



Exodus Communications™ is a leading provider of complex Internet hosting services for enterprises with mission-critical Internet operations. The Company offers sophisticated system and network management solutions, along with Professional Services, to optimize the performance of customers' complex Internet operations. Headquartered in Santa Clara, California, Exodus manages its global network

infrastructure via a worldwide system of Internet Data Centers (IDCs) located in North America, Europe, and Asia Pacific.

The Company's stock is publicly traded on the Nasdaq National Market under the ticker symbol EXDS. For more information about Exodus, visit www.exodus.net or call 888.2EXODUS.



INTERNET DATA CENTER LOCATIONS

Seattle

Silicon Valley Toronto*

Washington DC

NORTH AMERICA

Atlanta Austin Boston Chicago Los Angeles New York

EUROPE

Amsterdam* Frankfurt London Paris* Stockholm*

ASIA PACIFIC

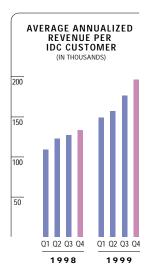
Australia* China* Singapore* Tokyo KEY

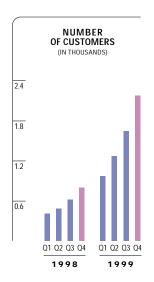
155 Mbps Line
622 Mbps Line
Planned Line
Existing Internet
Data Center
Planned Internet
Data Center

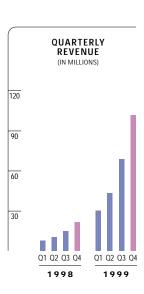
^{*} Planned Internet Data Center locations

FINANCIAL HIGHLIGHTS

(In thousands, except per share and number of customers data) Year Ended December 31,	1997	1998	1999
Revenues	\$ 12,408	\$ 52,745	\$ 242,140
Net loss attributable to common stockholders	\$(26,711)	\$ (69,330)	\$ (130,323)
Basic and diluted net loss per share	\$ (1.73)	\$ (0.55)	\$ (0.78)
Shares used in computing basic and			
diluted net loss per share	15,428	125,808	167,924
EBITDA	\$(20,274)	\$ (41,945)	\$ (44,738)
Number of customers	303	830	2,285
Average annualized revenue per IDC customer	\$ 103	\$ 133	\$ 196







year for Exodus. In a market that underwent significant change over the past twelve months, our financial results are a testament to the fact that we were able to meet the continually evolving expectations of our customers. In the process, we successfully transitioned Exodus from an Internet Data Center (IDC) company to the industry's leading provider of complex Web-hosting services.

Revenues for the fiscal year ended December 31, 1999 increased 359 percent to \$242.1 million, compared with \$52.7 million in the previous year. The Company reported a net loss for 1999 attributable to common stockholders of \$130.3 million, or \$0.78 per share, compared with a net loss attributable to common stockholders of \$69.3 million, or \$0.55 per share, in the prior year. Gross margins increased to 19 percent of revenue.

For 1999, EBITDA loss (loss before interest, taxes, depreciation, amortization, and other non-cash charges) was \$44.7 million, compared with \$41.9 million the year before. We exited the year with twelve of our IDCs EBITDA-positive, up from five at the end of 1998.

A YEAR OF GROWTH. In our last report to you, we described several goals that we had set for ourselves for 1999. These goals were developed to strengthen our position as the leading provider of Internet systems and network management solutions for companies with mission-critical Internet operations.

We are happy to say that we have not only met these goals but in most cases far exceeded them.

Specifically, we sought to extend our market leadership by establishing Exodus as the premier brand name in the category of complex Web-hosting services. We believed, as did many industry analysts, that 1999 would see a shift toward increased business-to-business initiatives

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in the Internet sector. In fact, this turned out to be the case, as evidenced by the 175 percent increase we experienced in the number of our hosting customers, to 2,285. By the fourth quarter, this increase translated into six new Exodus hosting customers each day. The average annualized revenue per IDC customer, which is based on monthly recurring revenue and does not include any one-time revenue from Professional Services, consulting, or installation fees, increased dramatically as well, from \$133,000 at the close of 1998 to \$196,000 as we exited 1999. As our customer base grew, we began to see a dramatic shift in the balance between enterprise and Internet-related customers; our client base is now split evenly between these two categories of companies.

