

Digital realty reports third quarter 2016 results

October 27, 2016

SAN FRANCISCO, Oct. 27, 2016 /PRNewswire/ -- Digital Realty Trust, Inc. (NYSE: DLR), a leading global provider of data center, colocation and interconnection solutions, announced today financial results for the third quarter of 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 \$1.25 in 3Q16, compared to \$0.28 in 3Q15
- Reported FFO per share of \$1.31 in 3Q16, compared to \$1.28 in 3Q15
- Reported core FFO per share of \$1.44 in 3Q16, compared to \$1.32 in 3Q15
- Signed total bookings during 3Q16 expected to generate \$55 million of annualized revenue, including a \$9 million contribution from interconnection
- Reiterated 2016 core FFO per share outlook of \$5.65 - \$5.75 and "constant-currency" core FFO per share outlook of \$5.70 - \$5.90

Financial Results

Revenues were \$546 million for the third quarter of 2016, a 6% increase from the previous quarter and a 25% increase over the same quarter last year.

Net income for the third quarter of 2016 was \$222 million, and net income available to common stockholders was \$187 million, or \$1.25 per diluted share, compared to \$0.19 per diluted share in the second quarter of 2016 and \$0.28 per diluted share in the third quarter of 2015.

Adjusted EBITDA was \$307 million for the third quarter of 2016, a 3% increase from the previous quarter and a 22% increase over the same quarter last year.

Funds from operations ("FFO") on a fully diluted basis was \$199 million in the third quarter of 2016, or \$1.31 per share, compared to \$1.36 per share in the second quarter of 2016 and \$1.28 per share in the third quarter of 2015.

Excluding certain items that do not represent core expenses or revenue streams, third quarter of 2016 core FFO was \$1.44 per share, a 1% increase from \$1.42 per share in the second quarter of 2016, and a 9% increase from \$1.32 per share in the third quarter of 2015.

Leasing Activity

"During the third quarter, we signed total bookings representing \$55 million of annualized GAAP rental revenue, including a \$9 million contribution from interconnection," said Chief Executive Officer A. William Stein.

The weighted-average lag between leases signed during the third quarter of 2016 and the contractual commencement date was 4 months.

In addition to new leases signed, Digital Realty also signed renewal leases representing \$44 million of annualized GAAP rental revenue during the quarter. Rental rates on renewal leases signed during the third quarter of 2016 rolled up 2.5% on a cash basis and up 3.9% on a GAAP basis.

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

	Annualized GAAP		GAAP Base Rent		GAAP Base Rent
	Base Rent (in thousands)	Square Feet	per Square Foot	Megawatts	per Kilowatt
North America					
Turn-Key Flex	\$28,777	205,121	\$140	20	\$120
Powered Base Building	445	10,230	44	—	—
Colocation	6,933	22,808	304	2	295
Non-Technical	999	56,312	18	—	—
Total	\$37,154	294,471	\$126	22	\$135
Europe (1)					
Turn-Key Flex	\$6,601	43,116	\$153	4	\$145
Colocation	755	2,829	267	—	419
Non-Technical	17	398	42	—	—

Total	\$7,373	46,343	\$159	4	\$155
Asia Pacific (1)					
Turn-Key Flex (2)	\$1,839	2,167	\$849	—	\$578
Colocation	—	—	—	—	—
Non-Technical	—	—	—	—	—
Total	\$1,839	2,167	\$849	—	\$578
Interconnection	\$9,086	—	—	—	—
Grand Total	\$55,452	342,981	\$135	26	\$143

Note: Totals may not foot due to rounding differences.

(1) Based on quarterly average exchange rates during the three months ended September 30, 2016.

(2) Includes one transaction representing incremental revenue only with no additional footprint or kW.

Investment Activity

During the third quarter of 2016, Digital Realty completed the previously announced acquisition of a portfolio of eight high-quality, carrier-neutral data centers in Europe from Equinix in a transaction valued at \$874 million.

Digital Realty also closed on the sale of 114 rue Ambroise Croizat in Paris to Equinix for €190 million (or approximately \$212 million). The property was 96% leased and was expected to generate cash net operating income of €14.7 million (or approximately \$16.2 million) in 2016, representing a cap rate of 7.7%. The sale generated net proceeds of approximately \$211 million, and Digital Realty recognized a gain on the sale of \$144 million in the third quarter of 2016.

