

Digital Realty reports fourth quarter and full-year 2017 results

February 15, 2018

SAN FRANCISCO, Feb. 15, 2018 /PRNewswire/ -- **Digital Realty** (NYSE: DLR), a leading global provider of data center, colocation and interconnection solutions, announced today financial results for the fourth quarter and full-year 2017. All per-share results are presented on a fully-diluted share and unit basis.

Highlights

- Reported net income available to common stockholders of \$0.26 per share in 4Q17, compared to \$0.49 in 4Q16
 - Reported net income available to common stockholders of \$0.99 per share for the full year of 2017, compared to \$2.20 in 2016
- Reported FFO per share of \$1.48 in 4Q17, compared to \$1.58 in 4Q16
 - Reported FFO per share of \$5.65 for the full year of 2017, compared to \$5.67 in 2016
- Reported core FFO per share of \$1.55 in 4Q17, compared to \$1.43 in 4Q16
 - Reported core FFO per share of \$6.14 for the full year of 2017, compared to \$5.72 in 2016
- Signed total bookings during 4Q17 expected to generate \$56 million of annualized GAAP rental revenue, including a \$6 million contribution from interconnection, bringing the full-year 2017 total bookings to \$199 million
- Reiterated 2018 core FFO per share outlook of \$6.45 - \$6.60

Financial Results

Digital Realty reported revenues for the fourth quarter of 2017 of \$731 million, a 20% increase from the previous quarter and a 27% increase from the same quarter last year. For the full-year 2017, the company reported revenues of \$2.5 billion, a 15% increase over 2016.

The company delivered fourth quarter of 2017 net income of \$80 million, and net income available to common stockholders of \$53 million, or \$0.26 per diluted share, compared to a net loss available to common stockholders of (\$0.02) per diluted share in the previous quarter and net income available to common stockholders of \$0.49 per diluted share in the same quarter last year. For the full-year 2017, Digital Realty delivered net income of \$256 million and net income available to common stockholders of \$173 million, or \$0.99 per diluted share, compared to \$2.20 per diluted share for 2016.

Digital Realty generated fourth quarter of 2017 adjusted EBITDA of \$428 million, a 22% increase from the previous quarter and a 37% increase over the same quarter last year. For the full-year 2017, the company generated adjusted EBITDA of \$1.4 billion, an 18% increase over 2016.

The company reported fourth quarter of 2017 funds from operations ("FFO") of \$317 million, or \$1.48 per share, compared to \$1.23 per share in the previous quarter and \$1.58 per share in the same quarter last year. For the full-year 2017, Digital Realty reported FFO per share of \$5.65 compared to \$5.67 in 2016.

Excluding certain items that do not represent core expenses or revenue streams, Digital Realty delivered fourth quarter of 2017 core FFO of \$1.55 per share, a 3% increase from \$1.51 per share in the previous quarter, and an 8% increase from \$1.43 per share in the same quarter last year. For the full-year 2017, the company delivered core FFO per share of \$6.14, a 7% increase from \$5.72 per share in 2016.

Leasing Activity

"We closed the year on solid footing, with total bookings of \$56 million of annualized GAAP rental revenue in the fourth quarter of 2017, including a \$6 million contribution from interconnection," said Chief Executive Officer A. William Stein. "We delivered consistent results throughout 2017, while strategically expanding our global platform to ensure we are uniquely well-positioned to capture a growing share of customer demand. Looking ahead to 2018, we see robust global demand driven by the second wave of cloud, particularly in our core major metropolitan areas around the world. The strength of our global, connected platform provides the framework for our expectation of delivering sustainable growth for our customers, shareholders and employees in 2018 and beyond."

The weighted-average lag between leases signed during the fourth quarter of 2017 and the contractual commencement date was eight months.

In addition to new leases signed, Digital Realty also signed renewal leases representing \$64 million of annualized GAAP rental revenue during the quarter. Rental rates on renewal leases signed during the fourth quarter of 2017 rolled up 2.3% on a cash basis and up 5.7% on a GAAP basis.

New leases signed during the fourth quarter of 2017 by region and product type are summarized as follows:

North America	Annualized GAAP	Square Feet	GAAP Base Rent		GAAP Base Rent
	Based Rent		per Square Foot	Megawatts	per Kilowatt
	(in thousands)				
Turn-Key Flex	\$31,368	218,567	\$144	23	\$113
Colocation	8,625	33,634	256	2	333
Non-Technical	100	1,900	52	—	—
Total	\$40,093	254,101	\$158	25	\$132
Europe (1)					
Turn-Key Flex	\$2,478	8,928	\$278	1	\$155
Colocation	581	1,036	561	0	375
Total	\$3,059	9,964	\$307	1	\$175
Asia Pacific (1)					
Turn-Key Flex	\$6,345	41,675	\$152	3	\$155
Non-Technical	47	1,453	33	—	—
Total	\$6,392	43,128	\$148	3	\$155
Interconnection	\$6,301	N/A	N/A	N/A	N/A
Grand Total	\$55,845	307,193	\$161	30	\$137

Note: Totals may not foot due to rounding differences.

(1) Based on quarterly average exchange rates during the three months ended December 31, 2017.

Investment Activity

During the fourth quarter of 2017, Digital Realty entered into a 50/50 joint venture with Mitsubishi Corporation to provide data center solutions in Japan. Mitsubishi Corporation contributed two existing data center facilities in the western Tokyo suburb of Mitaka, while Digital Realty contributed its recently completed data center development project in Osaka. The three seed assets were collectively valued at approximately 40 billion Japanese Yen, or approximately \$350 million.