Another of our objectives was to accelerate our domestic and international growth through the construction of new IDCs and the expansion of our network and worldwide public and private network interconnect arrangements. In 1999, we brought eleven new IDCs online, bringing our total to nineteen worldwide. This added capacity represents a 300 percent increase in gross square footage, from 400,000 to 1.6 million. The total number of servers we host worldwide grew in 1999 from 6,600 to over 27,000.

To meet the demands of the expanding Internet, we continued to augment the strength and capacity of our worldwide network. Our peak Internet exchange rate jumped from 2.7 gigabits



per second to 7.2 gigabits per second; this higher rate is the equivalent of transmitting an entire set of encyclopedia over the network every second.

BUILDING EXPERTISE. We also established several new strategic relationships for distribution and technology in 1999. To help us address new market opportunities presented by the burgeoning demand for e-business, we acquired Cohesive Technology Solutions™ This business now forms the core of an extremely talented and experienced Professional Services organization of nearly 500 people within Exodus.

To further extend our Internet offerings, we acquired Service Metrics™ which allows us to provide "Internet Intelligence" through the collection and analysis of Web site performance data. After the close of the fiscal year, we acquired KeyLabs™ a leading provider of e-business testing services, and announced plans to make an equity investment in Mirror Image Internet, Inc.™ This latter relationship will pave the way for creating the world's most powerful Content Distribution platform. Under this relationship, Mirror Image will deploy Content Access Points (CAPs™) throughout the entire Exodus IDC network—providing fast, secure, reliable, scalable, and robust Content Distribution services to content providers, ISPs, and enterprises alike.

In addition to those initiatives, we made two strategic acquisitions in 1999 to meet our goal of accelerating the expansion of our geographic reach, both in the United States and internationally.

With the acquisition of American Information Systems™ we now provide superior co-location, Web-

hosting, Internet Professional Services, and Internet access to corporations in the Midwest. And our

acquisition of Global OnLine Japan™—one of Japan's premier Internet service providers—has given

us an immediate presence in the important Asia Pacific market. Also in the international arena, we

expanded our network capacity connecting future Exodus IDCs in Europe, Japan, and North

America, giving us the capacity needed to meet our customers' growing demands.

LOOKING AHEAD. We are extremely encouraged by our progress to date in the dynamic marketplace of

large-scale, complex Internet operations management—a place in which not just servers, but true

Internet innovation, now reside. In 2000 and beyond, we intend to continue to build the momentum

we have established, with further expansion into new regions, continued development of new

alliances, and enhancements of our Managed and Professional Services and new product offerings.

On behalf of Exodus, we thank you for your continued support.

Sincerely,

Ellen M. Hancock

President and Chief Executive Officer

Ellew M. Hancock

K.B. Chandrasekhar

Chairman of the Board of Directors

2TheMart.com, Inc.

Dynamic Logic

5050.com

E-centives, Inc.

9NetAvenue, Inc.

AC Nielsen

Access Global

Active Health Management

Advertising.com

Albertson's, Inc.

Allegrix, Inc.

Dynamic Logic

E-centives, Inc.

