favorable)/Unfavorable | |
| General and Administrative | \$116,295 | \$128,250 | \$11,955 | 10.3 | % 12.4 | 15.6% | 13.6% | (2.0) | % |
| Sales, Marketing & Account Management | 54,079 | 60,572 | 6,493 | 12.0 | % 14.3 | 7.2 | 6.4 | (0.8) | % |
| Information Technology | 25,433 | 31,863 | 6,430 | 25.3 | % 27.6 | 3.4 | 3.4 | — | % |
| Bad Debt Expense | 5,224 | 2,583 | (2,641) | (50.6) | % (51.2) | 0.7 | 0.3 | (0.4) | % |
| Recall Costs | 14,662 | 29,676 | 15,014 | 102.4 | % 102.4 | 2.0 | 3.1 | 1.1 | % |
| | \$215,693 | \$252,944 | \$37,251 | 17.3 | % 19.3 | 28.9% | 26.8% | (2.1) | % |
| | Nine Months Ended | | | Percentage Change | | % of Consolidated Revenues | | Percentage Change | |
| | September 30, 2015 | September 30, 2016 | Dollar Change | Actual | Constant Currency | 2015 | 2016 | (Favorable)/Unfavorable | |
| General and Administrative | \$355,569 | \$371,654 | \$16,085 | 4.5 | % 7.2 | 15.8% | 14.4% | (1.4) | % |
| Sales, Marketing & Account Management | 160,959 | 175,332 | 14,373 | 8.9 | % 11.4 | 7.1 | 6.8 | (0.3) | % |
| Information Technology | 75,493 | 86,968 | 11,475 | 15.2 | % 18.0 | 3.3 | 3.4 | 0.1 | % |
| Bad Debt Expense | 15,647 | 5,749 | (9,898) | (63.3) | % (63.0) | 0.7 | 0.2 | (0.5) | % |
| Recall Costs | 20,324 | 98,084 | 77,760 | 382.6 | % 382.6 | 0.9 | 3.8 | 2.9 | % |
| | \$627,992 | \$737,787 | \$109,795 | 17.5 | % 20.3 | 27.8% | 28.6% | 0.8 | % |

General and Administrative

General and administrative expenses decreased to 14.4% of consolidated revenues during the nine months ended September 30, 2016 compared to 15.8% in the nine months ended September 30, 2015. The decrease in general and administrative expenses as a percentage of consolidated revenues was driven by a 52 basis point decrease in professional fees (1.30% in the nine months ended September 30, 2016 compared to 1.82% in the comparable prior year period), primarily associated with our North American Records and Information Management Business, Western European Business and Corporate and Other Business segments and a 36 basis point decrease in compensation expense (9.62% in the nine months ended September 30, 2016 compared to 9.98% in the comparable prior year period), primarily associated with wages and benefits growing at a lower rate than revenue, as well as a 26 basis point decrease in employee related expenses (1.12% in the nine months ended September 30, 2016 compared to 1.38% in the comparable prior year period), primarily due to decreased travel and entertainment expenses associated with our North American Records and Information Management Business segment. General and administrative expenses for the nine months ended September 30, 2016 increased by \$25.1 million, or 7.2%, on a constant dollar basis compared to the same prior year period, primarily driven by our acquisition of Recall. General and administrative expenses were favorably impacted by 2.7 percentage points due to currency rate changes during the nine months ended September 30, 2016.

Sales, Marketing & Account Management

Sales, marketing and account management expenses decreased to 6.8% of consolidated revenues during the nine months ended September 30, 2016 compared to 7.1% in the nine months ended September 30, 2015. The decrease in sales, marketing and account management expenses as a percentage of consolidated revenues was driven by a 36 basis point decrease in sales, marketing and account management expenses in our North American Records and Information Management Business segment (3.21% in the nine months ended September 30, 2016 compared to 3.57% in the comparable prior year period), primarily associated with compensation growing at a lower rate than revenue and lower professional fees. Sales, marketing and account management expenses for the nine months ended September 30, 2016 increased by \$17.9 million, or 11.4%, on a constant dollar basis compared to the same prior year period, primarily

driven by our acquisition of Recall. Sales, marketing and account management expenses were favorably impacted by 2.5 percentage points due to currency rate changes during the nine months ended September 30, 2016.

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Information Technology

Information technology expenses increased to 3.4% of consolidated revenues during the nine months ended September 30, 2016 compared to 3.3% in the nine months ended September 30, 2015. The increase in information technology expenses as a percentage of consolidated revenues was driven by a 16 basis point increase in information technology expenses associated with our Corporate and Other Business segment as a percentage of consolidated revenues (2.16% in the nine months ended September 30, 2016 compared to 2.00% in the comparable prior year period), primarily associated with increased software maintenance and license fees. Information technology expenses for the nine months ended September 30, 2016 increased by \$13.3 million, or 18.0%, on a constant dollar basis compared to the same prior year period, primarily driven by our acquisition of Recall. Information technology expenses were favorably impacted by 2.8 percentage points due to currency rate changes during the nine months ended September 30, 2016.

Bad Debt Expense

Consolidated bad debt expense for the nine months ended September 30, 2016 decreased to 0.2% of consolidated revenues during the nine months ended September 30, 2016 compared to 0.7% in the nine months ended September 30, 2015. Bad debt expenses for the nine months ended September 30, 2016 decreased by \$9.8 million, or 63.0%, on a constant dollar basis compared to the same prior year period. This decrease in bad debt expense was primarily driven by lower bad debt expense associated with our North American Records and Information Management Business segment. We maintain an allowance for doubtful accounts that is calculated based on our past loss experience, current and prior trends in our aged receivables, current economic conditions, and specific circumstances of individual receivable balances. We continue to monitor our customers' payment activity and make adjustments based on their financial condition and in light of historical and expected trends.

Recall Costs

Recall Costs included in selling, general and administrative expenses were \$98.1 million in the nine months ended September 30, 2016, and primarily consisted of advisory and professional fees, as well as severance and REIT conversion costs. Recall Costs included in selling, general and administrative expenses were \$20.3 million in the nine months ended September 30, 2015, and primarily consisted of advisory and professional fees.

Depreciation, Amortization, and (Gain) Loss on Disposal/Write-down of Property, Plant and Equipment (Excluding Real Estate), Net

Depreciation expense increased \$40.8 million, or 18.0%, on a reported dollar basis (\$45.5 million, or 20.5%, on a constant dollar basis) for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, primarily due to the increased depreciation of property, plant and equipment acquired in the Recall Transaction. In particular, the increase in depreciation expense was driven by (i) the depreciation of leasehold improvements acquired in the Recall Transaction, which are depreciated using the straight-line method over a period of the useful life of the leasehold improvements, 10 years or the life of the lease (whichever is shorter) and (ii) the depreciation of racking structures included in leased facilities acquired in the Recall Transaction, which are depreciated using the straight-line method over a period of the useful life of the racking structures, 20 years or the life of the lease (whichever is shorter). See Note 2.f. to Notes to Consolidated Financial Statements in our Annual Report for additional information regarding the useful lives over which our property, plant and equipment is depreciated. Amortization expense increased \$26.1 million, or 78.0%, on a reported dollar basis (\$27.4 million, or 84.9%, on a constant dollar basis) for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, primarily due to the increased amortization of customer relationship intangible assets acquired in the Recall Transaction, which are amortized over a weighted average useful life of 14 years.