Likewise during the fourth quarter of 2017, Digital Realty acquired a 250,000 square foot data center on a 19-acre site in suburban Chicago, approximately four miles from the company's Franklin Park campus, for a purchase price of \$315 million. Roughly three-fourths of the building has been developed and is fully leased, and the property is expected to generate cash net operating income of approximately \$22 million in 2018, representing a 7% going-in cap rate. The remaining 65,000 square feet of shell space is available for build-out of approximately eight megawatts of critical load from a dedicated, on-site sub-station.

Digital Realty also acquired a 132,000 square foot multi-story parking garage adjacent to the company's highly connected Sovereign House data center in London for a purchase price of £22 million, or approximately \$30 million. The parking garage is expected to generate cash net operating income of £0.8 million, or approximately \$1 million, representing a 4% cap rate on in-place parking income. Digital Realty leased space within the parking garage to house critical Sovereign House equipment. This acquisition secures the company's position beyond the expiration of its previous parking garage lease in 2026.

Separately, Digital Realty acquired a 1.4-acre land parcel adjacent to 350 E. Cermak in Chicago, IL for a purchase price of \$25 million. The site is expected to support the development of a 12-story, 720,000 square foot data center with up to 34 megawatts of critical power. Commencement of development will be subject to market demand, and delivery will be phased to facilitate customer expansion requirements.

During the fourth quarter of 2017, Digital Realty closed on the sale of 44874 Moran Road, a 78,000 square foot data center in Sterling, VA for \$34 million. The property was 100% leased and was expected to generate cash net operating income of approximately \$3 million in 2017, representing an exit cap rate of 7%. The property was held in a consolidated joint venture, in which Digital Realty owned a 75% stake. The sale generated net proceeds of \$34 million, and Digital Realty recognized a gain on the sale of approximately \$12 million, net of non-controlling interests, during the fourth quarter.

Likewise during the fourth quarter of 2017, Digital Realty closed on the sale of 1 Solutions Parkway, a 156,000 square foot suburban office building in St. Louis, MO for \$37 million. The property was 100% leased to a single tenant and was expected to generate cash net operating income of approximately \$3 million in 2017, representing an exit cap rate of 7%. The sale generated net proceeds of \$35 million, and Digital Realty recognized a gain on the sale of approximately \$15 million.

Subsequent to the end of the quarter, Digital Realty closed on the sale of 34551 Ardenwood Boulevard, a 323,000 square foot technology manufacturing property in Fremont, CA for \$73 million. The property was 86% leased and was expected to generate

cash net operating income of approximately \$5 million in 2018, representing an exit cap rate of 7%. The sale generated net proceeds of \$72 million, and Digital Realty recognized a gain on the sale of approximately \$25 million in the first quarter of 2018.

Subsequent to the end of the quarter, Digital Realty also closed on the sale of 200 Quannapowitt Parkway, a substantially vacant, 211,000 square foot data center redevelopment project in Wakefield, MA for \$15 million. The sale generated net proceeds of \$15 million, and Digital Realty recognized a loss on the sale of approximately \$0.4 million in the first quarter of 2018.

Balance Sheet

Digital Realty had approximately \$8.6 billion of total debt outstanding as of December 31, 2017, substantially all of which was unsecured. At the end of the fourth quarter of 2017, net debt-to-adjusted EBITDA was 5.2x, debt-plus-preferred-to-total enterprise value was 28.9% and fixed charge coverage was 4.2x.

Non-GAAP Financial Measures

This press release contains non-GAAP financial measures, including FFO, core FFO, and Adjusted EBITDA. A reconciliation from U.S. GAAP net income available to common stockholders to FFO, a reconciliation from FFO to core FFO, and definitions of FFO, and core FFO are included as an attachment to this document. A reconciliation from U.S. GAAP net income available to common stockholders to Adjusted EBITDA, a definition of Adjusted EBITDA and definitions of net debt-to-Adjusted EBITDA, debt-plus-preferred-to-total enterprise value, cash NOI, and fixed charge coverage ratio are included as an attachment to this document.

Investor Conference Call

Prior to Digital Realty's investor conference call at 5:30 p.m. EST / 2:30 p.m. PST on February 15, 2018, a presentation will be posted to the Investors section of the company's website at <http://investor.digitalrealty.com>. The presentation is designed to accompany the discussion of the company's fourth quarter and full-year 2017 financial results and operating performance. The conference call will feature Chief Executive Officer A. William Stein and Chief Financial Officer Andrew P. Power.

To participate in the live call, investors are invited to dial (888) 317-6003 (for domestic callers) or (412) 317-6061 (for international callers) and reference the conference ID# 6927108 at least five minutes prior to start time. A live webcast of the call will be available via the Investors section of Digital Realty's website at <http://investor.digitalrealty.com>.

Telephone and webcast replays will be available after the call until March 16, 2018. The telephone replay can be accessed by dialing (877) 344-7529 (for domestic callers) or (412) 317-0088 (for international callers) and providing the conference ID# 10114216. The webcast replay can be accessed on Digital Realty's website.

About Digital Realty

Digital Realty supports the data center, colocation and interconnection strategies of more than 2,300 firms across its secure, network-rich portfolio of data centers located throughout North America, Europe, Asia and Australia. Digital Realty's clients include domestic and international companies of all sizes, ranging from financial services, cloud and information technology services, to manufacturing, energy, gaming, life sciences and consumer products.

Additional information about Digital Realty is included in the Company Overview, available on the Investors page of Digital Realty's website at www.digitalrealty.com. The Company Overview is updated periodically, and may contain material information and updates. To receive e-mail alerts when the Company Overview is updated, please visit the Investors page of Digital Realty's website.

Contact Information

Andrew P. Power
Chief Financial Officer
Digital Realty
(415) 738-6500

John J. Stewart / Maria S. Lukens
Investor Relations
Digital Realty
(415) 738-6500

2018 Outlook

Digital Realty reiterated its 2018 core FFO per share outlook of \$6.45 - \$6.60. The assumptions underlying this guidance are summarized in the following table.

