

Digital Realty reports fourth quarter and full-year 2016 results

February 16, 2017

SAN FRANCISCO, Feb. 16, 2017 /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 2016. All per share results are presented on a fully-diluted share and unit basis.

Highlights

- Reported net income available to common stockholders per share of \$0.49 in 4Q16, compared to net loss available to common stockholders per share of (\$0.28) in 4Q15
 - Reported net income available to common stockholders per share of \$2.20 for the full year of 2016, compared to \$1.56 in 2015
- Reported FFO per share of \$1.58 in 4Q16, compared to \$0.79 in 4Q15
 - Reported FFO per share of \$5.67 for the full year of 2016, compared to \$4.85 in 2015
- Reported core FFO per share of \$1.43 in 4Q16, compared to \$1.38 in 4Q15
 - Reported core FFO per share of \$5.72 for the full year of 2016, compared to \$5.26 in 2015
- Signed total bookings during 4Q16 expected to generate \$33 million of annualized GAAP rental revenue, including a \$7 million contribution from interconnection, bringing the full-year 2016 total bookings to \$157 million
- Reiterated 2017 core FFO per share outlook of \$5.90 - \$6.10 and "constant-currency" core FFO per share outlook of \$5.95 - \$6.25

Financial Results

Revenues were \$577 million for the fourth quarter of 2016, a 6% increase from the previous quarter and a 15% increase over the same quarter last year. For the full-year 2016, revenues were \$2.1 billion, a 21% increase over the prior year.

Net income for the fourth quarter of 2016 was \$96 million, and net income available to common stockholders was \$78 million, or \$0.49 per diluted share, compared to \$1.25 per diluted share in the third quarter of 2016 and net loss available to common stockholders per diluted share of (\$0.28) in the fourth quarter of 2015. For the full-year 2016, net income was \$432 million and net income available to common shareholders was \$332 million, or \$2.20 per share, compared to \$1.56 per share for 2015.

Adjusted EBITDA was \$312 million for the fourth quarter of 2016, a 2% increase from the previous quarter and an 8% increase over the same quarter last year. Adjusted EBITDA was \$1.2 billion for the full-year 2016, an 18% increase over 2015.

Funds from operations ("FFO") on a fully diluted basis was \$255 million in the fourth quarter of 2016, or \$1.58 per share, compared to \$1.31 per share in the third quarter of 2016 and \$0.79 per share in the fourth quarter of 2015. FFO per share for the full-year 2016 was \$5.67 compared to \$4.85 in 2015, a 17% increase.

Excluding certain items that do not represent core expenses or revenue streams, fourth quarter of 2016 core FFO was \$1.43 per share, a 1% decline from \$1.44 per share in the third quarter of 2016, and a 4% increase from \$1.38 per share in the fourth quarter of 2015. Core FFO per share for the full-year 2016 was \$5.72 per share compared to \$5.26 per share in 2015, a 9% increase.

Leasing Activity

"During the fourth quarter, we signed total bookings representing \$33 million of annualized GAAP rental revenue, including a \$7 million contribution from interconnection," said Chief Executive Officer A. William Stein. "We capped off a very successful year in 2016. Data center demand remains robust, driven by a diverse set of customers across the digital economy. We made substantial progress towards our strategic initiatives in 2016 and we look forward to building on this momentum in 2017, coming together as one team, oriented around our customers".

The weighted-average lag between leases signed during the fourth quarter of 2016 and the contractual commencement date was 3 months.

In addition to new leases signed, Digital Realty also signed renewal leases representing \$47 million of annualized GAAP rental revenue during the quarter. Rental rates on renewal leases signed during the fourth quarter of 2016 rolled up 3.5% on a cash basis and up 5.4% on a GAAP basis.