Consolidated gain on disposal/write-down of property, plant and equipment (excluding real estate), net was \$1.1 million for the nine months ended September 30, 2016 and consisted primarily of gains associated with the retirement of leased vehicles accounted for as capital lease assets within our North American Records and Information Management Business segment. Consolidated loss on disposal/write-down of property, plant and equipment (excluding real estate), net was \$0.7 million for the nine months ended September 30, 2015 and consisted primarily of the write-off of certain property associated with our North American Records and Information Management Business segment.

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OPERATING INCOME AND ADJUSTED OIBDA (in thousands)

The following table reflects the effect of the foregoing factors on our consolidated operating income and Adjusted OIBDA:

| | Three Months Ended September 30, | | Dollar Change | Percentage Change | |
|--|-------------------------------------|-----------|------------------|----------------------|---|
| | 2015 | 2016 | | | |
| Operating Income | \$126,822 | \$135,454 | \$8,632 | 6.8 | % |
| Operating Income as a Percentage of Consolidated Revenue | 17.0 | % 14.4 | % | | |
| Adjusted OIBDA | 227,835 | 294,203 | 66,368 | 29.1 | % |
| Adjusted OIBDA Margin | 30.5 | % 31.2 | % | | |
| | Nine Months Ended September 30, | | Dollar Change | Percentage Change | |
| | 2015 | 2016 | | | |
| Operating Income | \$401,258 | \$362,146 | \$(39,112) | (9.7) | % |
| Operating Income as a Percentage of Consolidated Revenue | 17.8 | % 14.1 | % | | |
| Adjusted OIBDA | 682,281 | 790,783 | 108,502 | 15.9 | % |
| Adjusted OIBDA Margin | 30.2 | % 30.7 | % | | |

OTHER EXPENSES, NET

Interest Expense, Net

Consolidated interest expense, net increased \$18.2 million to \$83.3 million (8.8% of consolidated revenues) and \$29.1 million to \$225.2 million (8.7% of consolidated revenues) for the three and nine months ended September 30, 2016, respectively, from \$65.1 million (8.7% of consolidated revenues) and \$196.1 million (8.7% of consolidated revenues) for the three and nine months ended September 30, 2015, respectively, primarily due to (i) the issuance of \$1,000.0 million in aggregate principal amount of 6% Senior Notes due 2020 (the "6% Notes due 2020") by Iron Mountain Incorporated ("IMI") in September 2015, (ii) \$850.0 million of borrowings under the Bridge Facility (as defined below) during the second quarter of 2016, (iii) the issuance of \$500.0 million in aggregate principal amount of 4³/₈% Senior Notes due 2021 (the "4³/₈% Notes") by IMI in May 2016, (iv) the issuance of \$250.0 million in aggregate principal amount of 5³/₈% Senior Notes due 2026 (the "5³/₈% Notes") by Iron Mountain US Holdings, Inc. ("IM US Holdings") in May 2016 and (v) higher borrowings (on a weighted average basis) under the Credit Agreement (as defined below) during the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. This increase was partially offset by the redemption in October 2015 of (i) 255.0 million Euro aggregate principal outstanding of the 6³/₄% Euro Senior Subordinated Notes due 2018, (ii) \$400.0 million aggregate principal outstanding of the 7³/₄% Senior Subordinated Notes due 2019 and (iii) the remaining \$106.0 million aggregate principal outstanding of the 8³/₈% Senior Subordinated Notes due 2021. Our weighted average interest rate was 5.1% and 5.8% at September 30, 2016 and 2015, respectively.

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Other Expense (Income), Net (in thousands)

| | Three Months | | | Nine Months | | |
|--|---------------|----------|------------|---------------|----------|------------|
| | Ended | | Dollar | Ended | | Dollar |
| | September 30, | | Change | September 30, | | Change |
| | 2015 | 2016 | | 2015 | 2016 | |
| Foreign currency transaction losses (gains), net | \$32,539 | \$10,685 | \$(21,854) | \$56,461 | \$15,336 | \$(41,125) |
| Debt extinguishment expense | 2,156 | — | (2,156) | 2,156 | 9,283 | 7,127 |
| Other, net | 551 | 12,617 | 12,066 | 982 | 12,387 | 11,405 |
| | \$35,246 | \$23,302 | \$(11,944) | \$59,599 | \$37,006 | \$(22,593) |

We recorded net foreign currency transaction losses of \$15.3 million in the nine months ended September 30, 2016, based on period-end exchange rates. These losses resulted primarily from changes in the exchange rate of each of the Argentine peso and British pound sterling against the United States dollar compared to December 31, 2015, as these currencies relate to our intercompany balances with and between our Latin American and European subsidiaries, as well as Euro denominated borrowings by IMI under our Revolving Credit Facility (as defined below). These losses were partially offset by gains primarily from changes in the exchange rate of each of the Brazilian real, Euro and Russian ruble against the United States dollar compared to December 31, 2015, as these currencies relate to our intercompany balances with and between our Latin American and European subsidiaries.

We recorded net foreign currency transaction losses of \$56.5 million in the nine months ended September 30, 2015, based on period-end exchange rates. These losses resulted primarily from changes in the exchange rate of each of the Argentine peso, Brazilian real, Euro, Russian ruble and Ukrainian hryvnia against the United States dollar compared to December 31, 2014, as these currencies relate to our intercompany balances with and between our Latin American and European subsidiaries, as well as Euro forward contracts. These losses were partially offset by gains primarily from changes in the exchange rate of the British pound sterling as it relates to our intercompany balances with and between our European subsidiaries, and Euro denominated bonds issued by IMI.

We recorded a charge of approximately \$2.2 million in the third quarter of 2015 related to the refinancing of the Credit Agreement (as defined below), representing the write-off of unamortized deferred financing costs. We recorded a charge of approximately \$9.3 million in the second quarter of 2016 related to the termination of the Bridge Facility (as defined below), which primarily consists of the write-off of unamortized deferred financing costs.

Other, net for the three and nine months ended September 30, 2016 includes a charge of \$14.0 million associated with the anticipated loss on disposal of the Australia Divestment Business (as defined in Note 4 to Notes to Consolidated Financial Statements included in this Quarterly Report). As disclosed in Note 10 to Notes to Consolidated Financial Statements, we have determined that the Australia Divestment Business met the criteria to be reported as held for sale beginning in the second quarter of 2016. Accordingly, the Australia Divestment Business is reflected in our Consolidated Balance Sheet at the lower of its carrying value or its fair value (less costs to sell). This charge represents the excess of the carrying value of the Australia Divestment Business compared to its fair value (less costs to sell) as of September 30, 2016, based upon the sale price of the business described more fully in Note 13 to Notes to Consolidated Financial Statements. Other, net in the nine months ended September 30, 2015 consisted primarily of \$0.6 million related to the write-down of certain investments.

Provision for 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 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.

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Our effective tax rates for the three and nine months ended September 30, 2015 were 14.3% and 18.6%, respectively. Our effective tax rates for the three and nine months ended September 30, 2016 were 81.2% and 46.2%, respectively. The primary reconciling items between the federal statutory tax rate of 35.0% and our overall effective tax rates in the three and nine months ended September 30, 2015 were the benefit derived from the dividends paid deduction, 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, and state income taxes (net of federal tax benefit). In the third quarter of 2015, we recorded a tax benefit of \$4.1 million related to the expiration of certain statutes of limitations and an out-of-period tax adjustment (\$9.0 million tax benefit) to correct the valuation of certain deferred tax assets associated with the REIT conversion that occurred in 2014. The primary reconciling items between the federal statutory tax rate of 35.0% and our overall effective tax rates in the three and nine months ended September 30, 2016 were the benefit derived from the dividends paid deduction, 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, and the impact of the \$14.0 million charge (described in Note 2.i. to Notes to Consolidated Financial Statements) recorded during the third quarter of 2016 related to the anticipated loss on disposal of the Australia Divestment Business, which had no associated tax benefit.