As of

As of

Top-Line and Cost Structure	January 8, 2018	February 15, 2018
2018 total revenue	\$3.0 - \$3.2 billion	\$3.0 - \$3.2 billion
2018 net non-cash rent adjustments (1)	(\$5 - \$15 million)	(\$5 - \$15 million)
2018 Adjusted EBITDA margin	58.0% - 60.0%	58.0% - 60.0%
2018 G&A margin	5.5% - 6.5%	5.5% - 6.5%

Internal Growth

Rental rates on renewal leases		
Cash basis	Slightly negative	Slightly negative
GAAP basis	Up mid-single-digits	Up mid-single-digits
Year-end portfolio occupancy	+/- 50 bps	+/- 50 bps
"Same-capital" cash NOI growth (2)	0% - 3.0%	0% - 3.0%
Foreign Exchange Rates		
U.S. Dollar / Pound Sterling	\$1.28 - \$1.32	\$1.28 - \$1.32
U.S. Dollar / Euro	\$1.10 - \$1.20	\$1.10 - \$1.20

External Growth

Dispositions		
Dollar volume	\$0 - \$200 million	\$88 - \$200 million
Cap rate	0.0% - 10.0%	0.0% - 10.0%
Development		
CapEx	\$0.9 - \$1.1 billion	\$0.9 - \$1.1 billion
Average stabilized yields	10.0% - 12.0%	10.0% - 12.0%
Enhancements and other non-recurring CapEx (3)	\$25 - \$30 million	\$25 - \$30 million
Recurring CapEx + capitalized leasing costs (4)	\$160 - \$170 million	\$160 - \$170 million

Balance Sheet

Long-term debt issuance		
Dollar amount	\$0 - \$500 million	\$0 - \$500 million
Pricing	3.25% - 4.25%	3.25% - 4.25%
Timing	Mid-to-late 2018	Mid-to-late 2018

Net income per diluted share	\$1.50 - \$1.55	\$1.50 - \$1.55
Real estate depreciation and (gain)/loss on sale	\$4.90 - \$4.95	\$4.90 - \$4.95
Funds From Operations / share (NAREIT-Defined)	\$6.40 - \$6.50	\$6.40 - \$6.50
Non-core expenses and revenue streams	\$0.05 - \$0.10	\$0.05 - \$0.10
Core Funds From Operations / share	\$6.45 - \$6.60	\$6.45 - \$6.60

- (1) Net non-cash rent adjustments represent the sum of straight-line rental revenue, straight-line rent expense as well as the amortization of above- and below-market leases (i.e., FAS 141 adjustments).
- (2) The "same-capital" pool includes buildings owned as of December 31, 2016 with less than 5% of the total rentable square feet under development. It also excludes buildings that were undergoing, or were expected to undergo, development activities in 2017-2018, buildings classified as held for sale, and buildings sold or contributed to joint ventures for all periods presented.
- (3) Other non-recurring CapEx represents costs incurred to enhance the capacity or marketability of operating data centers, such as network fiber initiatives and software development costs.
- (4) Recurring CapEx represents non-incremental improvements required to maintain current revenues, including second-generation tenant improvements and leasing commissions. Capitalized leasing costs include capitalized leasing compensation as well as capitalized internal leasing commissions.

Safe Harbor Statement

This press release contains forward-looking statements which are based on current expectations, forecasts and assumptions that involve risks and uncertainties that could cause actual outcomes and results to differ materially, including statements related to the merger with DuPont Fabros Technology, Inc.; supply and demand for data center and colocation space; the expected timing, benefits and development of recent land acquisitions; impairment losses; our joint venture in Japan; our global platform; acquisition and disposition activity, including transactions which are under agreement but subject to closing conditions; market dynamics and data center fundamentals; our strategic priorities; rent from leases that have been signed but have not yet commenced and other contracted rent to be received in future periods; rental rates on future leases; lag between signing and commencement; cap rates and yields; investment activity; expected capital markets activity; and the company's FFO, core FFO and net income outlook and underlying assumptions. These risks and uncertainties include, among others, the following: the impact of current global economic, credit and market conditions; current local economic conditions in the metropolitan areas in which we operate; decreases in information technology spending, including as a result of economic slowdowns or recession; adverse economic or real estate developments in our industry or the industry sectors that we sell to (including risks relating to decreasing real estate valuations and impairment charges); our dependence upon significant tenants; bankruptcy or insolvency of

a major tenant or a significant number of smaller tenants; defaults on or non-renewal of leases by tenants; our failure to obtain necessary debt and equity financing; risks associated with using debt to fund our business activities, including re-financing and interest rate risks, our failure to repay debt when due, adverse changes in our credit ratings or our breach of covenants or other terms contained in our loan facilities and agreements; financial market fluctuations; changes in foreign currency exchange rates; our inability to manage our growth effectively; difficulty acquiring or operating properties in foreign jurisdictions; our failure to successfully integrate and operate acquired or developed properties or businesses; the suitability of our properties and data center infrastructure, delays or disruptions in connectivity, failure of our physical and information security infrastructure or services or availability of power; risks related to joint venture investments, including as a result of our lack of control of such investments; delays or unexpected costs in development of properties; decreased rental rates, increased operating costs or increased vacancy rates; increased competition or available supply of data center space; our inability to successfully develop and lease new properties and development space; difficulties in identifying properties to acquire and completing acquisitions; our inability to acquire off-market properties; the impact of the United Kingdom's referendum on withdrawal from the European Union on global financial markets and our business; our inability to comply with the rules and regulations applicable to reporting companies; our failure to maintain our status as a REIT; possible adverse changes to tax laws; restrictions on our ability to engage in certain business activities; environmental uncertainties and risks related to natural disasters; losses in excess of our insurance coverage; changes in foreign laws and regulations, including those related to taxation and real estate ownership and operation; and changes in local, state and federal regulatory requirements, including changes in real estate and zoning laws and increases in real property tax rates. For a further list and description of such risks and uncertainties, see the reports and other filings by the company with the U.S. Securities and Exchange Commission, including the company's Annual Report on Form 10-K for the year ended December 31, 2016 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017. The company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Consolidated Quarterly Statements of Operations
Unaudited and in thousands, except share and per share data