New leases signed during the fourth quarter of 2016 by region and product type are summarized as follows:

Annualized GAAP

North America	Base Rent	Square Feet	GAAP Base Rent		GAAP Base Rent
	(in thousands)		per Square Foot	Megawatts	per Kilowatt
Turn-Key Flex	\$13,770	88,148	\$156	8	\$144
Colocation	5,984	21,072	284	2	285
Non-Technical	90	2,745	33	—	—
Total	\$19,844	111,965	\$177	10	\$170
Europe (1)					
Turn-Key Flex	\$1,337	7,919	\$169	1	\$175
Colocation	1,365	3,846	355	—	340
Non-Technical	249	5,752	43	—	—
Total	\$2,951	17,517	\$168	1	\$232
Asia Pacific (1)					
Turn-Key Flex	\$2,431	10,934	\$222	1	\$170
Non-Technical	36	1,359	26	—	—
Total	\$2,467	12,293	\$201	1	\$170
Interconnection	\$7,467	N/A	N/A	N/A	N/A
Grand Total	\$32,729	141,775	\$178	12	\$175

Note: Totals may not foot due to rounding differences.

(1)Based on quarterly average exchange rates during the three months ended December 31, 2016.

Investment Activity

Digital Realty did not close any acquisitions, dispositions or joint venture contributions during the fourth quarter of 2016.

Earlier in the year, Digital Realty closed the previously announced acquisition of a portfolio of eight high-quality, carrier-neutral data centers in Europe in a transaction valued at \$874 million (based on the exchange rate at the date of announcement). In addition, Digital Realty also acquired four land parcels in Ashburn, VA, Franklin Park, IL and Garland, TX for a total purchase price of \$48 million in 2016.

Separately, Digital Realty also completed the sale of six assets in various markets during 2016 for total net proceeds of \$360 million.

Balance Sheet

Digital Realty had approximately \$5.8 billion of total debt outstanding as of December 31, 2016 substantially all of which was unsecured. At the end of the fourth quarter of 2016, net debt-to-Adjusted EBITDA was 4.8x, debt-plus-preferred-to-total enterprise value was 30.3% and fixed charge coverage was 3.9x.

During the fourth quarter of 2016, Digital Realty pre-paid \$108 million of secured debt. Subsequent to year-end, Digital Realty retired the \$50 million Series E Prudential Unsecured Senior Notes at maturity in January 2017.

As of year-end, 2.375 million shares remained subject to the forward sales agreement originally entered into during the second quarter of 2016. The remainder of the forward sales agreement is expected to settle no later than May 19, 2017.

2017 Outlook

Digital Realty reiterated its 2017 core FFO per share outlook of \$5.90 - \$6.10. The assumptions underlying this guidance are summarized in the following table.

Top-Line and Cost Structure	As of	As of
	Jan. 3, 2017	Feb. 16, 2017
2017 total revenue	\$2.2 - \$2.3 billion	\$2.2 - \$2.3 billion
2017 net non-cash rent adjustments (1)	(\$5 - \$10 million)	(\$5 - \$10 million)
2017 Adjusted EBITDA margin	57.0% - 59.0%	57.0% - 59.0%
2017 G&A margin	6.0% - 7.0%	6.0% - 7.0%

Internal Growth

Rental rates on renewal leases

Cash basis	Slightly positive	Slightly positive
GAAP basis	Up high single-digits	Up high single-digits
Year-end portfolio occupancy	+/- 50 bps	+/- 50 bps
"Same-capital" cash NOI growth (2)	2.0% - 3.0%	2.0% - 3.0%
Foreign Exchange Rates		
U.S. Dollar / Pound Sterling	\$1.20 - \$1.24	\$1.20 - \$1.24
U.S. Dollar / Euro	\$1.00 - \$1.05	\$1.00 - \$1.05

External Growth

Dispositions		
Dollar volume	\$0 - \$200 million	\$0 - \$200 million
Cap rate	0.0% - 10.0%	0.0% - 10.0%
Development		
CapEx	\$0.8 - \$1.0 billion	\$0.8 - \$1.0 billion
Average stabilized yields	10.0% - 12.0%	10.0% - 12.0%
Enhancements and other non-recurring CapEx (3)	\$20 - \$25 million	\$20 - \$25 million
Recurring CapEx + capitalized leasing costs (4)	\$125 - \$135 million	\$125 - \$135 million