As a REIT, we are entitled to a deduction for dividends paid, resulting in a substantial reduction of federal income tax expense, and substantially all of our income tax expense will be incurred based on the earnings generated by our foreign subsidiaries and our domestic TRSs.

Gain on Sale of Real Estate, Net of Tax

Consolidated gain on sale of real estate for the nine months ended September 30, 2016 was \$0.3 million, net of tax of \$0.1 million, associated with the sale of land in North America. Consolidated gain on sale of real estate was \$0.9 million, net of tax of \$0.2 million, for the nine months ended September 30, 2015, which was associated with the sale of a building in the United Kingdom.

INCOME (LOSS) FROM CONTINUING OPERATIONS (in thousands)

The following table reflects the effect of the foregoing factors on our consolidated income (loss) from continuing operations:

| | Three Months Ended September 30, 2015 2016 | | Dollar Change | Percentage Change |
|--|---|----------|------------------|----------------------|
| Income (Loss) from Continuing Operations | \$23,517 | \$5,759 | \$(17,758) | (75.5)% |
| Income (Loss) from Continuing Operations as a Percentage of Consolidated Revenue | 3.2 | % 0.6 | % | |
| | Nine Months Ended September 30, 2015 2016 | | Dollar Change | Percentage Change |
| Income from Continuing Operations | \$119,263 | \$54,080 | \$(65,183) | (54.7)% |
| Income from Continuing Operations as a Percentage of Consolidated Revenue | 5.3 | % 2.1 | % | |

INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX

Income from discontinued operations, net of tax was \$3.6 million for the nine months ended September 30, 2016, primarily related to the operations of the Recall Divestments (as defined in Note 10 to Notes to Consolidated Financial Statements included in this Quarterly Report).

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NONCONTROLLING INTERESTS

For the three and nine months ended September 30, 2016, net income attributable to noncontrolling interests resulted in a decrease in net income attributable to IMI of \$0.7 million and \$1.8 million, respectively. For the three and nine months ended September 30, 2015, net income attributable to noncontrolling interests resulted in a decrease in net income attributable to IMI of \$0.4 million and \$1.7 million, respectively. These amounts represent our noncontrolling partners' share of earnings/losses in our majority-owned international subsidiaries that are consolidated in our operating results.

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Segment Analysis (in thousands)

See Note 7 to Notes to Consolidated Financial Statements included in this Quarterly Report for a description of our reportable operating segments.

North American Records and Information Management Business

| | Three Months Ended September 30, | | Dollar Change | Percentage Change | | | |
|---|-------------------------------------|-------------|------------------|----------------------|----------------------|--------------------|---|
| | 2015 | 2016 | | Actual | Constant Currency | Internal Growth | |
| Storage Rental | \$269,239 | \$298,049 | \$28,810 | 10.7% | 10.7% | 1.1% | % |
| Service | 171,998 | 201,928 | 29,930 | 17.4% | 17.4% | (0.8)% | % |
| Segment Revenue | \$441,237 | \$499,977 | \$58,740 | 13.3% | 13.3% | 0.4% | % |
| Segment Adjusted OIBDA(1) | \$175,331 | \$199,559 | \$24,228 | | | | |
| Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue | 39.7 | % 39.9 | % | | | | |
| | Nine Months Ended September 30, | | Dollar Change | Percentage Change | | | |
| | 2015 | 2016 | | Actual | Constant Currency | Internal Growth | |
| Storage Rental | \$809,039 | \$853,183 | \$44,144 | 5.5% | 5.9% | 0.7% | % |
| Service | 523,772 | 572,945 | 49,173 | 9.4% | 10.1% | 0.9% | % |
| Segment Revenue | \$1,332,811 | \$1,426,128 | \$93,317 | 7.0% | 7.6% | 0.8% | % |
| Segment Adjusted OIBDA(1) | \$533,598 | \$565,254 | \$31,656 | | | | |
| Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue | 40.0 | % 39.6 | % | | | | |

See Note 7 to Notes to the Consolidated Financial Statements included in this Quarterly Report for the definition of (1) Adjusted OIBDA and a reconciliation of Adjusted OIBDA to income (loss) from continuing operations before provision (benefit) for income taxes and gain on sale of real estate.

For the three and nine months ended September 30, 2016, reported revenue in our North American Records and Information Management Business segment increased 13.3% and 7.0%, respectively, compared to the three and nine months ended September 30, 2015. In the three and nine months ended September 30, 2016, the net impact of acquisitions/divestitures and internal revenue growth were partially offset by unfavorable fluctuations in foreign currency exchange rates compared to the three and nine months ended September 30, 2015. The net impact of acquisitions/divestitures contributed 12.9% and 6.8% to the reported revenue growth rates in our North American Records and Information Management Business segment for the three and nine months ended September 30, 2016, respectively, compared to the same prior year periods, primarily driven by our acquisition of Recall. The internal revenue growth in the nine months ended September 30, 2016 was primarily the result of internal service revenue growth of 0.9% in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, which was driven by special project revenue recognized in the first quarter of 2016. The negative internal service revenue growth of 0.8% in the three months ended September 30, 2016 was primarily due to a decrease in special project revenue in the three months ended September 30, 2016 compared to the same prior year period. For the nine months ended September 30, 2016, foreign currency exchange rate fluctuations decreased our reported revenues for the North American Records and Information Management Business segment by 0.6% compared to the same prior year period due to the weakening of the Canadian dollar against the United States dollar. Adjusted OIBDA as a percentage of segment revenue increased 20 basis points during the three months ended September 30, 2016 compared to the three months ended September 30, 2015, primarily driven by a 228 basis point decrease in selling, general and administrative expenses as a percentage of segment revenue (14.67% in the three months ended September 30, 2016

compared to 16.95% in the comparable prior year period), primarily associated with wages and benefits growing at a lower rate than revenue and lower bad debt expense, partially offset by a 210 basis point increase in cost of sales as a percentage of segment revenue (45.42% in the three months ended September 30, 2016 compared to 43.32% in the comparable prior year period), primarily driven by increased wages and benefits, rent expense and building maintenance costs. Adjusted OIBDA as a percentage of segment revenue decreased 40 basis points during the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, primarily driven by a 153 basis point increase in cost of sales as a percentage of segment revenue (45.00% in the nine months ended

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September 30, 2016 compared to 43.47% in the comparable prior year period), primarily associated with increased wages, benefits and medical costs, partially offset by a 114 basis point decrease in selling, general and administrative expenses as a percentage of segment revenue (15.36% in the nine months ended September 30, 2016 compared to 16.50% in the comparable prior year period), primarily associated with a decrease in professional fees, travel and entertainment expenses and bad debt expense.