	Three Months Ended					Twelve Months Ended	
	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16	31-Dec-17	31-Dec-16
Rental revenues	\$517,356	\$440,591	\$412,576	\$404,126	\$399,062	\$1,774,649	\$1,542,511
Tenant reimbursements - Utilities	97,657	78,134	68,407	63,398	63,956	307,596	253,442
Tenant reimbursements - Other	54,324	29,479	24,935	23,890	23,853	132,628	102,461
Interconnection & other	60,275	59,851	58,301	57,225	55,094	235,652	204,317
Fee income	1,386	1,662	1,429	1,895	1,718	6,372	6,285
Other	447	208	341	35	33,104	1,031	33,197
Total Operating Revenues	\$731,445	\$609,925	\$565,989	\$550,569	\$576,787	\$2,457,928	\$2,142,213
Utilities	\$112,055	\$95,619	\$82,739	\$77,198	\$76,896	\$367,611	\$306,261
Rental property operating	113,445	94,442	91,977	92,141	92,372	392,005	353,916
Property taxes	36,348	32,586	28,161	26,919	27,097	124,014	102,497
Insurance	3,223	2,590	2,576	2,592	2,369	10,981	9,492
Depreciation & amortization	287,973	199,914	178,111	176,466	176,581	842,464	699,324
General & administrative	44,311	41,477	37,144	33,778	40,481	156,710	146,525
Severance, equity acceleration, and legal expenses	1,209	2,288	365	869	672	4,731	6,208
Transaction and integration expenses	15,681	42,809	14,235	3,323	8,961	76,048	20,491
Impairment of investments in real estate	—	28,992	—	—	—	28,992	—
Other expenses	2	3,051	24	—	236	3,077	213
Total Operating Expenses	\$614,247	\$543,768	\$435,332	\$413,286	\$425,665	\$2,006,633	\$1,644,927
Operating Income	\$117,198	\$66,157	\$130,657	\$137,283	\$151,122	\$451,295	\$497,286
Equity in earnings of unconsolidated joint ventures	\$5,924	\$5,880	\$8,388	\$5,324	\$4,742	\$25,516	\$17,104
Gain (loss) on real estate transactions	30,746	9,751	380	(522)	(195)	40,355	169,902
Interest and other income	324	2,813	367	151	(970)	3,655	(4,564)
Interest (expense)	(73,989)	(71,621)	(57,582)	(55,450)	(56,226)	(258,642)	(236,480)
Tax (expense)	(545)	(2,494)	(2,639)	(2,223)	(2,304)	(7,901)	(10,385)
Gain (loss) from early extinguishment of debt	—	1,990	—	—	(29)	1,990	(1,011)
Net Income	\$79,658	\$12,476	\$79,571	\$84,563	\$96,140	\$256,268	\$431,852

Net (income) attributable to non-controlling interests	(6,023)	(40)	(920)	(1,025)	(1,065)	(8,008)	(5,665)
Net Income Attributable to Digital Realty Trust, Inc.	\$73,635	\$12,436	\$78,651	\$83,538	\$95,075	\$248,260	\$426,187
Preferred stock dividends, including undeclared dividends	(20,329)	(16,575)	(14,505)	(17,393)	(17,393)	(68,802)	(83,771)
Issuance costs associated with redeemed preferred stock	—	—	(6,309)	—	—	(6,309)	(10,328)
Net (Loss) Income Available to Common Stockholders	\$53,306	(\$4,139)	\$57,837	\$66,145	\$77,682	\$173,149	\$332,088
Weighted-average shares outstanding - basic	205,448,689	170,194,254	160,832,889	159,297,027	158,956,606	174,059,386	149,953,662
Weighted-average shares outstanding - diluted	206,185,084	170,194,254	161,781,868	160,421,655	159,699,411	174,895,098	150,679,688
Weighted-average fully diluted shares and units	214,424,363	174,169,511	164,026,578	162,599,529	162,059,914	178,891,648	153,085,706
Net (loss) income per share - basic	\$0.26	(\$0.02)	\$0.36	\$0.42	\$0.49	\$0.99	\$2.21
Net (loss) income per share - diluted	\$0.26	(\$0.02)	\$0.36	\$0.41	\$0.49	\$0.99	\$2.20

Funds From Operations and Core Funds From Operations
Unaudited and in thousands, except per share data

Reconciliation of Net Income to Funds From Operations (FFO)	Three Months Ended					Twelve Months Ended	
	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16	31-Dec-17	31-Dec-16
Net (Loss) Income Available to Common Stockholders	\$53,306	(\$4,139)	\$57,837	\$66,145	\$77,682	\$173,149	\$332,088
Adjustments:							
Non-controlling interests in operating partnership	2,138	(79)	807	904	1,154	3,770	5,298
Real estate related depreciation & amortization (1)	284,924	196,871	175,010	173,447	173,523	830,252	682,810
Impairment charge related to Telx trade name	—	—	—	—	—	—	6,122
Unconsolidated JV real estate related depreciation & amortization	3,323	2,732	2,754	2,757	2,823	11,566	11,246
(Gain) loss on real estate transactions	(30,746)	(9,751)	(380)	522	195	(40,355)	(169,902)
Non-controlling interests share of gain on sale of property	3,900	—	—	—	—	3,900	—
Impairment of investments in real estate	—	28,992	—	—	—	28,992	—
Funds From Operations	\$316,845	\$214,626	\$236,028	\$243,775	\$255,377	\$1,011,274	\$867,662
Funds From Operations - diluted	\$316,845	\$214,626	\$236,028	\$243,775	\$255,377	\$1,011,274	\$867,662
Weighted-average shares and units outstanding - basic	213,688	173,461	163,078	161,475	161,317	178,056	152,360
Weighted-average shares and units outstanding - diluted (2)	214,424	174,170	164,027	162,600	162,060	178,892	153,086
Funds From Operations per share - basic	\$1.48	\$1.24	\$1.45	\$1.51	\$1.58	\$5.68	\$5.69
Funds From Operations per share - diluted (2)	\$1.48	\$1.23	\$1.44	\$1.50	\$1.58	\$5.65	\$5.67