During the third quarter of 2016, Digital Realty also closed on the previously announced sale of a four-property data center portfolio totaling approximately 454,000 square feet for \$115 million, or \$252 per square foot. The properties were expected to generate cash net operating income of approximately \$9 million in 2016. The sale generated net proceeds of \$112 million, and Digital Realty recognized a gain on the sale of approximately \$25 million in the third quarter of 2016.

During the third quarter of 2016, Digital Realty acquired two land parcels totaling approximately 30 acres of developable land adjacent to its existing campus in Ashburn, Virginia for a total purchase price of \$19 million. The combined 290-acre site is expected to support the development of an additional 3.2 million square feet and 270 megawatts of critical power. Commencement of development will be subject to market demand and delivery will be phased to facilitate customer expansion requirements upon completion of the existing campus in Ashburn.

Digital Realty also acquired a 48-acre land parcel in Garland, Texas during the third quarter of 2016 for a total purchase price of \$17 million. The site is expected to support the development of 960,000 square feet and the build-out of approximately 72 megawatts of critical power. Commencement of development will be subject to market demand and delivery will be phased to facilitate customer expansion requirements upon completion of the existing campus in Richardson.

Likewise, during the third quarter of 2016, Digital Realty acquired a 19-acre land parcel adjacent to its existing campus in Franklin Park, Illinois for a total purchase price of \$13 million. The site is expected to support the development of a 469,000 square foot building and the build-out of approximately 36 megawatts of critical power. Commencement of development will be subject to market demand and delivery will be phased to facilitate customer expansion requirements upon completion of the existing campus in Franklin Park.

Balance Sheet

Digital Realty had approximately \$6.0 billion of total debt outstanding as of September 30, 2016, comprised of \$5.9 billion of unsecured debt and approximately \$0.1 billion of secured debt. At the end of the third quarter of 2016, net debt-to-adjusted EBITDA was 5.1x, debt-plus-preferred-to-total enterprise value was 31.1% and fixed charge coverage was 3.4x.

On September 15, 2016, Digital Realty redeemed all 11.5 million outstanding shares of its 7.000% Series E Cumulative Redeemable Preferred Stock, at a redemption price of \$25 per share, plus accrued and unpaid dividends for a total payment of \$25.35972 per share, or \$291.6 million in aggregate.

On September 27, 2016, Digital Realty settled a portion of the forward sale agreements originally entered into in May 2016 with the issuance of 12 million shares of its common stock, generating net proceeds of \$1.1 billion. Following the settlement, 2.375 million shares remain subject to the forward sale agreements.

2016 Outlook

Digital Realty reiterated its 2016 core FFO per share outlook of \$5.65 - \$5.75. The assumptions underlying this guidance are summarized in the following table.

