

Digital Realty reports fourth quarter and full-year 2015 results

February 25, 2016

SAN FRANCISCO, Feb. 25, 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 fourth quarter and full-year 2015. All per share results are presented on a fully-diluted share and unit basis.

Highlights

- Reported FFO per share of \$0.79 in 4Q15, compared to \$1.40 in 4Q14
 - Reported FFO of \$4.85 for the full year of 2015, compared to \$5.04 in 2014
- Reported core FFO per share of \$1.38 in 4Q15, compared to \$1.26 in 4Q14
 - Reported core FFO per share of \$5.26 for the full year of 2015 compared to \$4.96 in 2014
- Signed leases during 4Q15 expected to generate \$36 million in annualized GAAP rental revenue, bringing the full-year 2015 total to \$127 million
- Reiterated 2016 core FFO per share outlook of \$5.45 - \$5.60 and "constant-currency" core FFO per share outlook of \$5.50 - \$5.70

Financial Results

Digital Realty recognized total revenue of \$500 million for the fourth quarter of 2015, a 15% increase from the previous quarter and a 21% increase over the same quarter last year. For the full-year 2015, Digital Realty recognized total revenue of \$1.8 billion, a 9% increase over the prior year.

Adjusted EBITDA for the fourth quarter of 2015 was \$288 million, a 15% increase from the previous quarter and a 19% increase over the same quarter last year. Adjusted EBITDA was \$1.0 billion for the full-year 2015, a 9% increase over 2014.

Funds from operations ("FFO") on a fully diluted basis was \$118 million in the fourth quarter of 2015, or \$0.79 per share, compared to \$1.28 per share in the third quarter of 2015 and \$1.40 per share in the fourth quarter of 2014. FFO per share for the full-year 2015 was \$4.85 compared to \$5.04 in 2014.

Excluding certain items that do not represent core expenses or revenue streams, core FFO was \$1.38 per share for the fourth quarter of 2015 compared to \$1.32 per share in the third quarter of 2015, and \$1.26 per share in the fourth quarter of 2014. Core FFO per share for the full-year 2015 was \$5.26 per share compared to \$4.96 per share in 2014.

Net loss for the fourth quarter of 2015 was \$17 million, and net loss available to common stockholders was \$40 million, or \$0.28 per diluted share, compared to net income available to common shareholders of \$0.28 per diluted share in the third quarter of 2015 and net loss available to common shareholders of \$0.39 per diluted share in the fourth quarter of 2014. The net loss during the fourth quarter of 2015 was primarily attributable to the write-off of straight-line rent receivables related to Telx. For the full-year 2015, net income was \$302 million and net income available to common shareholders was \$217 million, or \$1.56 per share, compared to \$1.00 per share for 2014.

Leasing Activity

"Data center demand remains steady, with new leases signed during the fourth quarter of 2015 representing \$36 million in annualized GAAP rental revenue, including a \$6 million contribution from Telx, the acquisition of which we completed in October," commented Chief Executive Officer A. William Stein.

"In addition to space and power, Telx also contributed \$7 million of annualized interconnection revenue bookings during the fourth quarter. I am pleased with the rapid progress we have made towards integrating Telx, as well as the consistent execution we achieved in all areas of our business in 2015. The data center fundamental backdrop remains healthy, and particularly following the successful refinancing of our global credit facilities in January and corresponding extension of debt maturities, we are well positioned to continue to deliver superior risk-adjusted returns for shareholders."

The weighted-average lag between leases signed during the fourth quarter of 2015 and the contractual commencement date was 4.5 months.

In addition to new leases signed, Digital Realty also signed renewal leases representing \$29 million of annualized GAAP rental revenue during the quarter. Rental rates on renewal leases signed during the fourth quarter of 2015 rolled up 8% on a cash basis and up 19% on a GAAP basis.

