

Rackwise, Inc. Reports Record Second Quarter Revenues

358% growth over last year driven by multiple positive developments

FOLSOM, CA August 10, 2012 - Rackwise, Inc. (RACK.OB) (the "Company"), a leading developer of data center infrastructure management ("DCIM") software and service solutions, announced today its second quarter 2012 financial results. The Company's results reflect increased market penetration among large data center operators in both the public and private sectors, strong sales momentum driving near-term business growth, and continued strategic investments in corporate infrastructure.

Second Quarter Results

- Revenues for the three months ended June 30, 2012 were \$1,192,489 as compared with revenues of \$260,106 for the three months ended June 30, 2011, an increase of \$932,383, or 358%.
- Gross profits for the three months ended June 30, 2012 and 2011 were \$1,136,157 and \$210,401, respectively, representing an increase of \$925,756, or 440%. Gross profit margins were approximately 95% and 81% respectively, for the respective quarters.
- Operating expenses for the second quarter 2012 were \$3,361,517, compared with \$1,296,470, in the year-ago quarter, an increase of \$2,065,047, or 159%. The increase primarily relates to the Company's investment in sales personnel to build out its sales force, as well as research and development and product support infrastructure. Also contributing to the increase in the current quarter were additional legal, accounting and audit fees associated with public company reporting and expanded business activity, plus non-cash expenses related to stock-based compensation (including grants of stock options and restricted shares). Non-cash expenses related to stock-based compensation during the second quarter of 2012 were \$530,935 versus \$83,172 for the second quarter of 2011.
- Net loss was \$2,671,444, or (\$.03) per share, for the second quarter of 2012, compared to a net loss of \$1,266,410, or (\$.03) per share, for the same period in 2011. Absent non-cash expenses related to stock-based compensation, net loss was \$2,140,509, or (\$.02), per share for the second quarter of 2012, compared to a net loss of \$1,183,238, or (\$.03), per share for the second quarter of 2011.

Six-Month Results

- Revenues for the six months ended June 30, 2012 were \$1,876,638 as compared with revenues of \$796,581 for the six months ended June 30, 2011, an increase of \$1,080,057, or 136%.
- Gross profits for the six months ended June 30, 2012 and 2011 were \$1,758,341 and \$698,110, respectively, representing an increase of \$1,060,231, or 152%. Gross profit margins were approximately 94% and 88% for the respective periods.
- Operating expenses for the first six months of 2012 were \$6,221,206, compared with \$2,279,644 for the same period in 2011, an increase of \$3,941,562, or 173%. The increase relates principally to recruiting and compensation costs associated with expansion of the Company's sales force and research, development and product support staffs, in accordance with the Company's strategic plan. Also contributing to this increase were previously noted additional professional fees associated with public company reporting and expanded business activity, as well as non-cash expenses related to stock-based compensation (including grants of stock options and restricted shares). Non-cash expenses related to stock based compensation during the first six months of 2012 were \$996,395 versus \$162,809 for the first six months of 2011.
- Net loss was \$4,900,559, or (\$.05) per share, for the first six months of 2012, compared to a net loss of \$2,165,537, or (\$.05) per share, for the same period in 2011. Absent non-cash expenses related to stock based compensation, net loss was \$3,904,164, or (\$.04) per share, for the first six months of 2012, compared to a net loss of \$2,002,728, or (\$.05) per share, for the same period in 2011.

Business Highlights

- Announced the release of Rackwise **DCiM X™**, the latest version of the Company's software product for data center management providing integrated device level tracking and real-time monitoring, advanced power modeling, visualization, blade server management, fault impact analysis, and business reporting analytics among its new and enhanced features and functions empowering data center managers and information technology ("IT") professionals to assure reliability, discover hidden capacity, and enable efficiency in managing their networks of data centers and global IT infrastructure.
- Added several new customers, including a leading global IT infrastructure and services provider and a major west coast utility.
- Deployed Rackwise **DCiM™** solutions in conjunction with a leading global Fortune 50 contract IT services company in two significant outsourced data centers supporting 27 key agencies of a large southwestern state.
- Expanded business relationships with several existing customers, including the U.S. Army Corps of Engineers and SLAC National Accelerator Laboratory operated by Stanford University for the U.S. Department of Energy Office of Science.
- Executed contract renewals with a substantial number of current clients, including the U.S. Securities and Exchange Commission, McGraw-Hill, Time Warner, and Cedar Sinai Medical Center, among others.
- Signed an agreement with Modern Power and Cooling Technology, Ltd. to expand the Company's customer and client base in Jamaica and across the Caribbean region.
- Subsequent to the end of the quarter, announced two significant license agreements: the first with HeidelbergCement AG, one of the world's largest manufacturers of building materials, to install and deploy Rackwise **DCiM X™** in its key data centers in Germany and the U.S.; the second with Argonne National Laboratory ("Argonne"), one of the largest national laboratories for scientific engineering research in the United States, to install and deploy Rackwise **DCiM™** solutions in Argonne's data centers at its principal facilities located in Illinois.