Reconciliation of FFO to Core FFO	Three Months Ended					Twelve Months Ended	
	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16	31-Dec-17	31-Dec-16
Funds From Operations - diluted	\$316,845	\$214,626	\$236,028	\$243,775	\$255,377	\$1,011,274	\$867,662

Adjustments:							
Termination fees and other non-core revenues (3)	(447)	(208)	(341)	(35)	(33,104)	(1,031)	(33,197)
Transaction and integration expenses	15,681	42,809	14,235	3,323	8,961	76,048	20,491
Gain (loss) from early extinguishment of debt	—	(1,990)	—	—	29	(1,990)	1,011
Issuance costs associated with redeemed preferred stock	—	—	6,309	—	—	6,309	10,328
Equity in earnings adjustment for non-core items	—	—	(3,285)	—	—	(3,285)	—
Severance, equity acceleration, and legal expenses (4)	1,209	2,288	365	869	672	4,731	6,208
Bridge facility fees (5)	—	3,182	—	—	—	3,182	—
Loss on currency forwards	—	—	—	—	—	—	3,082
Other non-core expense adjustments	2	3,051	24	—	236	3,077	213
Core Funds From Operations - diluted	\$333,290	\$263,758	\$253,335	\$247,932	\$232,171	\$1,098,315	\$875,798
Weighted-average shares and units outstanding - diluted (2)	214,424	174,170	164,027	162,600	162,060	178,892	153,086
Core Funds From Operations per share - diluted (2)	\$1.55	\$1.51	\$1.54	\$1.52	\$1.43	\$6.14	\$5.72

(1) Real Estate Related Depreciation & Amortization:	Three Months Ended					Twelve Months Ended	
	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16	31-Dec-17	31-Dec-16
Depreciation & amortization per income statement	\$287,973	\$199,914	\$178,111	\$176,466	\$176,581	\$842,464	\$699,324
Non-real estate depreciation	(3,049)	(3,043)	(3,101)	(3,019)	(3,058)	(12,212)	(10,392)
Impairment charge related to Telx trade name	—	—	—	—	—	—	(6,122)
Real Estate Related Depreciation & Amortization	\$284,924	\$196,871	\$175,010	\$173,447	\$173,523	\$830,252	\$682,810

(2) For all periods presented, we have excluded the effect of dilutive series C, series E, series F, series G, series H, series I and series J preferred stock, as applicable, that may be converted into common stock upon the occurrence of specified change in control transactions as described in the articles supplementary governing the series C, series E, series F, series G, series H, series I, and series J preferred stock, as applicable, which we consider highly improbable. See above for calculations of diluted FFO available to common stockholders and unitholders and below for calculations of weighted average common stock and units outstanding.

(3) Includes lease termination fees and certain other adjustments that are not core to our business.

(4) Relates to severance and other charges related to the departure of company executives and integration-related severance.

(5) Bridge facility fees are included in interest expense.

Adjusted Funds From Operations (AFFO)
Unaudited and in Thousands, Except Per Share Data

Reconciliation of Core FFO to AFFO	Three Months Ended					Twelve Months Ended	
	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16	31-Dec-17	31-Dec-16
Core FFO available to common stockholders and unitholders	\$333,290	\$263,758	\$253,335	\$247,932	\$232,171	\$1,098,315	\$875,798
Adjustments:							
Non-real estate depreciation	3,049	3,043	3,101	3,019	3,058	12,212	10,392
Amortization of deferred financing costs	3,092	2,611	2,518	2,443	2,455	10,664	9,909
Amortization of debt discount/premium	858	816	713	697	693	3,084	2,722
Non-cash stock-based compensation expense	3,923	4,636	5,637	3,704	3,774	17,900	15,865
Straight-line rental revenue	(8,705)	(1,692)	(2,110)	(4,058)	(5,210)	(16,565)	(24,253)
Straight-line rental expense	(635)	4,212	4,343	4,187	5,096	12,107	23,086
Above- and below-market rent amortization	6,562	(873)	(1,946)	(1,973)	(2,048)	1,770	(8,313)
Deferred non-cash tax expense	(1,100)	284	(1,443)	(653)	(1,279)	(2,912)	(162)

Capitalized leasing compensation (1)	(3,567)	(2,945)	(2,740)	(2,634)	(3,644)	(11,886)	(11,589)
Recurring capital expenditures (2)	(45,298)	(34,664)	(26,740)	(29,588)	(21,246)	(136,290)	(75,476)
Capitalized internal leasing commissions (1)	(1,217)	(1,225)	(1,355)	(1,493)	(1,835)	(5,290)	(7,322)
AFFO available to common stockholders and unitholders (3)	\$290,252	\$237,961	\$233,313	\$221,583	\$211,984	\$983,109	\$810,657
Weighted-average shares and units outstanding - basic	213,688	173,461	163,078	161,475	161,317	178,056	152,360
Weighted-average shares and units outstanding - diluted (4)	214,424	174,170	164,027	162,600	162,060	178,892	153,086
AFFO per share - diluted (4)	\$1.35	\$1.37	\$1.42	\$1.36	\$1.31	\$5.50	\$5.30
Dividends per share and common unit	\$0.93	\$0.93	\$0.93	\$0.93	\$0.88	\$3.72	\$3.52
Diluted AFFO Payout Ratio	68.7%	68.1%	65.4%	68.2%	67.3%	67.7%	66.5%

Share Count Detail	Three Months Ended					Twelve Months Ended	
	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16	31-Dec-17	31-Dec-16
Weighted Average Common Stock and Units Outstanding	213,688	173,461	163,078	161,475	161,317	178,056	152,360
Add: Effect of dilutive securities	736	709	949	1,125	743	836	726
Weighted Avg. Common Stock and Units Outstanding - diluted	214,424	174,170	164,027	162,600	162,060	178,892	153,086

(1) Includes only second-generation leasing costs.