North American Data Management Business

| | Three Months Ended September 30, | | Dollar Change | Percentage Change | | |
|--|-------------------------------------|-----------|------------------|----------------------|----------------------|--------------------|
| | 2015 | 2016 | | Actual | Constant Currency | Internal Growth |
| Storage Rental | \$63,947 | \$72,612 | \$8,665 | 13.6 % | 13.5 % | 2.2 % |
| Service | 33,438 | 34,865 | 1,427 | 4.3 % | 4.2 % | (11.3) % |
| Segment Revenue | \$97,385 | \$107,477 | \$10,092 | 10.4 % | 10.3 % | (2.4) % |
| Segment Adjusted OIBDA(1) | \$50,268 | \$59,714 | \$9,446 | | | |
| Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue | 51.6 % | 55.6 % | | | | |
| | Nine Months Ended September 30, | | Dollar Change | Percentage Change | | |
| | 2015 | 2016 | | Actual | Constant Currency | Internal Growth |
| Storage Rental | \$191,867 | \$207,602 | \$15,735 | 8.2 % | 8.5 % | 1.7 % |
| Service | 102,353 | 99,488 | (2,865) | (2.8) % | (2.5) % | (10.7) % |
| Segment Revenue | \$294,220 | \$307,090 | \$12,870 | 4.4 % | 4.7 % | (2.6) % |
| Segment Adjusted OIBDA(1) | \$152,178 | \$170,255 | \$18,077 | | | |
| Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue | 51.7 % | 55.4 % | | | | |

See Note 7 to Notes to the Consolidated Financial Statements included in this Quarterly Report for the definition of (1) Adjusted OIBDA and a reconciliation of Adjusted OIBDA to income (loss) from continuing operations before provision (benefit) for income taxes and gain on sale of real estate.

For the three and nine months ended September 30, 2016, reported revenue in our North American Data Management Business segment increased 10.4% and 4.4%, respectively, compared to the three and nine months ended September 30, 2015. In the three and nine months ended September 30, 2016, the net impact of acquisitions/divestitures was partially offset by negative internal revenue growth and unfavorable fluctuations in foreign currency exchange rates compared to the three and nine months ended September 30, 2015. The net impact of acquisitions/divestitures contributed 12.7% and 7.3% to the reported revenue growth rates in our North American Data Management Business segment for the three and nine months ended September 30, 2016, respectively, compared to the same prior year periods, primarily driven by our acquisition of Recall. The negative internal revenue growth for the three and nine months ended September 30, 2016 was primarily attributable to negative internal service revenue growth of 11.3% and 10.7% for the three and nine months ended September 30, 2016, respectively, which was due to continued declines in service revenue activity levels as the business becomes more archival in nature, partially offset by internal storage rental revenue growth of 2.2% and 1.7% in the three and nine months ended September 30, 2016, respectively. For the nine months ended September 30, 2016, foreign currency exchange rate fluctuations decreased our reported revenues for the North American Data Management Business segment by 0.3% compared to the same prior year period due to the weakening of the Canadian dollar against the United States dollar. Adjusted OIBDA as a percentage of segment revenue increased 370 basis points during the nine months ended September 30, 2016

compared to the nine months ended September 30, 2015, primarily driven by a 348 basis point decrease in overhead expenses as a percentage of segment revenue (17.05% in the nine months ended September 30, 2016 compared to 20.53% in the comparable prior year period), primarily driven by lower selling, general and administrative expenses.

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Western European Business

| | Three Months Ended September 30, | | Dollar Change | Percentage Change | | | Internal Growth | |
|--|-------------------------------------|-----------|------------------|----------------------|----------------------|--|--------------------|--|
| | 2015 | 2016 | | Actual | Constant Currency | | | |
| Storage Rental | \$60,629 | \$74,534 | \$13,905 | 22.9% | 36.3% | | 0.3% | |
| Service | 38,374 | 48,251 | 9,877 | 25.7% | 38.3% | | (0.4)% | |
| Segment Revenue | \$99,003 | \$122,785 | \$23,782 | 24.0% | 37.1% | | — | |
| Segment Adjusted OIBDA(1) | \$30,789 | \$37,546 | \$6,757 | | | | | |
| Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue | 31.1% | 30.6% | | | | | | |
| | | | | | | | | |
| | Nine Months Ended September 30, | | Dollar Change | Percentage Change | | | Internal Growth | |
| | 2015 | 2016 | | Actual | Constant Currency | | | |
| Storage Rental | \$179,612 | \$203,926 | \$24,314 | 13.5% | 20.6% | | 0.8% | |
| Service | 116,725 | 130,933 | 14,208 | 12.2% | 18.7% | | (4.6)% | |
| Segment Revenue | \$296,337 | \$334,859 | \$38,522 | 13.0% | 19.9% | | (1.3)% | |
| Segment Adjusted OIBDA(1) | \$87,146 | \$102,765 | \$15,619 | | | | | |
| Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue | 29.4% | 30.7% | | | | | | |

See Note 7 to Notes to the Consolidated Financial Statements included in this Quarterly Report for the definition of (1) Adjusted OIBDA and a reconciliation of Adjusted OIBDA to income (loss) from continuing operations before provision (benefit) for income taxes and gain on sale of real estate.

For the three and nine months ended September 30, 2016, reported revenue in our Western European Business segment increased 24.0% and 13.0%, respectively, compared to the three and nine months ended September 30, 2015. In the three and nine months ended September 30, 2016, the net impact of acquisitions/divestitures was partially offset by negative internal revenue growth and unfavorable fluctuations in foreign currency exchange rates compared to the three and nine months ended September 30, 2015. The net impact of acquisitions/divestitures contributed 37.1% and 21.2% to the reported revenue growth rates in our Western European Business segment for the three and nine months ended September 30, 2016, respectively, compared to the same prior year periods, primarily driven by our acquisition of Recall. Internal revenue growth for the nine months ended September 30, 2016 was negative 1.3%, primarily attributable to negative internal service revenue growth of 4.6% for the nine months ended September 30, 2016, which was due to reduced retrieval/refile activity and a related decrease in transportation revenues, partially offset by 0.8% internal storage rental revenue growth in the nine months ended September 30, 2016. For the three and nine months ended September 30, 2016, foreign currency exchange rate fluctuations decreased our reported revenues for the Western European Business segment by 13.1% and 6.9%, respectively, compared to the same prior year periods due to the weakening of the British pound sterling against the United States dollar. Adjusted OIBDA as a percentage of segment revenue decreased 50 basis points during the three months ended September 30, 2016 compared to the three months ended September 30, 2015, primarily driven by a 536 basis point increase in cost of sales as a percentage of segment revenue (46.72% in the three months ended September 30, 2016 compared to 41.36% in the comparable prior year period), primarily driven by increased wages and benefits and rent expense, partially offset by a 483 basis point decrease in selling, general and administrative expenses as a percentage of segment revenue (22.71% in the three months ended September 30, 2016 compared to 27.54% in the comparable prior year period), primarily associated with wages and benefits growing at a lower rate than revenue. Adjusted OIBDA as a percentage of segment revenue increased 130 basis points during the nine months ended September 30, 2016 compared to the nine months ended

September 30, 2015, primarily driven by a 458 basis point decrease in selling, general and administrative expenses as a percentage of segment revenues (24.18% in the nine months ended September 30, 2016 compared to 28.76% in the comparable prior year period), primarily associated with lower professional fees, as well as wages and benefits growing at a lower rate than revenues, partially offset by a 329 basis point increase in cost of sales as a percentage of segment revenues (45.13% in the nine months ended September 30, 2016 compared to 41.84% in the comparable prior year period), primarily associated with higher wages and rent expense.