E-greetings Network

El Sitto USA
Electron Economy
Elephant X
E-Loan
EShare Technologies, Inc.
E-Steel
Etera Corporation
Ethnic Grocer
EverAd AmericanGreetings.com EShare Technologies, Inc. ArsDigita Corporation Auctionwatch.com, Inc. AutoMall Online, Inc. EverAd Avenue A Media Excite, Inc. Baby Center Bcandid Corporation Expertcentral.com Expidant, LLC Be Free, Inc. Best Selections Fast Search Inc. BET.com FastWeb

Beyond.Com

Big Charts
Big Dog Sportswear
FortuneCity.com

Billpoint
Found.com

Bit Software Corporation
Bitzard Entertainment
Brain.com
Free Range Media
Brain.com
FreeRide Media LLC
Breakway Solutions, Inc.
Frictionless Commerce
BrickRoad Technology, Inc.
British Airways
FutureLink Corporation
BroadBand Sports
Gabriel Venture Partners
Buy.com
GATX Logistics, Inc.
Buzzsaw.com
Gampus Pipeline, Inc.
Gear.com
Campus Pipeline, Inc.
Gest Webby
Channel Four Television Corporation
Get Webby
Channel Four Television Corporation
Global Electronics Exchange
Globasset. Inc.

Chemdex Corporation Global Electronics Exchange
Classified Ventures Globeset, Inc.
Clubmom, Inc. GotSavings.com
Cobalicard.com Gym America
Collectors Universe Handspring
CommTouch Software, Inc. Hello Network
CompUSA Inc. Homebid.com
Conducent Technologies Inc. HomePortfolio, Inc.
coolsavings.com Honey Baked Foods, Inc.
Corio HotSamba
Covalex Huntleigh Fund
Cube Technologies, Inc. iBEAM Broadcasting
Cybercash, Inc. iCat Corporation
Cybernet International iChristian.com

Cybernet International iChristian.com

Digital Impact, Inc. i-drive.com

Digital Nation, Inc. Immerce, LLC

Digital Work Impresse Corporation

Direct Hit Technologies Infinet Corporation

Discovery Communications Interpacket Group, Inc.

DoubleClick Interwest Bank

Dougery Ventures Intraware

Douglas Product, Division of Boeing iShip.com, Inc.

Downey Savings & Loan Association Village
Drinks.com iwin.com
Drugstore.com Iwon.com
DSL Networks Jamcracker, Inc.

L90, Inc.

Language Force

Last Minute Network

LightPC.com

Live Online

LoadMedia

Lycos, Inc.

Magnifi, Inc.

Mail.com

Medscape, Inc.

Merrill Lynch & Co., Inc.

MetalSite 1. P

Rivals.com

Rivals.com

Rx.com

Rx.com

Rx.com

Safeguard Health Enterprises

Safeguard Health

Snowball.com
Software Design Group, Inc. Misys Interactive Trading Ltd MP3.com, Inc. SoundsBig.com Mpath Interactive SportsLine.com, Inc. MSNBC MunicipalTrade.com, Inc. StockBack.com MyPoints.com StorageNetworks, Inc. mySimon, Inc. StorageTek National Public Radio Neoforma.com, Inc. NetFlix, Inc. Synopsys
Telecomputing, Inc. Netgateway Tellme Networks, Inc. The Candy Barrel, Inc. Nettaxi Online Communities Network Associates
NORDSTROM.com
Northern Light Technology, Inc.
Northpoint Communications, Inc. The Sharper Image TheStreet.com, Inc.