New leases signed during the fourth quarter of 2015 by region and product type are summarized as follows:

Annualized GAAP Base Rent Square Feet GAAP Base Rent Megawatts GAAP Base Rent

			per Square Foot		per Kilowatt
North America					
Turn-Key Flex	\$23,207	144,623	\$160	14	\$135
Powered Base Building (1)	1,010	—	—	—	—
Colocation	6,928	24,304	285	2	332
Non-Technical	243	15,053	16	—	—
Total	\$31,388	183,980	\$171	16	\$156
Europe (2)					
Turn-Key Flex	\$4,106	22,718	\$181	2	\$187
Colocation	—	—	—	—	—
Non-Technical	32	500	64	—	—
Total	\$4,138	23,218	\$178	2	\$187
Asia Pacific (2)					
Turn-Key Flex	\$649	1,594	\$407	—	\$230
Colocation	—	—	—	—	—
Non-Technical	28	1,146	25	—	—
Total	\$677	2,740	\$247	—	\$230
Grand Total	\$36,203	209,938	\$172	18	\$160

Note: Totals may not foot due to rounding differences.

(1) PBB activity reflects reservation rent on a future commencement.

(2) Based on quarterly average exchange rates during the three months ended December 31, 2015.

Investment Activity

In December 2015, Digital Realty completed the sale of 650 Randolph Road, a vacant 128,000 square foot industrial building previously held for redevelopment in Franklin Township, NJ for \$9.2 million, or \$72 per square foot. Digital Realty recognized a loss on the sale of approximately \$0.1 million during the fourth quarter of 2015.

Subsequent to the end of the quarter, Digital Realty closed on the sale of 47700 Kato Road and 1055 Page Avenue, two adjacent non-data center properties totaling 199,000 square feet in Fremont, CA for \$37.5 million, or \$188 per square foot. The properties were 100% leased and were expected to generate cash net operating income of approximately \$2.7 million in 2015, representing a cap rate of 7.2%. The sale is expected to generate net proceeds of \$35.8 million, and Digital Realty expects to recognize a gain on the sale of approximately \$1.2 million in the first quarter of 2016.

As previously announced, during the fourth quarter of 2015 Digital Realty acquired a 126-acre land parcel less than a mile away from its existing Digital Ashburn campus in Loudoun County, VA for a purchase price of \$43 million. The site is expected to support the development of over two million square feet and the build-out of approximately 150 megawatts. Construction work is expected to begin in 2016, subject to market demand. Delivery will be phased to facilitate customer expansion requirements upon completion of the existing Digital Ashburn data center campus.

Likewise during the fourth quarter of 2015, Digital Realty acquired a six-acre land parcel approximately three miles west of downtown Frankfurt, Germany for \$6 million. The site is capable of supporting a 27 MW campus across three buildings, totaling 339,000 square feet. Timing and commencement of future development will be subject to market demand.

Balance Sheet

Digital Realty had approximately \$5.9 billion of total debt outstanding as of December 31, 2015, comprised of \$5.6 billion of unsecured debt and approximately \$0.3 billion of secured debt. At the end of the fourth quarter of 2015, net debt-to-adjusted EBITDA was 5.2x, debt-plus-preferred-to-total-enterprise-value was 39.2% and fixed charge coverage was 3.3x.

Subsequent to quarter-end, Digital Realty completed the refinancing of its global revolving credit facility and term loan. In conjunction with the refinancing, pricing was tightened by 10 basis points, the maturity date was extended by more than two years and aggregate commitments were expanded by \$550 million. The combined facilities total \$3.55 billion, consisting of a \$2.0 billion line of credit and a \$1.55 billion term loan.

2016 Outlook

Digital Realty reiterated its 2016 core FFO per share outlook of \$5.45 - \$5.60. The assumptions underlying this guidance are summarized in the following table.

Jan. 4, 2016

Feb. 25, 2016

Top-Line and Cost Structure

2016 total revenue	\$2.0 - \$2.2 billion	\$2.0 - \$2.2 billion
2016 net non-cash rent adjustments (1)	\$10 - \$20 million	\$10 - \$20 million
2016 adjusted EBITDA margin	55.0% - 57.0%	55.0% - 57.0%
2016 G&A margin	7.0% - 7.5%	7.0% - 7.5%

Internal Growth

Rental rates on renewal leases		
Cash basis	N/A	Flat
GAAP basis	N/A	Up high single-digits
Year-end portfolio occupancy	N/A	+/- 50 bps
"Same-capital" cash NOI growth (2)	N/A	0.0% - 3.0%
Foreign Exchange Rates		
U.S. Dollar / Pound Sterling	N/A	\$1.40 - \$1.48
U.S. Dollar / Euro	N/A	\$1.02 - \$1.07