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Other International Business

| | Three Months Ended September 30, | | Dollar Change | Percentage Change | | |
|---|-------------------------------------|-----------|------------------|----------------------|----------------------|--------------------|
| | 2015 | 2016 | | Actual | Constant Currency | Internal Growth |
| Storage Rental | \$60,201 | \$119,881 | \$59,680 | 99.1 % | 102.2 % | 11.6 % |
| Service | 43,126 | 77,203 | 34,077 | 79.0 % | 82.7 % | 6.9 % |
| Segment Revenue | \$103,327 | \$197,084 | \$93,757 | 90.7 % | 94.1 % | 9.7 % |
| Segment Adjusted OIBDA(1) | \$21,267 | \$53,844 | \$32,577 | | | |
| Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue | 20.6 | % 27.3 | % | | | |
| | Nine Months Ended September 30, | | Dollar Change | Percentage Change | | |
| | 2015 | 2016 | | Actual | Constant Currency | Internal Growth |
| Storage Rental | \$185,866 | \$278,907 | \$93,041 | 50.1 % | 64.6 % | 9.9 % |
| Service | 131,512 | 185,187 | 53,675 | 40.8 % | 55.9 % | 7.8 % |
| Segment Revenue | \$317,378 | \$464,094 | \$146,716 | 46.2 % | 61.0 % | 9.0 % |
| Segment Adjusted OIBDA(1) | \$63,143 | \$117,351 | \$54,208 | | | |
| Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue | 19.9 | % 25.3 | % | | | |

See Note 7 to Notes to the Consolidated Financial Statements included in this Quarterly Report for the definition of (1) Adjusted OIBDA and a reconciliation of Adjusted OIBDA to income (loss) from continuing operations before provision (benefit) for income taxes and gain on sale of real estate.

For the three and nine months ended September 30, 2016, reported revenue in our Other International Business segment increased 90.7% and 46.2%, respectively, compared to the three and nine months ended September 30, 2015. In the three and nine months ended September 30, 2016, the net impact of acquisitions/divestitures and internal revenue growth were partially offset by unfavorable fluctuations in foreign currency exchange rates compared to the three and nine months ended September 30, 2015. The net impact of acquisitions/divestitures contributed 84.4% and 52.0% to the reported revenue growth rates in our Other International Business segment for the three and nine months ended September 30, 2016, respectively, compared to the same prior year periods, primarily driven by our acquisition of Recall. Internal revenue growth for the three and nine months ended September 30, 2016 was 9.7% and 9.0%, respectively, supported by 11.6% and 9.9% storage rental internal revenue growth for the three and nine months ended September 30, 2016, respectively. Foreign currency fluctuations in the nine months ended September 30, 2016 resulted in decreased revenue, as measured in United States dollars, of approximately 14.8% as compared to the same prior year period, primarily due to the weakening of the Australian dollar and Brazilian real against the United States dollar. Adjusted OIBDA as a percentage of segment revenue increased 540 basis points during the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. The increase in Adjusted OIBDA as a percentage of segment revenue during the nine months ended September 30, 2016 was primarily a result of a 415 basis point decrease in selling, general and administrative expenses as a percentage of segment revenues (21.98% in the nine months ended September 30, 2016 compared to 26.13% in the comparable prior year period) and a 125 basis point decrease in cost of sales as a percentage of segment revenue (52.73% in the nine months ended September 30, 2016 compared to 53.98% in the comparable prior year period), primarily associated with compensation expenses growing at a lower rate than revenue, as well as lower professional fees.

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Corporate and Other Business

| | Three Months Ended September 30, | | Dollar Change | Percentage Change | | |
|--|-------------------------------------|-------------|------------------|----------------------|----------------------|--------------------|
| | 2015 | 2016 | | Actual | Constant Currency | Internal Growth |
| Storage Rental | \$6,036 | \$11,390 | \$5,354 | 88.7 % | 88.7 % | 12.7 % |
| Service | (459) | 4,109 | 4,568 | 995.2 % | 995.2 % | 190.5 % |
| Segment Revenue | \$5,577 | \$15,499 | \$9,922 | 177.9 % | 177.9 % | 34.1 % |
| Segment Adjusted OIBDA(1) | \$(49,820) | \$(56,460) | \$(6,640) | | | |
| Segment Adjusted OIBDA(1) as a Percentage of Consolidated Revenue | (6.7)% | (6.0)% | | | | |
| | Nine Months Ended September 30, | | Dollar Change | Percentage Change | | |
| | 2015 | 2016 | | Actual | Constant Currency | Internal Growth |
| Storage Rental | \$13,749 | \$32,741 | \$18,992 | 138.1 % | 138.1 % | 34.2 % |
| Service | 1,054 | 12,348 | 11,294 | 1,071.5 % | 1,071.5 % | 201.7 % |
| Segment Revenue | \$14,803 | \$45,089 | \$30,286 | 204.6 % | 204.6 % | 40.7 % |
| Segment Adjusted OIBDA(1) | \$(153,784) | \$(164,842) | \$(11,058) | | | |
| Segment Adjusted OIBDA(1) as a Percentage of Consolidated Revenue | (6.8)% | (6.4)% | | | | |

See Note 7 to Notes to the Consolidated Financial Statements included in this Quarterly Report for the definition of (1) Adjusted OIBDA and a reconciliation of Adjusted OIBDA to income (loss) from continuing operations before provision (benefit) for income taxes and gain on sale of real estate.

During the nine months ended September 30, 2016, Adjusted OIBDA in the Corporate and Other Business segment as a percentage of consolidated revenue improved 40 basis points compared to the nine months September 30, 2015. Adjusted OIBDA in the Corporate and Other Business segment decreased \$11.1 million in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, primarily due to the impact of the Recall Transaction, partially offset by profitability associated with recent acquisitions in our Adjacent Businesses operating segment. Adjusted OIBDA in our Corporate and Other Business segment includes approximately \$8.7 million and \$17.1 million of incremental expenses associated with Recall for the three and nine months ended September 30, 2016, respectively.

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Liquidity and Capital Resources

The following is a summary of our cash balances and cash flows (in thousands) as of and for the nine months ended September 30,

| | 2015 | 2016 |
|--|------------|------------|
| Cash flows from operating activities - continuing operations | \$320,095 | \$418,952 |
| Cash flows from investing activities - continuing operations | (229,827) | (507,108) |
| Cash flows from financing activities - continuing operations | 285,540 | 441,337 |
| Cash and cash equivalents at the end of period | 492,899 | 458,128 |

Net cash provided by operating activities from continuing operations was \$419.0 million for the nine months ended September 30, 2016 compared to \$320.1 million for the nine months ended September 30, 2015. The \$98.9 million period over period increase in cash flows from operating activities resulted from a decrease in cash used in working capital of \$100.3 million, primarily related to the timing of accrued expenses and deferred revenue, offset by a decrease in net income (including non-cash charges and realized foreign exchange losses) of \$1.4 million.

Our business requires capital expenditures to maintain our ongoing operations, support our expected revenue growth and new products and services, and increase our profitability. These expenditures are included in the cash flows from investing activities. The nature of our capital expenditures has evolved over time along with the nature of our business. Our capital goes to support business-line growth and our ongoing operations, but we also expend capital to support the development and improvement of products and services and projects designed to increase our profitability. These expenditures are generally discretionary in nature. Cash paid for our capital expenditures, acquisition of customer relationships and customer inducements during the nine months ended September 30, 2016 amounted to \$246.0 million, \$24.8 million and \$16.1 million, respectively. Cash paid for acquisitions (net of cash acquired) during the nine months ended September 30, 2016 of \$276.4 million consisted primarily of the cash portion of the purchase price associated with the Recall Transaction. For the nine months ended September 30, 2016, these expenditures were primarily funded with cash flows from operations, as well as the financing activities described below. Net proceeds from divestments received during the nine months ended September 30, 2016 of \$54.0 million consisted of the net cash proceeds from the Access Sale (as defined in Note 4 to Notes to Consolidated Financial Statements included in this Quarterly Report). Excluding capital expenditures associated with potential future acquisitions and opportunistic real estate investments, we expect our capital expenditures to be approximately \$320.0 million in the year ending December 31, 2016. We expect to spend up to \$50.0 million of additional capital expenditures on opportunistic real estate investments in the year ending December 31, 2016.