(2) For a definition of recurring capital expenditures, see our earnings press release and supplemental information package.

For a definition and discussion of AFFO, see below. For a reconciliation of net income available to common stockholders to (3) FFO and core FFO, see above.

(4) For all periods presented, we have excluded the effect of dilutive series C, series E, series F, series G, series H, series I and series J preferred stock, as applicable, that may be converted into common stock upon the occurrence of specified change in control transactions as described in the articles supplementary governing the series C, series E, series F, series G, series H, series I, and series J preferred stock, as applicable, which we consider highly improbable. See above for calculations of diluted FFO available to common stockholders and unitholders and above for calculations of weighted average common stock and units outstanding.

Consolidated Balance Sheets
Unaudited and in thousands, except share and per share data

	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16
Assets					
Investments in real estate:					
Real estate	\$15,163,846	\$14,693,479	\$11,132,356	\$10,858,628	\$10,630,514
Construction in progress	1,399,684	1,405,740	787,315	780,966	732,430
Land held for future development	352,406	330,101	262,139	229,411	195,525
Investments in Real Estate	\$16,915,936	\$16,429,320	\$12,181,810	\$11,869,005	\$11,558,469
Accumulated depreciation & amortization	(3,238,227)	(3,075,294)	(2,929,095)	(2,792,910)	(2,668,509)
Net Investments in Properties	\$13,677,709	\$13,354,026	\$9,252,715	\$9,076,095	\$8,889,960
Investment in unconsolidated joint ventures	163,477	106,374	103,881	112,856	106,402
Net Investments in Real Estate	\$13,841,186	\$13,460,400	\$9,356,596	\$9,188,951	\$8,996,362
Cash and cash equivalents	\$51	\$192,578	\$22,383	\$14,950	\$10,528

Accounts and other receivables (1)	276,347	258,490	229,450	195,406	203,938
Deferred rent	430,026	420,348	423,188	418,858	412,269
Acquired in-place lease value, deferred leasing costs and other real estate intangibles, net	2,998,806	3,052,277	1,494,083	1,501,843	1,522,378
Acquired above-market leases, net	184,375	178,190	19,716	20,826	22,181
Goodwill	3,389,595	3,384,394	778,862	757,444	752,970
Restricted cash	13,130	17,753	18,931	10,447	11,508
Assets associated with real estate held for sale	139,538	132,818	87,882	56,154	56,097
Other assets	131,291	135,250	148,480	164,669	204,354
Total Assets	\$21,404,345	\$21,232,498	\$12,579,571	\$12,329,548	\$12,192,585
Liabilities and Equity					
Global unsecured revolving credit facility	\$550,946	\$138,477	\$563,063	\$564,467	\$199,209
Unsecured term loan	1,420,333	1,432,659	1,520,482	1,505,667	1,482,361
Unsecured senior notes, net of discount	6,570,757	6,806,333	4,351,148	4,128,110	4,153,797
Mortgage loans, net of premiums	106,582	106,775	2,927	3,085	3,240
Accounts payable and other accrued liabilities	980,218	1,024,394	850,602	804,371	824,878
Accrued dividends and distributions	199,761	—	—	—	144,194
Acquired below-market leases	249,465	257,732	76,099	78,641	81,899
Security deposits and prepaid rent	217,898	223,536	181,007	171,692	168,111
Liabilities associated with assets held for sale	5,033	4,660	2,949	3,070	2,599
Total Liabilities	\$10,300,993	\$9,994,566	\$7,548,277	\$7,259,103	\$7,060,288
Redeemable noncontrolling interests – operating partnership	53,902	64,509	—	—	—
Equity					
Preferred Stock: \$0.01 par value per share, 110,000,000 shares authorized:					
Series C Cumulative Redeemable Perpetual Preferred Stock (2)	\$219,250	\$219,250	—	—	—
Series F Cumulative Redeemable Preferred Stock (3)	—	—	—	\$176,191	\$176,191
Series G Cumulative Redeemable Preferred Stock (4)	241,468	241,468	\$241,468	241,468	241,468
Series H Cumulative Redeemable Preferred Stock (5)	353,290	353,290	353,290	353,290	353,290
Series I Cumulative Redeemable Preferred Stock (6)	242,012	242,012	242,012	242,012	242,012
Series J Cumulative Redeemable Preferred Stock (7)	193,540	193,667	—	—	—
Common Stock: \$0.01 par value per share, 315,000,000 shares authorized (8)					
Additional paid-in capital	11,261,462	11,250,322	5,991,753	5,769,091	5,764,497
Dividends in excess of earnings	(2,055,552)	(1,917,791)	(1,722,610)	(1,629,633)	(1,547,420)
Accumulated other comprehensive (loss) income, net	(108,432)	(116,732)	(110,709)	(122,540)	(135,605)
Total Stockholders' Equity	\$10,349,082	\$10,467,529	\$4,996,815	\$5,031,463	\$5,096,015
Non-controlling Interests					
Non-controlling interest in operating partnership	\$698,125	\$699,308	\$27,909	\$32,409	\$29,684
Non-controlling interest in consolidated joint ventures	2,243	6,586	6,570	6,573	6,598
Total Non-controlling Interests	\$700,368	\$705,894	\$34,479	\$38,982	\$36,282
Total Equity	\$11,049,450	\$11,173,423	\$5,031,294	\$5,070,445	\$5,132,297
Total Liabilities and Equity	\$21,404,345	\$21,232,498	\$12,579,571	\$12,329,548	\$12,192,585

(1) Net of allowance for doubtful accounts of \$6,737 and \$7,446 as of December 31, 2017 and December 31, 2016, respectively.