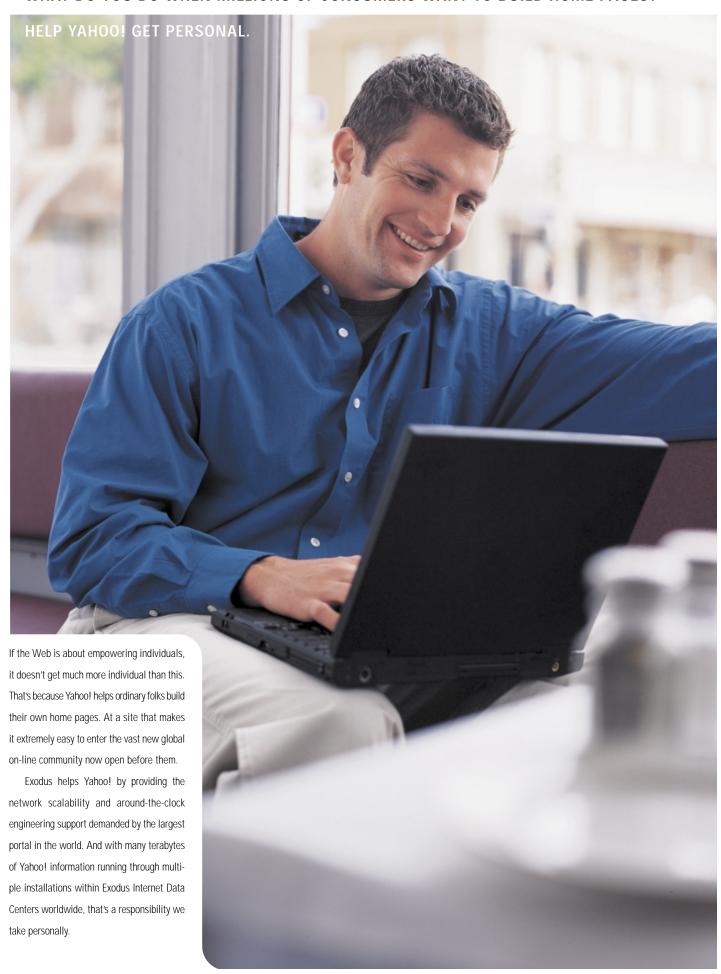
uBid.com Onebox.com UpShot Corporation Onvia.com, Inc. Opsion Innovation Oracle Management Services V2Commerce
Orbit Commerce Inc. VerticalNet, In VerticalNet, Inc. Otis Elevator Company Partnerware Technologies Vicinity Corporation
VIDS Technologies, Inc. Vicinity Corporation Vipro Corp People Link VitaminShoppe.com WarrantyNow Perks at Work Personable.com Webhosting.com Phase Forward WebQuest Wine.com Philips Semiconductors WinFreeMoney.com PlaceWare, Inc. PlasmaNet, Inc. Porvenir, Inc.

Wired Digital Wizards of the Coast WorldSite Networks Powernet International Wizards of the Coast priceline.com Primary Knowledge
Public Storage. Inc. WorldStreet Corporation Xpertsite.com Quantum Leap Yahoo! Yantra Network RCM Technologies, Inc. Yupi Internet, Inc. Zacks Investment Research Replay Networks, Inc. Responsys.com Zing Networks

TODAY, OVER 40 PERCENT OF THE TOP INTERNET SITES' HAVE CHOSEN EXODUS.

Rhythms Net Connection, Inc.

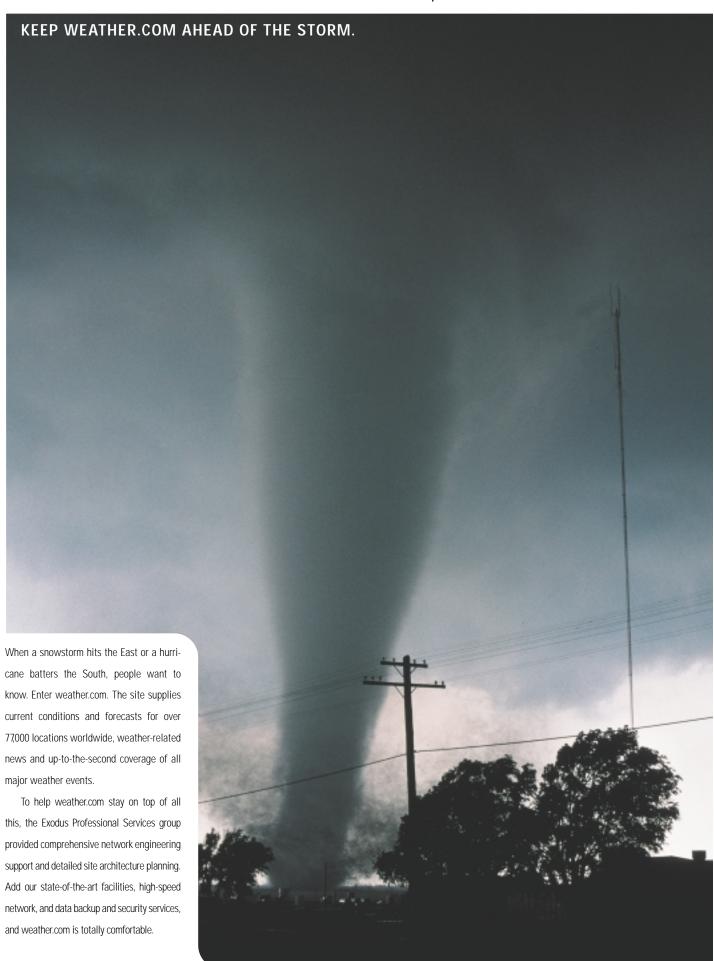
WHAT DO YOU DO WHEN MILLIONS OF CONSUMERS WANT TO BUILD HOME PAGES?