Net cash provided by financing activities from continuing operations was \$441.3 million for the nine months ended September 30, 2016. During the nine months ended September 30, 2016, we received net proceeds of \$925.4 million associated with the issuance of the 4³/₈% Notes, 5³/₈% Notes and the CAD Notes due 2023 and \$185.8 million of proceeds from the AUD Term Loan (as defined below). We used the proceeds from these transactions, as well as cash flows provided by operating activities, for the net payment of \$318.8 million associated with net payments under the Revolving Credit Facility and the Bridge Facility, as well as for the payment of dividends in the amount of \$360.5 million on our common stock.

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Capital Expenditures

The following table presents our capital spend for the nine months ended September 30, 2015 and 2016, respectively, organized by the type of the spending as described in the "Our Business Fundamentals" section of "Item 1. Business" of our Annual Report:

| Nature of Capital Spend (in thousands) | Nine Months Ended September 30, | |
|--|------------------------------------|-----------|
| | 2015 | 2016 |
| Real Estate: | | |
| Investment | \$105,531 | \$157,272 |
| Maintenance | 28,111 | 35,611 |
| Total Real Estate Capital Spend | 133,642 | 192,883 |
| Non-Real Estate: | | |
| Investment | 34,956 | 33,755 |
| Maintenance | 16,043 | 14,592 |
| Total Non-Real Estate Capital Spend | 50,999 | 48,347 |
| Total Capital Spend (on accrual basis) | 184,641 | 241,230 |
| Net increase in prepaid capital expenditures | 37 | 853 |
| Net decrease accrued capital expenditures | 17,903 | 3,946 |
| Total Capital Spend (on cash basis) | \$202,581 | \$246,029 |

Dividends

See Note 9 to Notes to Consolidated Financial Statements included in this Quarterly Report for a listing of dividends that were declared in fiscal year 2015 and the first nine months of 2016.

Financial Instruments and Debt

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 September 30, 2016 relate to cash and cash equivalents held in time deposits with six global banks, all of which we consider to be large, highly-rated investment-grade institutions. As of September 30, 2016, our cash and cash equivalents balance was \$458.1 million, including time deposits amounting to \$18.7 million.

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Our consolidated debt as of September 30, 2016 is as follows (in thousands):

| | September 30, 2016 | | |
|--|------------------------------------|---|--------------------|
| | Debt (inclusive of discount) | Unamortized Deferred Financing Costs | Carrying Amount |
| Revolving Credit Facility(1) | \$1,240,761 | \$ (8,166) | \$1,232,595 |
| Term Loan(1) | 234,375 | — | 234,375 |
| AUD Term Loan(2) | 188,967 | (3,713) | 185,254 |
| 6% Notes due 2020(3)(4) | 1,000,000 | (13,578) | 986,422 |
| 6 ¹ / ₈ % CAD Senior Notes due 2021 (the "CAD Notes due 2021")(5) | 152,179 | (1,762) | 150,417 |
| 4 ³ / ₈ % Notes(3)(4) | 500,000 | (8,051) | 491,949 |
| 6 ¹ / ₈ % GBP Senior Notes due 2022 (the "GBP Notes")(4)(6) | 518,808 | (6,816) | 511,992 |
| 6% Senior Notes due 2023(3) | 600,000 | (7,597) | 592,403 |
| 5 ³ / ₈ % CAD Senior Notes due 2023 (the "CAD Notes due 2023")(4)(5) | 190,223 | (3,370) | 186,853 |
| 5 ³ / ₄ % Senior Subordinated Notes due 2024(3) | 1,000,000 | (10,872) | 989,128 |
| 5 ³ / ₈ % Notes(4)(7) | 250,000 | (4,159) | 245,841 |
| Real Estate Mortgages, Capital Leases and Other | 444,772 | (1,113) | 443,659 |
| Accounts Receivable Securitization Program(8) | 208,800 | (461) | 208,339 |
| Total Long-term Debt | 6,528,885 | (69,658) | 6,459,227 |
| Less Current Portion | (121,203) | — | (121,203) |
| Long-term Debt, Net of Current Portion | \$6,407,682 | \$ (69,658) | \$6,338,024 |

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 these debt instruments, together with all intercompany obligations (including promissory notes) of subsidiaries owed to us or (1) 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.

(2) The amount of debt for the AUD Term Loan reflects an unamortized original issue discount of \$1.9 million as of September 30, 2016.

Collectively, the "Parent Notes." IMI is the direct obligor on the Parent Notes, which are fully and unconditionally guaranteed, on a senior or senior subordinated basis, as the case may be, by its direct and indirect 100% owned United States subsidiaries that represent the substantial majority of our United States operations (the "Guarantors"). (3) These guarantees are joint and several obligations of the Guarantors. Canada Company, Iron Mountain Europe PLC ("IME"), the Special Purpose Subsidiaries (as defined in Note 5 to Notes to Consolidated Financial Statements) and the remainder of our subsidiaries do not guarantee the Parent Notes. See Note 6 to Notes to Consolidated Financial Statements included in this Quarterly Report.

The 6% Notes due 2020, the 4³/₈% Notes, the GBP Notes, the CAD Notes due 2023 and the 5³/₈% Notes (collectively, the "Unregistered Notes") have not been registered under the Securities Act of 1933, as amended (the (4) "Securities Act"), or under the securities laws of any other jurisdiction. Unless they are registered, the Unregistered Notes may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction.

(5)

Canada Company is the direct obligor on the CAD Notes due 2021 and the CAD Notes due 2023, which are fully and unconditionally guaranteed, on a senior basis, by IMI and the Guarantors. These guarantees are joint and several obligations of IMI and the Guarantors. See Note 6 to Notes to Consolidated Financial Statements included in this Quarterly Report.

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IME is the direct obligor on the GBP Notes, which are fully and unconditionally guaranteed, on a senior basis, by (6) IMI and the Guarantors. These guarantees are joint and several obligations of IMI and the Guarantors. See Note 6 to Notes to Consolidated Financial Statements included in this Quarterly Report.

IM US Holdings, a 100% owned subsidiary of IMI and one of the Guarantors, is the direct obligor on the 5³/₈% (7) Notes, which are fully and unconditionally guaranteed, on a senior basis, by IMI and the other Guarantors. These guarantees are joint and several obligations of IMI and such Guarantors. See Note 6 to Notes to Consolidated Financial Statements included in this Quarterly Report.

(8) The Special Purpose Subsidiaries (as defined in Note 5 to Notes to Consolidated Financial Statements included in this Quarterly Report) are the obligors under this program.

a. Credit Agreement

On July 2, 2015, we entered into a new credit agreement (the "Credit Agreement") to refinance our then existing credit agreement that was scheduled to terminate on June 27, 2016. The Credit Agreement consists of a revolving credit facility (the "Revolving Credit Facility") and a term loan (the "Term Loan"). We recorded a charge of approximately \$2.2 million to other expense (income), net in the third quarter of 2015 related to the refinancing of the Credit Agreement, representing a write-off of unamortized deferred financing costs.

On June 24, 2016, Iron Mountain Information Management, LLC ("IMIM") entered into a commitment increase supplement (the "Commitment Increase Supplement"), pursuant to which we increased the maximum amount permitted to be borrowed under the Revolving Credit Facility from \$1,500.0 million to \$1,750.0 million. After entering into the Commitment Increase Supplement, the maximum amount available for borrowing under the Credit Agreement is \$2,000.0 million (consisting of a Revolving Credit Facility of \$1,750.0 million and a Term Loan of \$250.0 million). We continue to have the option to request additional commitments of up to \$250.0 million, in the form of term loans or through increased commitments under the Revolving Credit Facility, subject to the conditions specified in the Credit Agreement.