Balance Sheet

Long-term debt issuance		
Dollar amount	\$400 - \$600 million	\$400 - \$600 million
Pricing	3.50% - 4.25%	3.50% - 4.25%
Timing	Mid-to-late 2017	Mid-to-late 2017

Net income per diluted share	\$1.60 - \$1.75	\$1.60 - \$1.75
Real estate depreciation and (gain)/loss on sale	\$4.20 - \$4.20	\$4.20 - \$4.20
Funds From Operations / share (NAREIT-Defined)	\$5.80 - \$5.95	\$5.80 - \$5.95
Non-core expense and revenue streams	\$0.10 - \$0.15	\$0.10 - \$0.15
Core Funds From Operations / share	\$5.90 - \$6.10	\$5.90 - \$6.10
Foreign currency translation adjustments	\$0.05 - \$0.15	\$0.05 - \$0.15
Constant-Currency Core FFO / share	\$5.95 - \$6.25	\$5.95 - \$6.25

(1) Net non-cash rent adjustments represents 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 properties owned as of December 31, 2015 with less than 5% of the total rentable square feet under development. It also excludes properties that were undergoing, or were expected to undergo, development activities in 2016-2017, properties classified as held for sale, and properties 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 properties, 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.

Non-GAAP Financial Measures

This press release contains non-GAAP financial measures, including FFO, core FFO, constant-currency 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 constant-currency core FFO, and definitions of FFO, core FFO and constant-currency core FFO are included as an attachment to this press release. 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 press release.

Investor Conference Call

Prior to Digital Realty's investor conference call at 5:30 p.m. EST / 2:30 p.m. PST on February 16, 2017, 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 2016 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 +1 (888) 317-6003 (for domestic callers) or +1 (412) 317-6061 (for

international callers) and reference the conference ID# 4875948 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 one hour after the call until March 16, 2017. The telephone replay can be accessed by dialing +1 (877) 344-7529 (for domestic callers) or +1 (412) 317-0088 (for international callers) and providing the conference ID# 10097947. 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 2,200 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.

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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 supply and demand for data center and colocation space; the settlement of our forward sales agreements; the contribution of interconnection; 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; and the company's FFO, core FFO, constant-currency 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 geographies 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 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, 2015, as amended, and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016. 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-16	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	31-Dec-16	31-Dec-15
Rental revenues	\$399,062	\$395,212	\$377,109	\$371,128	\$365,827	\$1,542,511	\$1,354,986
Tenant reimbursements - Utilities	63,956	68,168	62,363	58,955	60,800	253,442	253,017
Tenant reimbursements - Other	23,853	27,497	25,848	25,263	30,190	102,461	106,858
Interconnection & other	55,094	53,897	48,363	46,963	41,746	204,317	40,759
Fee income	1,718	1,517	1,251	1,799	1,880	6,285	6,638
Other	33,104	2	—	91	—	33,197	1,078
Total Operating Revenues	\$576,787	\$546,293	\$514,934	\$504,199	\$500,443	\$2,142,213	\$1,763,336
Utilities	\$76,896	\$85,052	\$74,396	\$69,917	\$70,758	\$306,261	\$272,284
Rental property operating	57,269	58,685	54,731	54,109	52,563	224,794	160,511
Repairs & maintenance	35,103	33,455	30,421	30,143	32,063	129,122	117,090
Property taxes	27,097	20,620	27,449	27,331	28,472	102,497	92,588
Insurance	2,369	2,470	2,241	2,412	2,360	9,492	8,809
Change in fair value of contingent consideration	—	—	—	—	—	—	(44,276)
Depreciation & amortization	176,581	178,133	175,594	169,016	172,956	699,324	570,527
General & administrative	40,481	43,555	32,681	29,808	29,862	146,525	100,403
Severance, equity acceleration, and legal expenses	672	2,580	1,508	1,448	6,125	6,208	5,146
Transaction and integration expenses	8,961	6,015	3,615	1,900	3,099	20,491	17,400
Other expenses	236	(22)	—	(1)	60,914	213	60,943
Total Operating Expenses	\$425,665	\$430,543	\$402,636	\$386,083	\$459,172	\$1,644,927	\$1,361,425
Operating Income	\$151,122	\$115,750	\$112,298	\$118,116	\$41,271	\$497,286	\$401,911
Equity in earnings of unconsolidated joint ventures	\$4,742	\$4,152	\$4,132	\$4,078	\$3,321	\$17,104	\$15,491
Gain (loss) on real estate transactions	(195)	169,000	—	1,097	322	169,902	94,604
Interest and other income	(970)	355	(3,325)	(624)	498	(4,564)	(2,381)
Interest (expense)	(56,226)	(63,084)	(59,909)	(57,261)	(61,717)	(236,480)	(201,435)
Tax (expense)	(2,304)	(3,720)	(2,252)	(2,109)	(268)	(10,385)	(6,451)
Loss from early extinguishment of debt	(29)	(18)	—	(964)	—	(1,011)	(148)
Net Income (Loss)	\$96,140	\$222,435	\$50,944	\$62,333	(\$16,573)	\$431,852	\$301,591
Net (income) loss attributable to non-controlling interests	(1,065)	(3,247)	(569)	(784)	590	(5,665)	(4,902)
Net Income (Loss) Attributable to Digital Realty Trust, Inc.	\$95,075	\$219,188	\$50,375	\$61,549	(\$15,983)	\$426,187	\$296,689
Preferred stock dividends	(17,393)	(21,530)	(22,424)	(22,424)	(24,056)	(83,771)	(79,423)