WHY WOULD ANYONE HOST A HIGH-FLYING PROMOTIONAL PROGRAM?



HOW CAN YOU HELP PEOPLE GET VITAL INFORMATION, RAIN OR SHINE?



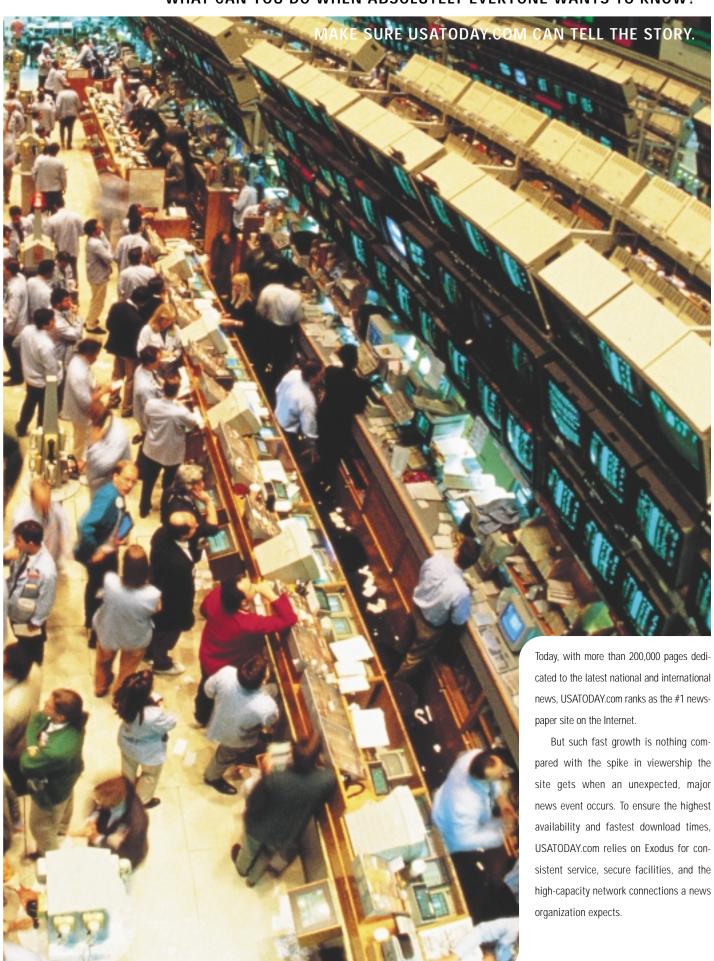
HOW DO YOU PROVIDE SUPERIOR SERVICE TO A COMPANY THAT'S FAMOUS FOR IT?



HOW CAN YOU HELP COST-CONSCIOUS ONLINE SHOPPERS?



WHAT CAN YOU DO WHEN ABSOLUTELY EVERYONE WANTS TO KNOW?