	Jan. 4, 2016	Feb. 25, 2016	Apr. 28, 2016	Jul. 28, 2016	Oct. 27, 2016
Top-Line and Cost Structure					
2016 total revenue	\$2.0 - \$2.2 billion	\$2.0 - \$2.2 billion	\$2.0 - \$2.2 billion	\$2.0 - \$2.2 billion	\$2.0 - \$2.2 billion
2016 net non-cash rent adjustments (1)	\$10 - \$20 million	\$10 - \$20 million	\$10 - \$20 million	\$10 - \$20 million	\$10 - \$15 million
2016 adjusted EBITDA margin	55.0% - 57.0%	55.0% - 57.0%	55.5% - 57.5%	56.0% - 58.0%	56.5% - 58.0%
2016 G&A margin	7.0% - 7.5%	7.0% - 7.5%	6.5% - 7.0%	6.5% - 7.0%	6.8% - 7.0%
Internal Growth					
Rental rates on renewal leases					
Cash basis	N/A	Flat	Flat	Slightly positive	Slightly positive
GAAP basis	N/A	Up high single-digits	Up high single-digits	Up high single-digits	Up high single-digits
Year-end portfolio occupancy	N/A	+/- 50 bps	+/- 50 bps	+/- 50 bps	+/- 50 bps
"Same-capital" cash NOI growth (2)	N/A	0.0% - 3.0%	1.0% - 4.0%	2.5% - 4.0%	2.5% - 4.0%
Foreign Exchange Rates					
U.S. Dollar / Pound Sterling	N/A	\$1.40 - \$1.48	\$1.38 - \$1.45	\$1.27 - \$1.32	\$1.18 - \$1.22
U.S. Dollar / Euro	N/A	\$1.02 - \$1.07	\$1.05 - \$1.10	\$1.05 - \$1.10	\$1.05 - \$1.10
External Growth					
Dispositions					
Dollar volume	\$0 - \$200 million	\$38 - \$200 million	\$38 - \$200 million	\$150 - \$360 million	\$326.5 million
Cap rate	0.0% - 10.0%	0.0% - 10.0%	0.0% - 10.0%	7.0% - 8.0%	7.1%
Development					
CapEx	\$750 - \$900 million	\$750 - \$900 million	\$750 - \$900 million	\$750 - \$900 million	\$750 - \$900 million
Average stabilized yields	10.5% - 12.5%	10.5% - 12.5%	10.5% - 12.5%	10.5% - 12.5%	10.5% - 12.5%
Enhancements and other non-recurring CapEx (3)	\$20 - \$25 million	\$20 - \$25 million	\$20 - \$25 million	\$5 - \$10 million	\$5 - \$10 million
Recurring CapEx + capitalized leasing costs (4)	\$145 - \$155 million	\$145 - \$155 million	\$145 - \$155 million	\$120 - \$130 million	\$95 - \$105 million
Balance Sheet					
Long-term debt issuance					
Dollar amount	\$1.25 - \$1.75 billion	\$1.25 - \$1.75 billion	\$1.25 - \$1.75 billion	\$1.25 - \$1.75 billion	\$1.25 - \$1.75 billion
Pricing	3.00% - 5.00%	3.00% - 5.00%	2.50% - 3.50% Early-to-mid 2016	2.50% - 3.50% Early-to-mid 2016	2.50% - 3.50% Early-to-mid 2016
Timing	Mid 2016	Mid 2016			
Net income per diluted share					
Real estate depreciation and (gain)/loss on sale	\$0.35 - \$0.45	\$0.35 - \$0.45	\$0.45 - \$0.50	\$1.95 - \$2.00	\$1.95 - \$2.00
Funds From Operations / share (NAREIT-Defined)	\$5.00 - \$5.00	\$5.00 - \$5.00	\$5.00 - \$5.00	\$3.55 - \$3.55	\$3.55 - \$3.55
Non-core expense and revenue streams	\$5.35 - \$5.45	\$5.35 - \$5.45	\$5.45 - \$5.50	\$5.50 - \$5.55	\$5.45 - \$5.50
Core Funds From Operations / share	\$0.10 - \$0.15	\$0.10 - \$0.15	\$0.10 - \$0.15	\$0.15 - \$0.20	\$0.20 - \$0.25
Foreign currency translation adjustments	\$5.45 - \$5.60	\$5.45 - \$5.60	\$5.55 - \$5.65	\$5.65 - \$5.75	\$5.65 - \$5.75
Constant-Currency Core FFO / share	\$0.05 - \$0.10	\$0.05 - \$0.10	\$0.05 - \$0.10	\$0.05 - \$0.15	\$0.05 - \$0.15
	\$5.50 - \$5.70	\$5.50 - \$5.70	\$5.60 - \$5.75	\$5.70 - \$5.90	\$5.70 - \$5.90

(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, 2014 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 2015-2016, properties classified as held for sale, and properties sold or contributed to joint ventures for all periods presented.

Note: In an effort to present 2016 same-capital results on a basis comparable to 2015, projected Net Operating Income (NOI) is shown prior to Telx-related eliminations at properties owned as of December 31, 2014 that meet the same-capital definition.

- (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. EDT / 2:30 p.m. PDT on October 27, 2016, 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 third 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# 9116034 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 November 24, 2016. 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# 10093425. The webcast replay can be accessed on Digital Realty's website.