Issuance costs associated with redeemed preferred stock	—	10,328	—	—	—	10,328	—
Change in fair value of contingent consideration (5)	—	—	—	—	—	—	(44,276)
Severance, equity acceleration, and legal expenses (6)	672	2,580	1,508	1,448	6,125	6,208	5,146
Bridge facility fees (7)	—	—	—	—	3,903	—	3,903
Loss on currency forwards	—	—	3,082	—	—	3,082	—
Other non-core expense adjustments (8)	236	(22)	—	(1)	75,269	213	75,261
Core Funds From Operations - diluted	\$232,171	\$218,413	\$212,588	\$212,626	\$205,934	\$875,798	\$746,158
Weighted-average shares and units outstanding - diluted (3)	162,060	151,765	150,211	149,915	149,100	153,086	141,726
Core Funds From Operations per share - diluted (3)	\$1.43	\$1.44	\$1.42	\$1.42	\$1.38	\$5.72	\$5.26

(1) Real Estate Related Depreciation & Amortization:	Three Months Ended					Twelve Months Ended	
	31-Dec-16	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	31-Dec-16	31-Dec-15
Depreciation & amortization per income statement	\$176,581	\$178,133	\$175,594	\$169,016	\$172,956	\$699,324	\$570,527
Non-real estate depreciation	(3,058)	(2,801)	(2,429)	(2,104)	(2,861)	(10,392)	(6,798)
Impairment charge related to Telx trade name	—	—	(6,122)	—	—	(6,122)	—
Real Estate Related Depreciation & Amortization	\$173,523	\$175,332	\$167,043	\$166,912	\$170,095	\$682,810	\$563,729

(2) Included in Other expenses on the Income Statement, offset by the write off of straight-line rent receivables related to the Telx Acquisition of \$75.3 million.

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

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

(5) Relates to earn-out contingencies in connection with the Sentrum and Singapore (29A International Business Park) acquisitions. The Sentrum earn-out contingency expired in July 2015 and the Singapore earn-out contingency will expire in November 2020 and will be reassessed on a quarterly basis. During 2015, we reduced the fair value of the earnout related to Sentrum by approximately \$44.3 million. The adjustment was the result of an evaluation by management that no additional leases would be executed for vacant space by the contingency expiration date.

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

(7) Bridge facility fees included in interest expense.

(8) For the quarter ended December 31, 2015, includes write off of straight-line rent receivables related to the Telx Acquisition of \$75.3 million. Includes reversal of accruals and certain other adjustments that are not core to our business. Construction management expenses are included in Other expenses on the income statement but are not added back to core FFO.