"Our results for the second quarter of 2012 directly reflect the impact of tactical and strategic measures undertaken during the last quarter of 2011 and the first half of this year," stated Jeff Winzeler, the Company's Chief Financial Officer. "We made substantial investments in human and other resources to augment our sales and marketing capabilities enabling us to achieve significantly increased revenue levels for both the second quarter and first six months of 2012 versus comparable periods of 2011, including record quarterly revenues and a 136% increase in six-month revenues. We also made considerable investments in our product development and support organizations and believe that the recently released version of our flagship product together with our other targeted investments in corporate infrastructure will continue to drive revenue growth and increase our share of the DCiM market."

Guy A. Archbold, Rackwise, Inc. Chief Executive Officer, commented, "We are extremely pleased with our Company's progress during the second quarter. The reported results demonstrate that continued execution of our strategic plan is producing positive financial performance. Among our noteworthy achievements during this period was the introduction of Rackwise **DCiM X™**, which has received an overwhelming response from the market for its superior robust capabilities coupled with accelerated return on investment potential and shorter time to value compared with other similar products currently available. Equally important, we added several new large customers in both the private and public sectors which have the potential to significantly expand deployments of Rackwise® product solutions in managing not only their own local and global network of data centers and IT infrastructure but those of their clients and customers around the world. Our customer list is increasing in size, quality and global name recognition, which we believe validates the efficacy of our products and services and affords Rackwise vital credibility in the DCiM and IT markets. We believe we are well positioned to take our business to the next level. With several prospective customers currently evaluating our solutions, we have a solid pipeline of potential new business expected to close in the coming months. We look forward to the second half of the year and anticipate similar sequential improvement with continued strong momentum."

Rackwise, Inc.
Condensed Consolidated Financial Information
(Unaudited)

	Three-month period ending June 30,		Six-month period ending June 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues	\$ 1,192,489	\$ 260,106	\$ 1,876,638	\$ 796,581
Gross profits	\$ 1,136,157	\$ 210,401	\$ 1,758,341	\$ 698,110
Operating expenses ⁽¹⁾	\$ 3,361,517	\$ 1,296,470	\$ 6,221,206	\$ 2,279,644
Net loss ⁽²⁾	\$ (2,671,444)	\$ (1,266,410)	\$ (4,900,559)	\$ (2,165,537)
Net loss per share ⁽²⁾	\$ (.03)	\$ (.03)	\$ (.05)	\$ (.05)

(1) Includes non-cash expenses related to stock-based compensation of \$530,935 and \$83,172 for the three-month periods ending June 30, 2012 and 2011, respectively; and \$996,395 and \$162,809 for six-month periods ending June 30, 2012 and 2011, respectively.

(2) Absent non-cash expenses related to stock-based compensation, net loss and net loss per share are:

	Three-month period ending June 30,		Six-month period ending June 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net loss	\$ (2,140,509)	\$ (1,183,238)	\$ (3,904,164)	\$ (2,002,728)
Net loss per share	\$ (.02)	\$ (.03)	\$ (.04)	\$ (.05)

(continued)

About Rackwise, Inc.

Rackwise, Inc. (RACK.OB) is a leader in software development and marketing within the growing data center infrastructure management ("DCIM") market for IT infrastructure tracking, monitoring, modeling, and management. The Company's flagship product, Rackwise **DCiM X™**, incorporates open architecture designs into a vendor agnostic platform affording IT professionals maximum flexibility for efficient integration in any computing environment. The Rackwise **DCiM X™** offering provides features and functionalities to assure reliability, identify hidden capacity, and improve efficiencies resulting in accelerated returns on investments through significantly optimized data center facilities and IT infrastructures. **DCiM X™** integrates device level, real-time monitoring with advanced modeling, reporting, analytics and other critical capabilities, enabling clients to more effectively manage today's high density computing configurations and virtualized data centers, mitigate risks associated with cascading faults and other potential inefficiencies within the infrastructure, and facilitate progress to more sustainable "green" data centers. Rackwise® products and services are used by over 150 companies worldwide. For more information, visit www.rackwise.com.

Rackwise®, **DCiM™** and **DCiM X™** are trademarks of Rackwise, Inc. Other designated trademarks and brands mentioned herein are the property of their respective owners.

Safe Harbor Statement

Any statements contained in this press release that do not describe historical facts may constitute forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Any forward-looking statements contained herein are based on current expectations, but are subject to a number of risks and uncertainties. The factors that could cause actual future results to differ materially from current expectations include, but are not limited to, risks and uncertainties relating to the availability of additional funding; and the Company's business, product development, marketing and distribution plans and strategies. These and other factors are identified and described in more detail in the Company's filings with the SEC, including, the Company's current reports on Form 8-K. The Company does not undertake to update these forward-looking statements.

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