About Digital Realty

Digital Realty Trust, Inc. supports the data center, colocation and interconnection strategies of more than 2,000 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 expected integration and financial contributions of the European portfolio acquisition, the expected financial impact of sale of a four-property data center portfolio and the acquisition and development of land parcels, the expected settlement of our forward sales agreements. 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; the impact of the United Kingdom's referendum on withdrawal from the European Union on global financial markets and our business; 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; 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 and June 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					Nine Months Ended	
	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Sep-16	30-Sep-15
Rental revenues	\$395,212	\$377,109	\$371,128	\$365,827	\$336,679	\$1,143,449	\$988,172
Tenant reimbursements - Utilities	68,168	62,363	58,955	60,800	70,148	189,486	192,217
Tenant reimbursements - Other	27,497	25,848	25,263	30,190	25,336	78,608	76,668
Interconnection & other	53,897	48,363	46,963	41,746	1,651	149,223	—
Fee income	1,517	1,251	1,799	1,880	1,595	4,567	4,758
Other	2	—	91	—	580	93	1,078
Total Operating Revenues	\$546,293	\$514,934	\$504,199	\$500,443	\$435,989	\$1,565,426	\$1,262,893
Utilities	\$85,052	\$74,396	\$69,917	\$70,758	\$73,887	\$229,365	\$201,526
Rental property operating	58,685	54,731	54,109	52,563	35,254	167,525	107,087
Repairs & maintenance	33,455	30,421	30,143	32,063	31,301	94,019	86,027
Property taxes	20,620	27,449	27,331	28,472	19,953	75,400	64,116
Insurance	2,470	2,241	2,412	2,360	2,140	7,123	6,449
Change in fair value of contingent consideration	—	—	—	—	(1,594)	—	(44,276)
Depreciation & amortization	178,133	175,594	169,016	172,956	136,974	522,743	397,571
General & administrative	43,555	32,681	29,808	29,862	26,431	106,044	70,541
Severance, equity acceleration, and legal expenses	2,580	1,508	1,448	6,125	(3,676)	5,536	(979)
Transaction expenses	6,015	3,615	1,900	3,099	11,042	11,530	14,301
Other expenses	(22)	—	(1)	60,914	51	(23)	29
Total Operating Expenses	\$430,543	\$402,636	\$386,083	\$459,172	\$331,763	\$1,219,262	\$902,392
Operating Income	\$115,750	\$112,298	\$118,116	\$41,271	\$104,226	\$346,164	\$360,501
Equity in earnings of unconsolidated joint ventures	\$4,152	\$4,132	\$4,078	\$3,321	\$4,169	\$12,362	\$12,170
Gain (loss) on sale of property	169,000	—	1,097	322	(207)	170,097	94,282
Interest and other income	355	(3,325)	(624)	498	(358)	(3,594)	(2,879)
Interest (expense)	(63,084)	(59,909)	(57,261)	(61,717)	(48,138)	(180,254)	(139,718)
Tax (expense)	(3,720)	(2,252)	(2,109)	(268)	(1,850)	(8,081)	(6,044)
Loss from early extinguishment of debt	(18)	—	(964)	—	—	(982)	(148)
Net Income (Loss)	\$222,435	\$50,944	\$62,333	(\$16,573)	\$57,842	\$335,712	\$318,164

Net (income) loss attributable to non-controlling interests	(3,247)	(569)	(784)	590	(864)	(4,600)	(5,492)
Net Income (Loss) Attributable to Digital Realty Trust, Inc.	\$219,188	\$50,375	\$61,549	(\$15,983)	\$56,978	\$331,112	\$312,672
Preferred stock dividends	(21,530)	(22,424)	(22,424)	(24,056)	(18,456)	(66,378)	(55,367)
Issuance costs associated with redeemed preferred stock	(10,328)	—	—	—	—	(10,328)	—
Net Income (Loss) Available to Common Stockholders	\$187,330	\$27,951	\$39,125	(\$40,039)	\$38,522	\$254,406	\$257,305
Weighted-average shares outstanding - basic	147,397,853	146,824,268	146,565,564	145,561,559	135,832,503	146,930,939	135,782,831
Weighted-average shares outstanding - diluted	149,384,871	147,808,268	147,433,194	145,561,559	138,259,936	147,655,184	136,920,477
Weighted-average fully diluted shares and units	151,764,542	150,210,714	149,915,428	149,100,083	139,192,198	150,076,482	139,050,965
Net income (loss) per share - basic	\$1.27	\$0.19	\$0.27	(\$0.28)	\$0.28	\$1.73	\$1.89
Net income (loss) per share - diluted	\$1.25	\$0.19	\$0.27	(\$0.28)	\$0.28	\$1.72	\$1.88