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-16	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	31-Dec-16	31-Dec-15
Core FFO available to common stockholders and unitholders	\$232,171	\$218,413	\$212,588	\$212,626	\$205,934	\$875,798	\$746,158

Adjustments:							
Non-real estate depreciation	3,058	2,801	2,429	2,104	2,861	10,392	6,798
Amortization of deferred financing costs	2,455	2,550	2,643	2,260	2,121	9,909	8,481
Amortization of debt discount/premium	693	693	689	647	611	2,722	2,296
Non-cash stock-based compensation expense	3,774	4,041	4,630	3,420	604	15,865	11,748
Straight-line rental revenue	(5,210)	(6,032)	(5,554)	(7,456)	(9,530)	(24,253)	(50,977)
Straight-line rental expense	5,096	6,402	5,933	5,655	5,698	23,086	5,944
Above- and below-market rent amortization	(2,048)	(2,002)	(1,997)	(2,266)	(2,479)	(8,313)	(9,336)
Deferred non-cash tax expense	(1,279)	(189)	669	637	(757)	(162)	1,546
Capitalized leasing compensation (1)	(3,644)	(2,795)	(2,455)	(2,695)	(2,563)	(11,589)	(10,216)
Recurring capital expenditures (2)	(21,246)	(15,252)	(17,914)	(21,064)	(35,386)	(75,476)	(91,876)
Capitalized internal leasing commissions	(1,835)	(1,786)	(1,677)	(2,024)	(1,460)	(7,322)	(4,081)
AFFO available to common stockholders and unitholders (3)	\$211,984	\$206,843	\$199,985	\$191,844	\$165,654	\$810,656	\$616,485
Weighted-average shares and units outstanding - basic	161,317	149,778	149,227	149,048	148,388	152,360	141,108
Weighted-average shares and units outstanding - diluted (4)	162,060	151,765	150,211	149,915	149,100	153,086	141,726
AFFO per share - diluted (4)	\$1.31	\$1.36	\$1.33	\$1.28	\$1.11	\$5.30	\$4.35
Dividends per share and common unit	\$0.88	\$0.88	\$0.88	\$0.88	\$0.85	\$3.52	\$3.40
Diluted AFFO Payout Ratio	67.3%	64.6%	66.1%	68.8%	76.5%	66.5%	78.2%

Share Count Detail	Three Months Ended					Twelve Months Ended	
	31-Dec-16	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	31-Dec-16	31-Dec-15
Weighted Average Common Stock and Units Outstanding	161,317	149,778	149,227	149,048	148,388	152,360	141,108
Add: Effect of dilutive securities	743	1,987	984	867	712	726	618
Weighted Avg. Common Stock and Units Outstanding - diluted	162,060	151,765	150,211	149,915	149,100	153,086	141,726

(1) Beginning in the first quarter of 2015, we changed the presentation of certain capital expenditures. Infrequent expenditures for capitalized replacements and upgrades are now categorized as Recurring capital expenditures (categorized as Enhancements and Other Non-Recurring capital expenditures in 2014). First-generation leasing costs are now classified as Development capital expenditures (categorized as recurring capital expenditures in 2014). Capitalized leasing compensation for 2015 and 2016 includes only second generation leasing costs.

(2) For a definition of recurring capital expenditures, see our supplemental operating and financial data package.

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

(4) For all periods presented, we have excluded the effect of dilutive series E, series F, series G, series H and series I preferred stock, as applicable, that may be converted upon the occurrence of specified change in control transactions as described in the articles supplementary governing the series E, series F, series G, series H and series I 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-16	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15
Assets					