GROWING CAPABILITIES TO MEET GROWING DEMANDS

As the Internet has grown, so too have the demands of companies utilizing this powerful new platform as a major component of their strategic business objectives. As a leading provider of services for companies with complex Internet businesses, Exodus offers a wide range of capabilities, from sophisticated Managed and Professional Services to state-of-the-art facilities to one of the most technologically advanced global networks in the world.

6

THE NUMBER OF NEW CUSTOMERS WE'RE ADDING EVERY DAY.

1.6 M

THE SQUARE FOOTAGE OF ALL OUR INTERNET DATA CENTERS.

MANAGED SERVICES

Exodus Managed Services provide state-of-the-art tools and expertise for the proactive management of your Internet business in key areas such as storage, performance optimization, and security. With these services, we provide the collaborative intelligence needed to support some of the most critical elements of your Internet operations.

For example, the Exodus Data-Vault™ Network Storage Service, developed in partnership with Sun Microsystems® and VERITAS®, provides customers a complete, best-of-breed data backup and restore solution, whether backing up a single file or multiple terabytes of data. To expand our storage offering, we have also teamed with Storage Networks, to offer additional storage solutions to help our customers continue to solve the most complex IT data storage challenges.

Further, with performance optimization tools developed by Service Metrics, we can now provide detailed Web site performance measurements that enable companies to anticipate, identify, and resolve consumer satisfaction issues. Our worldwide network of Data Collection Agents (DCAs) collects and report performance data from an end user's perspective. Such custom reporting and proactive notification allow our customers to optimize their Web site for better performance.

In addition, due to the significant growth of bandwidth-intensive activity over the Internet, we have teamed with Foundry NetworksTM to provide Exodus Gigabit EthernetTM service, which offers ten times the speed of conventional LANs.

To meet the ever increasing security demands facing today's Internet businesses, we have created the Exodus Security Service Pack™ offering affordable bundled services designed to help companies plan and manage the ongoing protection of their mission-critical Internet operations. This three-tier security solution ensures our customers access to the level of security most appropriate to their individual Internet interests. Regardless of scale, the Security Service Pack offers all customers fast, easy access to security expertise and seamless integration with the complete list of Exodus Managed Security Services. In addition, we have further expanded our expert security consulting services with the acquisition of the Professional Services division of Network-1™

Finally, for the highest level of customer support, we offer Exodus Platinum Level Support™ in which two or more Exodus professionals are always on call to provide our customers with comprehensive 24 x 7 support.

*As of 12/99



Our state-of-the-art facilities are custom-designed with the widest range of physical security features, 24 x 7 monitoring, and multiple redundant subsystems.

NETWORK CONTROL CENTER

The entire facility, network and customer systems are carefully monitored and managed by the Network Control Center staff, who are available 24 x 7 to provide hands-on assistance as needed.

REDUNDANT CONNECTIVITY

Exodus has installed fiber optic cable from multiple providers, allowing redundant fiber connections out to the Internet. In this way, Exodus virtually eliminates any single point of failure.

SECURITY

The security and integrity of each IDC is maintained by video-surveil-lance cameras, security alarms and on-site 24-hour security personnel located behind bullet-proof glass.

POWER

Exodus maintains diesel powered backup generators, Uninterruptible Power Supply (UPS) systems, and power distribution units that provide continuous clean power to customer equipment.

FIRE SUPPRESSION

Exodus employs state-of-the-art redundant fire suppression systems to protect critical equipment from the threat of fire.

TEMPERATURE CONTROL SYSTEMS

Exodus IDCs offer HVAC temperature control systems with separate cooling zones. Zones are monitored by a central system with alarms.

SECURE AND FLEXIBLE HOUSING OPTIONS

Flexibly-sized housing options let Exodus IDCs become virtual extensions of the corporate enterprise. Options include locking cabinets, racks, cages, and vaults.

EXODUS VAULT

The Exodus Vault incorporates video surveillance, separate air conditioning and fire systems, and secure biometric access control to satisfy the most stringent security requirements.