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					Nine Months Ended	
	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Sep-16	30-Sep-15
Net Income (Loss) Available to Common Stockholders	\$187,330	\$27,951	\$39,125	(\$40,039)	\$38,522	\$254,406	\$257,305
Adjustments:							
Non-controlling interests in operating partnership	3,024	457	663	(708)	747	4,144	5,150
Real estate related depreciation & amortization (1)	175,332	167,043	166,912	170,095	135,613	509,287	393,634
Impairment charge related to Telx trade name	—	6,122	—	—	—	6,122	—
Unconsolidated JV real estate related depreciation & amortization	2,810	2,810	2,803	2,867	2,761	8,424	8,551
(Gain) loss on sale of property	(169,000)	—	(1,097)	(322)	207	(170,097)	(94,282)
(Gain) on settlement of pre-existing relationship with Telx (2)	—	—	—	(14,355)	—	—	—
Funds From Operations	\$199,496	\$204,383	\$208,406	\$117,538	\$177,850	\$612,286	\$570,358
Funds From Operations - diluted	\$199,496	\$204,383	\$208,406	\$117,538	\$177,850	\$612,286	\$570,358
Weighted-average shares and units outstanding - basic	149,778	149,227	149,048	148,388	138,468	149,352	138,481
Weighted-average shares and units outstanding - diluted (3)	151,765	150,211	149,915	149,100	139,192	150,076	139,051
Funds From Operations per share - basic	\$1.33	\$1.37	\$1.40	\$0.79	\$1.28	\$4.10	\$4.12
Funds From Operations per share - diluted (3)	\$1.31	\$1.36	\$1.39	\$0.79	\$1.28	\$4.08	\$4.10

Reconciliation of FFO to Core FFO	Three Months Ended					Nine Months Ended	
	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Sep-16	30-Sep-15
Funds From Operations - diluted	\$199,496	\$204,383	\$208,406	\$117,538	\$177,850	\$612,286	\$570,358
Adjustments:							
Termination fees and other non-core revenues (4)	(2)	—	(91)	—	(580)	(93)	680
Transaction expenses	6,015	3,615	1,900	3,099	11,042	11,530	14,301
Loss from early extinguishment of debt	18	—	964	—	—	982	148
Issuance costs associated with redeemed preferred stock	10,328	—	—	—	—	10,328	—

Change in fair value of contingent consideration (5)	—	—	—	—	(1,594)	—	(44,276)
Severance, equity acceleration, and legal expenses (6)	2,580	1,508	1,448	6,125	(3,676)	5,536	(979)
Bridge facility fees (7)	—	—	—	3,903	—	—	—
Loss on currency forwards	—	3,082	—	—	—	3,082	—
Other non-core expense adjustments (8)	(22)	—	(1)	75,269	51	(23)	(8)
Core Funds From Operations - diluted	\$218,413	\$212,587	\$212,626	\$205,934	\$183,093	\$643,627	\$540,224
Weighted-average shares and units outstanding - diluted (3)	151,765	150,211	149,915	149,100	139,192	150,076	139,051
Core Funds From Operations per share - diluted (3)	\$1.44	\$1.42	\$1.42	\$1.38	\$1.32	\$4.29	\$3.89

(1) Real Estate Related Depreciation & Amortization:	Three Months Ended					Nine Months Ended	
	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Sep-16	30-Sep-15
Depreciation & amortization per income statement	\$178,133	\$175,594	\$169,016	\$172,956	\$136,974	\$522,743	\$397,571
Non-real estate depreciation	(2,801)	(2,429)	(2,104)	(2,861)	(1,361)	(7,334)	(3,937)
Impairment charge related to Telx trade name	—	(6,122)	—	—	—	(6,122)	—
Real Estate Related Depreciation & Amortization	\$175,332	\$167,043	\$166,912	\$170,095	\$135,613	\$509,287	\$393,634