External Growth

Dispositions		
Dollar volume	\$0 - \$200 million	\$38 - \$200 million
Cap rate	0.0% - 10.0%	0.0% - 10.0%
Development		
CapEx	\$750 - \$900 million	\$750 - \$900 million
Average stabilized yields	10.5% - 12.5%	10.5% - 12.5%
Enhancements and other non-recurring CapEx (3)	\$20 - \$25 million	\$20 - \$25 million
Recurring CapEx + capitalized leasing costs (4)	\$145 - \$155 million	\$145 - \$155 million

Balance Sheet

Long-term debt issuance		
Dollar amount	\$1.25 - \$1.75 billion	\$1.25 - \$1.75 billion
Pricing	3.00% - 5.00%	3.00% - 5.00%
Timing	Mid 2016	Mid 2016

Funds From Operations / share (NAREIT-Defined)	\$5.35 - \$5.45	\$5.35 - \$5.45
Adjustments for non-core expense and revenue streams	\$0.10 - \$0.15	\$0.10 - \$0.15
Core Funds From Operations / share	\$5.45 - \$5.60	\$5.45 - \$5.60
Foreign currency translation adjustments	\$0.05 - \$0.10	\$0.05 - \$0.10
Constant-Currency Core FFO / share	\$5.50 - \$5.70	\$5.50 - \$5.70

(1) Net non-cash rent 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 where 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 make 2016 same-capital results comparable to 2015, projected Net Operating Income (NOI) includes intercompany activity related to legacy Telx leases at properties owned as of December 31, 2014 that meet the same capital definition. The intercompany activity will be eliminated to arrive at our consolidated financial results

(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 definition of FFO, a

reconciliation from FFO to core FFO, and a definition of 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 conference call today at 5:30 p.m. EDT / 2:30 p.m. PDT, Digital Realty will post a presentation 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 2015 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# 5297568 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 25, 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# 10077984. The webcast replay can be accessed on Digital Realty's website.

About Digital Realty

Digital Realty Trust, Inc. supports the data center and colocation strategies of more than 1,000 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 disclose 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 integration of Telx Holdings, Inc.; the refinancing of our global revolving credit facility and term loan; pricing and net effective leasing economics; market dynamics and data center fundamentals; our strategic priorities, including improving ROIC and our disposition program; 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; 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 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, 2014 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015. 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-15	30-Sep-15	30-Jun-15	31-Mar-15	31-Dec-14	31-Dec-15	31-Dec-14
Rental revenues	\$366,814	\$338,330	\$330,676	\$319,166	\$319,816	\$1,354,986	\$1,256,086
Tenant reimbursements - Utilities	60,800	70,148	62,305	59,764	59,830	253,017	246,675
Tenant reimbursements - Other	30,190	25,336	25,267	26,065	28,887	106,858	103,559
Interconnection & other	40,759	—	—	—	—	40,759	—
Fee income	1,880	1,595	1,549	1,614	1,871	6,638	7,268
Other	—	580	498	—	1,812	1,078	2,850
Total Operating Revenues	\$500,443	\$435,989	\$420,295	\$406,609	\$412,216	\$1,763,336	\$1,616,438
Utilities	\$70,758	\$73,887	\$64,669	\$62,970	\$62,560	\$272,284	\$259,466
Rental property operating	53,563	36,305	36,014	34,628	33,211	160,511	129,200
Repairs & maintenance	31,063	30,250	28,835	26,943	31,783	117,090	114,474
Property taxes	28,472	19,953	20,900	23,263	23,053	92,588	91,538
Insurance	2,360	2,140	2,154	2,155	2,180	8,809	8,643
Change in fair value of contingent consideration	—	(1,594)	352	(43,034)	(3,991)	(44,276)	(8,093)
Depreciation & amortization	172,956	136,974	131,524	129,073	133,327	570,527	538,513
General & administrative	29,862	26,431	24,312	19,798	21,480	100,403	80,498
Severance related accrual, equity acceleration, and legal expenses	6,125	(3,676)	1,301	1,396	—	5,146	12,690
Transaction expenses	3,099	11,042	3,166	93	323	17,400	1,303
Impairment of investments in real estate	—	—	—	—	113,970	—	126,470
Other expenses	60,914	51	(6)	(16)	486	60,943	3,070
Total Operating Expenses	\$459,172	\$331,763	\$313,221	\$257,269	\$418,382	\$1,361,425	\$1,357,772
Operating Income (Loss)	\$41,271	\$104,226	\$107,074	\$149,340	(\$6,166)	\$401,911	\$258,666
Equity in earnings of unconsolidated joint ventures	\$3,321	\$4,169	\$3,383	\$4,618	\$3,776	\$15,491	\$13,289
Gain (loss) on sale of property	322	(207)	76,669	17,820	—	94,604	15,945
Gain on contribution of properties to unconsolidated JV	—	—	—	—	—	—	95,404
Gain on sale of investment	—	—	—	—	14,551	—	14,551
Interest and other income	498	(358)	(231)	(2,290)	641	(2,381)	2,663
Interest expense	(61,717)	(48,138)	(46,114)	(45,466)	(46,396)	(201,435)	(191,085)
Tax (expense)	(268)	(1,850)	(2,636)	(1,697)	(1,201)	(6,452)	(5,238)
Loss from early extinguishment of debt	—	—	(148)	—	—	(148)	(780)
Net Income (Loss)	(\$16,573)	\$57,842	\$137,997	\$122,325	(\$34,795)	\$301,590	\$203,415