Investments in real estate:					
Real estate	\$10,630,514	\$10,607,440	\$10,223,946	\$10,226,549	\$10,066,936
Construction in progress	732,430	681,189	594,986	720,363	664,992
Land held for future development	195,525	223,236	161,714	156,000	183,445
Investments in Real Estate	\$11,558,469	\$11,511,865	\$10,980,646	\$11,102,912	\$10,915,373
Accumulated depreciation & amortization	(2,668,509)	(2,565,368)	(2,441,150)	(2,380,400)	(2,251,268)
Net Investments in Properties	\$8,889,960	\$8,946,497	\$8,539,496	\$8,722,512	\$8,664,105
Investment in unconsolidated joint ventures	106,402	105,819	105,673	106,008	106,107
Net Investments in Real Estate	\$8,996,362	\$9,052,316	\$8,645,169	\$8,828,520	\$8,770,212
Cash and cash equivalents	\$10,528	\$36,445	\$33,241	\$31,134	\$57,053
Accounts and other receivables (1)	203,938	208,097	165,867	180,456	177,398
Deferred rent	412,269	412,977	408,193	412,579	403,327
Acquired in-place lease value, deferred leasing costs and other real estate intangibles, net	1,522,378	1,526,563	1,331,275	1,368,340	1,391,659
Acquired above-market leases, net	22,181	24,554	26,785	30,107	32,698
Goodwill	752,970	780,099	330,664	330,664	330,664
Restricted cash	11,508	11,685	18,297	19,599	18,009
Assets associated with real estate held for sale	56,097	55,915	222,304	145,087	180,139
Other assets	204,354	190,384	110,580	75,489	54,904
Total Assets	\$12,192,585	\$12,299,036	\$11,292,375	\$11,421,975	\$11,416,063
Liabilities and Equity					
Global unsecured revolving credit facility	\$199,209	\$153,189	\$88,535	\$677,868	\$960,271
Unsecured term loan	1,482,361	1,521,613	1,545,590	1,566,185	923,267
Unsecured senior notes, net of discount	4,153,797	4,238,435	4,252,570	3,662,753	3,712,569
Mortgage loans, net of premiums	3,240	111,750	248,711	249,923	302,930
Accounts payable and other accrued liabilities	824,878	823,906	598,610	570,653	608,343
Accrued dividends and distributions	144,194	—	—	—	126,925
Acquired below-market leases	81,899	86,888	90,823	96,475	101,114
Security deposits and prepaid rent	168,111	163,787	128,802	147,934	138,347
Liabilities associated with assets held for sale	2,599	2,820	13,092	4,974	5,795
Total Liabilities	\$7,060,288	\$7,102,388	\$6,966,733	\$6,976,765	\$6,879,561
Equity					
Preferred Stock: \$0.01 par value per share, 110,000,000 shares authorized:					
Series E Cumulative Redeemable Preferred Stock (2)	—	—	\$277,172	\$277,172	\$277,172
Series F Cumulative Redeemable Preferred Stock (3)	\$176,191	\$176,191	176,191	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	242,014	242,014
Common Stock: \$0.01 par value per share, 215,000,000 shares authorized (7)	1,582	1,581	1,460	1,459	1,456
Additional paid-in capital	5,764,497	5,759,338	4,669,149	4,659,484	4,655,220
Dividends in excess of earnings	(1,547,420)	(1,483,223)	(1,541,265)	(1,440,028)	(1,350,089)
Accumulated other comprehensive (loss) income, net	(135,608)	(131,936)	(129,657)	(104,252)	(96,590)
Total Stockholders' Equity	\$5,096,012	\$5,158,721	\$4,289,820	\$4,406,798	\$4,500,132
Non-controlling Interests					
Non-controlling interest in operating partnership	\$29,687	\$31,088	\$29,095	\$31,648	\$29,612
Non-controlling interest in consolidated joint ventures	6,598	6,839	6,727	6,764	6,758
Total Non-controlling Interests	\$36,285	\$37,927	\$35,822	\$38,412	\$36,370
Total Equity	\$5,132,297	\$5,196,648	\$4,325,642	\$4,445,210	\$4,536,502
Total Liabilities and Equity	\$12,192,585	\$12,299,036	\$11,292,375	\$11,421,975	\$11,416,063

(1)Net of allowance for doubtful accounts of \$7,446 and \$5,844 as of December 31, 2016 and December 31, 2015, respectively.

(2)Series E Cumulative Redeemable Preferred Stock, 7.000%, \$0 and \$287,500 liquidation preference, respectively (\$25.00 per share), 0 and 11,500,000 shares issued and outstanding as of December 31, 2016 and December 31, 2015, respectively.