1_K

THE NUMBER OF
MEGABITS WE TRANSFER
EVERY SECOND WITH
OUR NEW GIGABIT
ETHERNET SERVICE.

7.2

THE SPEED,
IN GIGABITS PER SECOND,
OF OUR PEAK INTERNET
EXCHANGE RATE.

27_K

THE APPROXIMATE NUMBER OF SERVERS WE HOST.

FACILITIES

Exodus' world-class Internet Data Centers (IDCs) are connected across the globe through a high-performance, dedicated, and redundant network. Each of our IDCs feature custom-designed security, connectivity, and environmental systems to provide a select hosting solution for customers with mission-critical Internet operations.

Our IDCs are outfitted with state-ofthe-art security, temperature control systems, fire detection and suppression safeguards, redundant power, and flexible server space. What's more, all Exodus IDCs ensure aroundthe-clock high performance with onsite expert personnel trained in the areas of networking, Internet and systems management.

A total solution for complete confidence and security, Exodus Internet Data Centers provide the physical and technical environment demanded by those with outsourcing interests.

PROFESSIONAL SERVICES

In addition to our expertise in Internet information security, Exodus' world-class Professional Services group offers a range of valuable consulting services both as packaged offerings and customized solutions for highly specific customer needs.

These services are built around several core capabilities: Architecture Design, for building powerful, scalable Internet solutions; Security Design and Management, for maintaining the integrity of not only the information

running through a site, but also the network that supports it; System and Network Design, for deploying an effective information infrastructure through systems and network assessment, planning, and design; and Application Integration and System Testing, to ensure optimal performance, reliability, and scalability.

NETWORK SERVICES

The Exodus Network is one of the largest IP networks in the world today, designed to deliver the scalability, high availability, and peak performance required for high-volume, mission-critical Internet operations. The network has achieved a peak Internet exchange rate of over 7.2 gigabits per second*, enabling us to deliver outstanding levels of performance and service, twenty-four hours a day, seven days a week.

The high-performance and redundancy of our private fiber network and the trafficking power of over 200 direct public and private interconnects combine to virtually eliminate the risk of any single point of failure. This solid design, paired with flexible bandwidth offerings of up to 1,000 megabits per second with our Gigabit Ethernet service, helps carry our customers successfully through explosive Internet growth.

With all of the components necessary to provide complex web-hosting solutions, Exodus truly is where Internet innovation resides.

*As of 12/99

CORPORATE INFORMATION

CORPORATE HEADQUARTERS

2831 Mission College Blvd. Santa Clara, CA 95054-1838 888.2EXODUS or 408.346.2200

EUROPEAN HEADQUARTERS

Exodus Internet Limited 10 Stratton Street Mayfair, London W1X 5FD United Kingdom +44 (0)20 8955.0800

Exodus has sales offices located throughout North America, Europe, and Asia Pacific

INDEPENDENT ACCOUNTANTS

KPMG LLP Mountain View, CA

CORPORATE COUNSEL

Fenwick & West LLP Palo Alto, CA

TRANSFER AGENT AND REGISTRAR

EquiServe P.O. Box 8040 Boston, MA 02266-8040 www.equiserve.com

STOCKHOLDER'S MEETING

The annual meeting of stockholders will be held on Tuesday, June 6, 2000, at 10:00 am at The Westin Santa Clara, 5101 Great America Parkway, Santa Clara, CA 95054.

MAILING ADDRESS

Exodus Communications, Inc. 2831 Mission College Blvd. Santa Clara, CA 95054-1838

INTERNET

www.exodus.net

INVESTOR RELATIONS

A copy of the 1999 Annual Report on Form 10-K is available upon request. Securities analysts and investors seeking additional information about the Company should contact Investor Relations at the above address, via email at investor.relations@exodus.net, or at 408.346.2191. Company information is available on our Web site at www.exodus.net.

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THE INFRASTRUCTURE FOR THE DIGITAL ECONOMY™