(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 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 the first quarter of 2015, we reduced the fair value of the earnout related to Sentrum by approximately \$44.8 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					Nine Months Ended	
	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Sep-16	30-Sep-15
Core FFO available to common stockholders and unitholders	\$218,413	\$212,587	\$212,626	\$205,934	\$183,093	\$643,627	\$540,224
Adjustments:							
Non-real estate depreciation	2,801	2,429	2,104	2,861	1,361	7,334	3,936
Amortization of deferred financing costs	2,550	2,643	2,260	2,121	2,076	7,454	6,360
Amortization of debt discount/premium	693	689	647	611	557	2,029	1,685
Non-cash stock-based compensation expense	4,041	4,630	3,420	604	3,831	12,091	11,144
Straight-line rental revenue	(6,032)	(5,554)	(7,456)	(9,530)	(13,579)	(19,043)	(41,447)
Straight-line rental expense	6,402	5,933	5,655	5,698	80	17,990	247
Above- and below-market rent amortization	(2,002)	(1,997)	(2,266)	(2,479)	(2,174)	(6,265)	(6,856)
Deferred non-cash tax expense	(189)	669	637	(757)	680	1,117	2,303
Capitalized leasing compensation (1)	(2,795)	(2,455)	(2,695)	(2,563)	(2,581)	(7,945)	(7,653)
Recurring capital expenditures (2)	(15,252)	(17,914)	(21,064)	(35,386)	(14,716)	(54,230)	(56,490)
Capitalized internal leasing commissions	(1,786)	(1,677)	(2,024)	(1,460)	(907)	(5,487)	(2,621)

AFFO available to common stockholders and unitholders (3)	\$206,843	\$199,984	\$191,844	\$165,654	\$157,721	\$598,672	\$450,832
Weighted-average shares and units outstanding - basic	149,778	149,227	149,048	148,388	138,468	149,352	138,481
Weighted-average shares and units outstanding - diluted (4)	151,765	150,211	149,915	149,100	139,192	150,076	139,051
AFFO per share - diluted (4)	\$1.36	\$1.33	\$1.28	\$1.11	\$1.13	\$3.99	\$3.24
Dividends per share and common unit	\$0.88	\$0.88	\$0.88	\$0.85	\$0.85	\$2.64	\$2.55
Diluted AFFO Payout Ratio	64.6%	66.1%	68.8%	76.5%	75.0%	66.2%	78.7%

Share Count Detail	Three Months Ended					Nine Months Ended	
	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Sep-15	30-Sep-15
Weighted Average Common Stock and Units Outstanding	149,778	149,227	149,048	148,388	138,468	149,352	138,481
Add: Effect of dilutive securities	1,987	984	867	712	724	724	570
Weighted Avg. Common Stock and Units Outstanding - diluted	151,765	150,211	149,915	149,100	139,192	150,076	139,051

(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, 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 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

	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15
Assets					
Investments in real estate:					
Real estate	\$10,607,440	\$10,223,946	\$10,226,549	\$10,066,936	\$9,473,253
Construction in progress	681,189	594,986	720,363	664,992	570,598
Land held for future development	223,236	161,714	156,000	183,445	133,343
Investments in Real Estate	\$11,511,865	\$10,980,646	\$11,102,912	\$10,915,373	\$10,177,194
Accumulated depreciation & amortization	(2,565,368)	(2,441,150)	(2,380,400)	(2,251,268)	(2,137,631)
Net Investments in Properties	\$8,946,497	\$8,539,496	\$8,722,512	\$8,664,105	\$8,039,563
Investment in unconsolidated joint ventures	105,819	105,673	106,008	106,107	103,703
Net Investments in Real Estate	\$9,052,316	\$8,645,169	\$8,828,520	\$8,770,212	\$8,143,266
Cash and cash equivalents	\$36,445	\$33,241	\$31,134	\$57,053	\$22,998
Accounts and other receivables (1)	208,097	165,867	180,456	177,398	157,994
Deferred rent	412,977	408,193	412,579	403,327	475,796
Acquired in-place lease value, deferred leasing costs and other real estate intangibles, net	1,526,563	1,331,275	1,368,340	1,391,659	405,824
Acquired above-market leases, net	24,554	26,785	30,107	32,698	30,617