- (3) Series F Cumulative Redeemable Preferred Stock, 6.625%, \$182,500 and \$182,500 liquidation preference, respectively (\$25.00 per share), 7,300,000 and 7,300,000 shares issued and outstanding as of December 31, 2016 and December 31, 2015, respectively.
- (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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, respectively.
- (7) Common Stock: 159,019,118 and 146,384,247 shares issued and outstanding as of December 31, 2016 and December 31, 2015, respectively.

**Reconciliation of Earnings Before Interest, Taxes,
Depreciation & Amortization (EBITDA) (1)**

	Three Months Ended				
	31-Dec-16	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15
Net Income (Loss) Available to Common Stockholders	\$77,682	\$187,330	\$27,951	\$39,125	(\$40,039)
Interest	56,226	63,084	59,909	57,261	61,717
Loss from early extinguishment of debt	29	18	—	964	—
Tax expense	2,304	3,720	2,252	2,109	268
Depreciation & amortization	176,581	178,133	175,594	169,016	172,956
EBITDA	\$312,822	\$432,285	\$265,706	\$268,475	\$194,902
Severance-related expense, equity acceleration, and legal expenses	672	2,580	1,508	1,448	6,125
Transaction and integration expenses	8,961	6,015	3,615	1,900	3,099
(Gain) loss on real estate transactions	195	(169,000)	—	(1,097)	(322)
Non-cash (gain) on lease termination (2)	(29,205)	—	—	—	—
(Gain) on settlement of pre-existing relationship with Telx	—	—	—	—	(14,355)
Loss on currency forwards	—	—	3,082	—	—
Other non-core expense adjustments	236	(22)	—	(1)	75,269
Non-controlling interests	1,065	3,247	569	784	(590)
Preferred stock dividends	17,393	21,530	22,424	22,424	24,056
Issuance costs associated with redeemed preferred stock	—	10,328	—	—	—
Adjusted EBITDA	\$312,139	\$306,963	\$296,904	\$293,933	\$288,184

(1) For definition and discussion of EBITDA and Adjusted EBITDA, see below.

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 sales of property, excluding a gain from a pre-existing relationship, impairment charges, real estate related depreciation and amortization (excluding amortization of deferred financing costs) 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 properties 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 properties, 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 such other REITs' FFO. Accordingly, 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 expenses, (iii) loss from early extinguishment of debt, (iv) costs on redemption of preferred stock, (v) change in fair value of contingent consideration, (vi) severance-related expense, 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 not calculate core FFO in a consistent manner. 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.

Constant-Currency Core Funds from Operations:

We calculate constant-currency core funds from operations by adjusting the core funds from operations for foreign currency translations.

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) non-cash stock-based compensation expense, (vi) straight-line rent revenue, (vii) straight-line rent expense, (viii) above- and below-market rent amortization, (ix) deferred non-cash tax expense, (x) capitalized leasing compensation, (xi) recurring capital expenditures and (xii) capitalized internal leasing commissions. Other REITs may not calculate AFFO in a consistent manner. 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 and depreciation and amortization, 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, change in fair value of contingent consideration, severance related expense, equity acceleration, and legal expenses, transaction expenses, gain (loss) on sale of property, gain on settlement of pre-existing relationship with Telx, loss on currency forwards, other non-core expense adjustments, noncontrolling interests, and preferred stock dividends. Adjusted EBITDA is EBITDA excluding change in fair value of contingent consideration, severance related expense, equity acceleration, and legal expenses, transaction expenses, gain (loss) on sale of property, gain on settlement of pre-existing relationship with Telx, loss on currency forwards, other non-core expense adjustments, noncontrolling interests, preferred stock 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; accordingly, our EBITDA and Adjusted EBITDA may not be comparable to such 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, repair and maintenance 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 properties 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 properties, 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 in the same manner we do and, accordingly, our NOI and cash NOI may not be comparable to such other REITs' NOI and cash NOI. Accordingly, 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 September 30, 2016, GAAP interest expense was \$63 million, capitalized interest was \$4 million and scheduled debt principal payments and preferred dividends was \$22 million.

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