(2) Series C Cumulative Redeemable Perpetual Preferred Stock, 6.625%, \$201,250 and \$0 liquidation preference, respectively (\$25.00 per share), 8,050,000 and 0 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively.

(3) Series F Cumulative Redeemable Preferred Stock, 6.625%, \$0 and \$182,500 liquidation preference, respectively (\$25.00 per share), 0 and 7,300,000 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively. All outstanding shares of Series F Cumulative Redeemable Preferred Stock were redeemed on April 5, 2017.

(4) Series G Cumulative Redeemable Preferred Stock, 5.875%, \$250,000 and \$250,000 liquidation preference, respectively (\$25.00 per share), 10,000,000 and 10,000,000 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively.

(5) Series H Cumulative Redeemable Preferred Stock, 7.375%, \$365,000 and \$365,000 liquidation preference, respectively (\$25.00 per share), 14,600,000 and 14,600,000 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively.

- (6) Series I Cumulative Redeemable Preferred Stock, 6.350%, \$250,000 and \$250,000 liquidation preference, respectively (\$25.00 per share), 10,000,000 and 10,000,000 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively.
- (7) Series J Cumulative Redeemable Preferred Stock, 5.250%, \$200,000 and \$0 liquidation preference, respectively (\$25.00 per share), 8,000,000 and 0 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively.
- Common Stock: 205,470,300 and 159,019,118 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively.

Reconciliation of Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) (1)	Three Months Ended				
	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16
Net (Loss) Income Available to Common Stockholders	\$53,306	(\$4,139)	\$57,837	\$66,145	\$77,682
Interest	73,989	71,621	57,582	55,450	56,226
(Gain) loss from early extinguishment of debt	—	(1,990)	—	—	29
Tax expense	545	2,494	2,639	2,223	2,304
Depreciation & amortization	287,973	199,914	178,111	176,466	176,581
Impairment of investments in real estate	—	28,992	—	—	—
EBITDA	\$415,813	\$296,892	\$296,169	\$300,284	\$312,822
Severance, equity acceleration, and legal expenses	1,209	2,288	365	869	672
Transaction and integration expenses	15,681	42,809	14,235	3,323	8,961
(Gain) loss on real estate transactions	(30,746)	(9,751)	(380)	522	195
Non-cash (gain) on lease termination (2)	—	—	—	—	(29,205)
Equity in earnings adjustment for non-core items	—	—	(3,285)	—	—
Other non-core expense adjustments	2	3,051	24	—	236
Non-controlling interests	6,023	40	920	1,025	1,065
Preferred stock dividends, including undeclared dividends	20,329	16,575	14,505	17,393	17,393
Issuance costs associated with redeemed preferred stock	—	—	6,309	—	—
Adjusted EBITDA	\$428,311	\$351,904	\$328,862	\$323,416	\$312,139

- (1) For definitions and discussion of EBITDA and Adjusted EBITDA, see below.
- (2) 4Q 2016 amount included in Other revenue on the income statement.

Definitions

Funds From Operations (FFO):

We calculate funds from operations, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from real estate transactions, impairment charges, real estate related depreciation and amortization (excluding amortization of deferred financing costs), non-controlling interests in operating partnership and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions and after adjustments for unconsolidated partnerships and joint ventures, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our data centers that result from use or market conditions, nor the level of capital expenditures and capitalized leasing commissions necessary to maintain the operating performance of our data centers, all of which have real economic effect and could materially impact our financial condition and results from operations, the utility of FFO as a measure of our performance is limited. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to other REITs' FFO. FFO should be considered only as a supplement to net income computed in accordance with GAAP as a measure of our performance.

Core Funds from Operations:

We present core funds from operations, or core FFO, as a supplemental operating measure because, in excluding certain items that do not reflect core revenue or expense streams, it provides a performance measure that, when compared year over year, captures trends in our core business operating performance. We calculate core FFO by adding to or subtracting from FFO (i)

termination fees and other non-core revenues, (ii) transaction and integration expenses, (iii) gain (loss) from early extinguishment of debt, (iv) issuance costs associated with redeemed preferred stock, (v) equity in earnings adjustment for non-core items, (vi) severance, equity acceleration, and legal expenses, (vii) bridge facility fees, (viii) loss on currency forwards and (ix) other non-core expense adjustments. Because certain of these adjustments have a real economic impact on our financial condition and results from operations, the utility of core FFO as a measure of our performance is limited. Other REITs may calculate core FFO differently than we do and accordingly, our core FFO may not be comparable to other REITs' core FFO. Core FFO should be considered only as a supplement to net income computed in accordance with GAAP as a measure of our performance.

Adjusted Funds from Operations (AFFO):

We present adjusted funds from operations, or AFFO, as a supplemental operating measure because, when compared year over year, it assesses our ability to fund dividend and distribution requirements from our operating activities. We also believe that, as a widely recognized measure of the operations of REITs, AFFO will be used by investors as a basis to assess our ability to fund dividend payments in comparison to other REITs, including on a per share and unit basis. We calculate AFFO by adding to or subtracting from core FFO (i) non-real estate depreciation, (ii) amortization of deferred financing costs, (iii) amortization of debt discount/premium, (iv) non-cash stock-based compensation expense, (v) straight-line rent revenue, (vi) straight-line rent expense, (vii) above- and below-market rent amortization, (viii) deferred non-cash tax expense, (ix) capitalized leasing compensation, (x) recurring capital expenditures and (xi) capitalized internal leasing commissions. Other REITs may calculate AFFO differently than we do and accordingly, our AFFO may not be comparable to other REITs' AFFO. AFFO should be considered only as a supplement to net income computed in accordance with GAAP as a measure of our performance.