As of September 30, 2016, we had \$1,240.8 million and \$234.4 million of outstanding borrowings under the Revolving Credit Facility and the Term Loan, respectively, and \$55.4 million of various letters of credit outstanding. The remaining amount available for borrowing thereunder, 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 \$453.8 million (which amount represents the maximum availability as of such date). The average interest rate in effect under the Credit Agreement was 2.9% as of September 30, 2016. The average interest rate in effect under the Revolving Credit Facility was 2.9% and ranged from 2.3% to 4.8% as of September 30, 2016 and the interest rate in effect under the Term Loan as of September 30, 2016 was 2.8%.

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, 2015 and September 30, 2016, respectively, and our leverage ratio under our indentures as of December 31, 2015 and September 30, 2016, respectively, are as follows:

Maximum/Minimum Allowable

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| | December 31, 2015 | September 30, 2016 | |
|--|----------------------|-----------------------|--------------------------|
| Net total lease adjusted leverage ratio | 5.6 | 5.7 | Maximum allowable of 6.5 |
| Net secured debt lease adjusted leverage ratio | 2.6 | 2.6 | Maximum allowable of 4.0 |
| Bond leverage ratio (not lease adjusted) | 5.5 | 5.4 | Maximum allowable of 6.5 |
| Fixed charge coverage ratio | 2.4 | 2.5 | Minimum allowable of 1.5 |

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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 is applicable 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. Bridge Facility

On April 19, 2016, in order to provide a portion of the financing necessary to close the Recall Transaction, we entered into a commitment letter with JPMorgan Chase Bank, N.A., as a lender and administrative agent, and the other lenders party thereto (the "Lenders"), pursuant to which the Lenders committed to provide us an unsecured bridge term loan facility of up to \$850.0 million (the "Bridge Facility"). On April 29, 2016, we entered into a bridge credit agreement (the "Bridge Credit Agreement") with the Lenders and borrowed the full amount of the Bridge Facility. We used the proceeds from the Bridge Facility, together with borrowings under the Revolving Credit Facility, to finance a portion of the cost of the Recall Transaction, including refinancing Recall's existing indebtedness and to pay costs we incurred in connection with the Recall Transaction.

On May 31, 2016, we used the proceeds from the issuance of the 4³/₈% Notes and the 5³/₈% Notes, together with cash on hand and borrowings under the Revolving Credit Facility, to repay the Bridge Facility, and effective May 31, 2016, we terminated the commitments of the lenders under the Bridge Credit Agreement. We recorded a charge to other expense (income), net of \$9.3 million during the second quarter of 2016 related to the early extinguishment of the Bridge Credit Agreement. This charge primarily consisted of the write-off of unamortized deferred financing costs.

c. Issuance of 4³/₈% Notes, 5³/₈% Notes and CAD Notes due 2023

In May 2016, IMI completed a private offering of \$500.0 million in aggregate principal amount of the 4³/₈% Notes and IM US Holdings completed a private offering of \$250.0 million in aggregate principal amount of the 5³/₈% Notes. The 4³/₈% Notes and 5³/₈% Notes were issued at par. The aggregate net proceeds of \$738.8 million from the 4³/₈% Notes and 5³/₈% Notes, after paying the initial purchasers' commissions, were used, together with cash on hand and borrowings under the Revolving Credit Facility, for the repayment of all outstanding borrowings under the Bridge Credit Agreement.

On September 15, 2016, Canada Company completed a private offering of 250.0 million Canadian dollars in aggregate principal amount of the CAD Notes due 2023. The CAD Notes due 2023 were issued at par. The aggregate net proceeds from the CAD Notes due 2023 of 246.3 million Canadian dollars (or \$186.7 million based upon the exchange rate between the Canadian dollar and the United States dollar on September 15, 2016 (the settlement date for the CAD Notes due 2023)), after paying the initial purchasers' commissions, were used to repay outstanding borrowings under the Revolving Credit Facility.

d. Australian Dollar Term Loan

On September 28, 2016, Iron Mountain Australia Group Pty, Ltd., a wholly owned subsidiary of IMI, entered into a 250.0 million 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 243.8 million Australian dollars (or approximately \$185.8 million 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 issue discount, were used to repay outstanding borrowings on the Revolving Credit Facility in October 2016 and for general corporate purposes.

Principal payments on the AUD Term Loan are to be paid in quarterly installments in an amount equivalent to 6.3 million 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 borrowings under the AUD Term Loan is based upon BBSY (an Australian benchmark variable interest rate) plus 4.3%. As of September 30, 2016, we had 250.0 million Australian dollars outstanding on the AUD Term Loan and the interest rate in effect under the AUD Term Loan was 6.1%.

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e. Cash Pooling

Subsequent to the closing of the Recall Transaction, certain of our international subsidiaries began participating in a cash pooling arrangement (the "Cash Pool") with Bank Mendes Gans ("BMG") in order to help manage global liquidity requirements. The Cash Pool allows participating subsidiaries to borrow funds from BMG against amounts held on deposit with BMG by other participating subsidiaries. The Cash Pool has a legal right of offset and, therefore, amounts are presented in our Consolidated Balance Sheet on a net basis. Each subsidiary receives interest on the cash balances held on deposit or pays interest on the amounts owed based on an applicable rate as defined in the Cash Pool agreement. At September 30, 2016, we had a net cash position of approximately \$18.9 million (consisting of a gross cash position of approximately \$50.7 million less outstanding borrowings of approximately \$31.8 million by participating subsidiaries), which is reflected as cash and cash equivalents in the Consolidated Balance Sheet.

f. Mortgage Securitization Program

In October 2016, we entered into a \$50.0 million 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 Special Purpose Subsidiary"). The Mortgage Special Purpose Subsidiary then used the real estate to secure collateralized loans from Goldman Sachs. The Mortgage Special Purpose Subsidiary is a consolidated subsidiary of IMI. Borrowings under the Mortgage Securitization Program bear interest at 3.5%. The Mortgage Securitization Program is scheduled to terminate in November 2026. Proceeds from the Mortgage Securitization Program will be used to repay outstanding borrowings on the Revolving Credit Facility.

For more information on our Credit Agreement and the Accounts Receivable Securitization Program, see Note 5 to Notes to Consolidated Financial Statements included in this Quarterly Report.

Our ability to pay interest on or to refinance our indebtedness depends on our future performance, working capital levels and capital structure, which are subject to general economic, financial, competitive, legislative, regulatory and other factors which may be beyond our control. There can be no assurance that we will generate sufficient cash flow from our operations or that future financings will be available on acceptable terms or in amounts sufficient to enable us to service or refinance our indebtedness or to make necessary capital expenditures.

Acquisitions

On May 2, 2016 (Sydney, Australia time), we completed the Recall Transaction. At the closing of the Recall Transaction, we paid approximately \$331.8 million and issued approximately 50.2 million shares of our common stock which, based upon the closing price of our common stock as of April 29, 2016 (the last day of trading on the NYSE prior to the closing of the Recall Transaction) of \$36.53 per share, resulted in a total purchase price to Recall shareholders of approximately \$2,166.9 million.