Goodwill	780,099	330,664	330,664	330,664	—
Restricted cash	11,685	18,297	19,599	18,009	12,500
Assets associated with real estate held for sale	55,915	222,304	145,087	180,139	173,461
Other assets	190,384	110,580	75,489	54,904	49,384
Total Assets	\$12,299,036	\$11,292,375	\$11,421,975	\$11,416,063	\$9,471,840
Liabilities and Equity					
Global unsecured revolving credit facility	\$153,189	\$88,535	\$677,868	\$960,271	\$682,648
Unsecured term loan	1,521,613	1,545,590	1,566,185	923,267	937,198
Unsecured senior notes, net of discount	4,238,435	4,252,570	3,662,753	3,712,569	2,794,783
Mortgage loans, net of premiums	111,750	248,711	249,923	302,930	304,777
Accounts payable and other accrued liabilities	823,906	598,610	570,653	608,343	513,555
Accrued dividends and distributions	—	—	—	126,925	—
Acquired below-market leases	86,888	90,823	96,475	101,114	88,632
Security deposits and prepaid rent	163,787	128,802	147,934	138,347	107,704
Liabilities associated with assets held for sale	2,820	13,092	4,974	5,795	6,892
Total Liabilities	\$7,102,388	\$6,966,733	\$6,976,765	\$6,879,561	\$5,436,189
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	\$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	242,014	242,014	241,683
Common Stock: \$0.01 par value per share, 265,000,000 shares authorized (7)					
Additional paid-in capital	5,759,338	4,669,149	4,659,484	4,655,220	3,977,945
Dividends in excess of earnings	(1,483,223)	(1,541,265)	(1,440,028)	(1,350,089)	(1,185,633)
Accumulated other comprehensive (loss) income, net	(131,936)	(129,657)	(104,252)	(96,590)	(87,988)
Total Stockholders' Equity	\$5,158,721	\$4,289,820	\$4,406,798	\$4,500,132	\$3,995,479
Non-controlling Interests					
Non-controlling interest in operating partnership	\$31,088	\$29,095	\$31,648	\$29,612	\$33,411
Non-controlling interest in consolidated joint ventures	6,839	6,727	6,764	6,758	6,761
Total Non-controlling Interests	\$37,927	\$35,822	\$38,412	\$36,370	\$40,172
Total Equity	\$5,196,648	\$4,325,642	\$4,445,210	\$4,536,502	\$4,035,651
Total Liabilities and Equity	\$12,299,036	\$11,292,375	\$11,421,975	\$11,416,063	\$9,471,840

(1) Net of allowance for doubtful accounts of \$10,052 and \$5,844 as of September 30, 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 September 30, 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 September 30, 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 September 30, 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 September 30, 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 September 30, 2016 and December 31, 2015, respectively.

(7) Common Stock: 158,926,811 and 146,384,247 shares issued and outstanding as of September 30, 2016 and December 31, 2015, respectively.

**Reconciliation of Earnings Before Interest, Taxes,
Depreciation & Amortization (EBITDA) (1)****Three Months Ended****30-Sep-16 30-Jun-16 31-Mar-16 31-Dec-15 30-Sep-15**

Net Income (Loss) Available to Common Stockholders	\$187,330	\$27,951	\$39,125	(\$40,039)	\$38,522
Interest	63,084	59,909	57,261	61,717	48,138
Loss from early extinguishment of debt	18	—	964	—	—
Tax expense	3,720	2,252	2,109	268	1,850
Depreciation & amortization	178,133	175,594	169,016	172,956	136,974
EBITDA	\$432,285	\$265,706	\$268,475	\$194,902	\$225,484
Change in fair value of contingent consideration	—	—	—	—	(1,594)
Severance-related expense, equity acceleration, and legal expenses	2,580	1,508	1,448	6,125	(3,676)
Transaction expenses	6,015	3,615	1,900	3,099	11,042
(Gain) loss on sale of property	(169,000)	—	(1,097)	(322)	207
(Gain) on settlement of pre-existing relationship with Telx	—	—	—	(14,355)	—
Loss on currency forwards	—	3,082	—	—	—
Other non-core expense adjustments	(22)	—	(1)	75,269	51
Non-controlling interests	3,247	569	784	(590)	864
Preferred stock dividends	21,530	22,424	22,424	24,056	18,456
Issuance costs associated with redeemed preferred stock	10,328	—	—	—	—
Adjusted EBITDA	\$306,963	\$296,904	\$293,933	\$288,184	\$250,834

(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.

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/digital-realty-reports-third-quarter-2016-results-300352969.html>

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