EBITDA and Adjusted EBITDA:

We believe that earnings before interest, loss from early extinguishment of debt, income taxes, depreciation and amortization, and impairment of investments in real estate, or EBITDA, and Adjusted EBITDA (as defined below), are useful supplemental performance measures because they allow investors to view our performance without the impact of non-cash depreciation and amortization or the cost of debt and, with respect to Adjusted EBITDA, severance-related expense, equity acceleration, and legal expenses, transaction and integration expenses, (gain) loss on real estate transactions, non-cash (gain) on lease termination, equity in earnings adjustment for non-core items, other non-core expense adjustments, noncontrolling interests, preferred stock dividends, including undeclared dividends, and issuance costs associated with redeemed preferred stock. Adjusted EBITDA is EBITDA excluding severance-related expense, equity acceleration, and legal expenses, transaction and integration expenses, (gain) loss on real estate transactions, non-cash (gain) on lease termination, equity in earnings adjustment for non-core items, other non-core expense adjustments, noncontrolling interests, preferred stock dividends, including undeclared dividends, and issuance costs associated with redeemed preferred stock. In addition, we believe EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties in the evaluation of REITs. Because EBITDA and Adjusted EBITDA are calculated before recurring cash charges including interest expense and income taxes, exclude capitalized costs, such as leasing commissions, and are not adjusted for capital expenditures or other recurring cash requirements of our business, their utility as a measure of our performance is limited. Other REITs may calculate EBITDA and Adjusted EBITDA differently than we do and accordingly, our EBITDA and Adjusted EBITDA may not be comparable to other REITs' EBITDA and Adjusted EBITDA. Accordingly, EBITDA and Adjusted EBITDA should be considered only as supplements to net income computed in accordance with GAAP as a measure of our financial performance.

Net Operating Income (NOI) and Cash NOI:

Net operating income, or NOI, represents rental revenue, tenant reimbursement revenue and interconnection revenue less utilities expense, rental property operating expenses, property taxes and insurance expenses (as reflected in the statement of operations). NOI is commonly used by stockholders, company management and industry analysts as a measurement of operating performance of the company's rental portfolio. Cash NOI is NOI less straight-line rents and above- and below-market rent amortization. Cash NOI is commonly used by stockholders, company management and industry analysts as a measure of property operating performance on a cash basis. However, because NOI and cash NOI exclude depreciation and amortization and capture neither the changes in the value of our data centers that result from use or market conditions, nor the level of capital expenditures and capitalized leasing commissions necessary to maintain the operating performance of our data centers, all of which have real economic effect and could materially impact our results from operations, the utility of NOI and cash NOI as measures of our performance is limited. Other REITs may not calculate NOI and cash NOI differently than we do and, accordingly, our NOI and cash NOI may not be comparable to other REITs' NOI and cash NOI. NOI and cash NOI should be considered only as supplements to net income computed in accordance with GAAP as measures of our performance.

Additional Definitions

Net debt-to-Adjusted EBITDA ratio is calculated using total debt at balance sheet carrying value, plus capital lease obligations, plus our share of JV debt, less unrestricted cash and cash equivalents divided by the product of Adjusted EBITDA (inclusive of our share of JV EBITDA) multiplied by four.

Debt-plus-preferred-to-total enterprise value is mortgage debt and other loans plus preferred stock divided by mortgage debt and other loans plus the liquidation value of preferred stock and the market value of outstanding Digital Realty Trust, Inc. common stock and Digital Realty Trust, L.P. units, assuming the redemption of Digital Realty Trust, L.P. units for shares of Digital Realty Trust, Inc. common stock.

Fixed charge coverage ratio is Adjusted EBITDA divided by the sum of GAAP interest expense, capitalized interest, scheduled debt principal payments and preferred dividends. For the quarter ended December 31, 2017, GAAP interest expense was \$74 million, capitalized interest was \$8 million and scheduled debt principal payments and preferred dividends was \$20 million.

Reconciliation of Net Operating Income (NOI) (in thousands)	Three Months Ended			Twelve Months Ended	
	31-Dec-17	30-Sep-17	31-Dec-16	31-Dec-17	31-Dec-16
Operating income	\$117,198	\$66,157	\$151,122	\$451,295	\$497,286
Fee income	(1,386)	(1,662)	(1,718)	(6,372)	(6,285)
Other income	(447)	(208)	(33,104)	(1,031)	(33,197)
Depreciation and amortization	287,973	199,914	176,581	842,464	699,324
General and administrative	44,311	41,477	40,481	156,710	146,525
Severance, equity acceleration, and legal expenses	1,209	2,288	672	4,731	6,208
Transaction expenses	15,681	42,809	8,961	76,048	20,491
Impairment in investments in real estate	—	28,992	—	28,992	—
Other expenses	2	3,051	236	3,077	213
Net Operating Income	\$464,541	\$382,818	\$343,231	\$1,555,914	\$1,330,565
Cash Net Operating Income (Cash NOI)					
Net Operating Income	\$464,541	\$382,818	\$343,231	\$1,555,914	\$1,330,565
Straight-line rent, net	(9,331)	2,436	(236)	(4,489)	1,913
Above- and below-market rent amortization	6,633	(873)	(2,048)	1,840	(8,313)
Cash Net Operating Income	\$461,843	\$384,381	\$340,947	\$1,553,265	\$1,324,165

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