We currently estimate total operating and capital expenditures associated with the Recall Transaction to be approximately \$380.0 million, the majority of which is expected to be incurred by the end of 2018. This amount consists of (i) approximately \$80.0 million of Recall Deal Close & Divestment Costs, (ii) approximately \$220.0 million of Recall Integration Costs and (iii) approximately \$80.0 million of capital expenditures to integrate Recall with our existing operations.

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The following table presents the operating and capital expenditures associated with the Recall Transaction incurred for the twelve months ended December 31, 2015, the three and nine months ended September 30, 2016 and the cumulative amount incurred through September 30, 2016 (in thousands):

| | Twelve Months Ended December 31, 2015 | Three Months Ended September 30, 2016 | Nine Months Ended September 30, 2016 | Cumulative Total |
|--------------------------------------|---|---|--|---------------------|
| Recall Deal Close & Divestment Costs | \$ 24,671 | \$ 3,861 | \$ 35,938 | \$ 60,609 |
| Recall Integration Costs | 22,353 | 30,272 | 66,934 | 89,287 |
| Recall Costs | 47,024 | 34,133 | 102,872 | 149,896 |
| Capital Expenditures | 65 | 4,871 | 6,939 | 7,004 |
| Total | \$ 47,089 | \$ 39,004 | \$ 109,811 | \$ 156,900 |

In March 2016, we acquired a controlling interest in Docufile Holdings Proprietary Limited ("Docufile"), a storage and records management company with operations in South Africa, for approximately \$15.0 million. The acquisition of Docufile represents our entrance into Africa.

In March 2016, in order to expand our presence in the Baltic region, we acquired the stock of Archyvu Sistemas, a storage and records management company with operations in Lithuania, Latvia and Estonia, for approximately \$5.1 million.

In August 2016, we reached an agreement in principle under a non-binding memorandum of understanding to acquire the information management operations of Santa Fe Group A/S ("Santa Fe") in ten regions within Europe and Asia for approximately 27.0 million Euro, or approximately \$30.3 million (the "Santa Fe Transaction"), based upon the exchange rate between the United States dollar and the Euro as of September 30, 2016. Santa Fe operates its information management business in Spain, India, Hong Kong, Macau, Indonesia, the Philippines, Singapore, Malaysia, South Korea and Taiwan. The memorandum of understanding between us and Santa Fe is non-binding and any binding agreement we enter into with Santa Fe will be subject to closing conditions; accordingly, we can provide no assurance that we will complete this acquisition, that the acquisition will not be delayed or that the terms of the acquisition will not change.

Divestments

As discussed in Note 4 to Notes to Consolidated Financial Statements included in this Quarterly Report, we are required to make the Divestments. The Access Sale (as defined in Note 4 to Notes to Consolidated Financial Statements included in this Quarterly Report) resulted in total consideration of \$80.0 million (including cash proceeds of \$55.0 million received at the closing of the transaction and an additional amount of contingent consideration of up to \$25.0 million payable upon the 27-month anniversary of the closing of the Access Sale). See Note 4 to Notes to Consolidated Financial Statements included in this Quarterly Report for information regarding our estimate of the fair value of this contingent consideration as a result of the Access Sale. The Australia Sale (as defined in Note 13 to Notes to Consolidated Financial Statements included in this Quarterly Report) resulted in total consideration of approximately 70.0 million Australian dollars (or approximately \$53.2 million, based upon the exchange rate between the United States dollar and the Australian dollar as of October 31, 2016), subject to adjustments. Our estimate (which incorporates current market conditions) of the proceeds we will receive in relation to the Seattle/Atlanta Divestments, the Canadian Divestments and the UK Divestments (each as defined in Note 4 to Notes to Consolidated Financial Statements included in this Quarterly Report) is approximately \$50.0 million. Upon the successful completion of these divestments, we anticipate using the net proceeds to repay outstanding borrowings under our Revolving Credit Facility and ultimately to reinvest those proceeds in our business.

Contractual Obligations

We expect to meet our cash flow requirements for the next twelve months from cash generated from operations, existing cash, cash equivalents, borrowings under the Credit Agreement and other financings, which may include senior or senior subordinated notes, secured credit facilities, securitizations and mortgage or capital lease financings, and the issuance of equity. We expect to meet our long-term cash flow requirements using the same means described above. We are highly leveraged and expect to continue to be highly leveraged for the foreseeable future. As a REIT, we expect our long-term capital allocation strategy will naturally shift toward lower leverage, though our leverage has increased over the last several fiscal years to fund the costs of the REIT conversion and the Recall Transaction.

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Net Operating Losses

We have federal net operating loss carryforwards, which expire from 2021 through 2033, of \$64.2 million at September 30, 2016 to reduce future federal taxable income, of which \$0.8 million of federal tax benefit is expected to be realized. We can carry forward these net operating losses to the extent we do not utilize them in any given available year. We have state net operating loss carryforwards, which expire from 2016 through 2034, of which an insignificant state tax benefit is expected to be realized. We have assets for foreign net operating losses of \$99.1 million, with various expiration dates (and in some cases no expiration date), subject to a valuation allowance of approximately 77%.

Inflation

Certain of our expenses, such as wages and benefits, insurance, occupancy costs and equipment repair and replacement, are subject to normal inflationary pressures. Although to date we have been able to offset inflationary cost increases through increased operating efficiencies, the negotiation of favorable long-term real estate leases and customer contracts which contain provisions for inflationary price escalators, we can give no assurance that we will be able to offset any future inflationary cost increases through similar efficiencies, leases or increased storage rental or service charges.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These rules refer to the controls and other procedures of a company that are designed to ensure that information is recorded, processed, accumulated, summarized, communicated and reported to management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding what is required to be disclosed by a company in the reports that it files under the Exchange Act. As of September 30, 2016 (the "Evaluation Date"), we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

Our management, with the participation of our principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements.

On May 2, 2016, we completed the acquisition of Recall. See Note 4 to Notes to Consolidated Financial Statements included in this Quarterly Report for further details about the Recall Transaction. As a result of the Recall Transaction, we are currently in the process of assessing and integrating Recall's internal controls over financial reporting into our financial reporting controls.

There have been no changes, other than associated with Recall discussed above, in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Securities Act of 1934) during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We did not sell any unregistered equity securities during the three months ended September 30, 2016, nor did we repurchase any shares of our common stock during the three months ended September 30, 2016.

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Item 6. Exhibits

(a) Exhibits

Certain exhibits indicated below are incorporated by reference to documents we have filed with the SEC.

| Exhibit No. | Description |
|----------------|---|
| 4.1 | Senior Indenture, dated as of September 15, 2016, among Iron Mountain Canada Operations ULC, the Company, the Guarantors named therein and Wells Fargo Bank, National Association, as trustee, with regard to Iron Mountain Canada Operations ULC's 5.375% CAD Senior Notes due 2023. (Incorporated by reference to the Company's Current Report on Form 8-K dated September 15, 2016.) |
| 12 | Statement: re Computation of Ratios. (Filed herewith.) |
| 31.1 | Rule 13a-14(a) Certification of Chief Executive Officer. (Filed herewith.) |
| 31.2 | Rule 13a-14(a) Certification of Chief Financial Officer. (Filed herewith.) |
| 32.1 | Section 1350 Certification of Chief Executive Officer. (Furnished herewith.) |
| 32.2 | Section 1350 Certification of Chief Financial Officer. (Furnished herewith.) |
| 101.1 | The following materials from Iron Mountain Incorporated's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and in detail. (Filed herewith.) |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IRON MOUNTAIN INCORPORATED

By: /s/ STUART B. BROWN

Stuart B. Brown

Executive Vice President and

Chief Financial Officer

(Principal Financial and Accounting Officer)

Dated: November 1, 2016