Funds From Operations - diluted	\$117,538	\$177,850	\$176,148	\$216,360	\$194,880	\$687,895	\$696,691
Termination fees and other non-core revenues (4)	—	(580)	(313)	1,573	(2,584)	680	(5,668)
Gain on sale of investment	—	—	—	—	(14,551)	—	(14,551)
Transaction expenses	3,099	11,042	3,166	93	323	17,400	1,303
Loss from early extinguishment of debt	—	—	148	—	—	148	780
Change in fair value of contingent consideration (5)	—	(1,594)	352	(43,034)	(3,991)	(44,276)	(8,093)
Equity in earnings adjustment for non-core items	—	—	—	—	—	—	843
Severance related accrual, equity acceleration, and legal expenses (6)	6,125	(3,676)	1,301	1,396	—	5,146	12,690
Bridge facility fees (7)	3,903	—	0	0	—	3,903	—
Other non-core expense adjustments (8)	75,269	51	(29)	(30)	453	75,261	2,692
Core Funds From Operations - diluted	\$205,934	\$183,093	\$180,773	\$176,358	\$174,530	\$746,157	\$686,687
Weighted-average shares and units outstanding - diluted (3)	149,100	139,192	139,257	138,831	138,757	141,725	138,364
Core Funds From Operations per share - diluted (3)	\$1.38	\$1.32	\$1.30	\$1.27	\$1.26	\$5.26	\$4.96

(1) Real Estate Related Depreciation & Amortization:

	Three Months Ended					Twelve Months Ended	
	31-Dec-15	30-Sep-15	30-Jun-15	31-Mar-15	31-Dec-14	31-Dec-15	31-Dec-14
Depreciation & amortization per income statement	\$172,956	\$136,974	\$131,524	\$129,073	\$133,327	\$570,527	\$538,513
Non-real estate depreciation	(2,861)	(1,361)	(1,326)	(1,250)	(1,227)	(6,798)	(4,690)
Real Estate Related Depreciation & Amortization	\$170,095	\$135,613	\$130,198	\$127,823	\$132,100	\$563,729	\$533,823

(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. In addition, the 5.50% exchangeable senior debentures due 2029 were exchangeable for 0 and 2,618 common shares on a weighted average basis for the three and twelve months ended December 31, 2014, respectively. See above for calculations of diluted FFO available to common stockholders and unitholders and 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. For the quarter ended December 31, 2015, includes integration related severance (\$6.1 million).

(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 (\$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-15	30-Sep-15	30-Jun-15	30-Mar-15	31-Dec-14	31-Dec-15	31-Dec-14
	(1)	(1)	(1)	(1)			
Core FFO available to common stockholders and unitholders	\$205,934	\$183,093	\$180,773	\$176,358	\$174,530	\$746,157	\$686,687
Adjustments:							
Non-real estate depreciation	2,861	1,361	1,326	1,250	1,227	6,798	4,690
Amortization of deferred financing costs	2,121	2,076	2,069	2,216	2,207	8,481	8,969
Amortization of debt discount/premium	611	557	546	582	521	2,296	1,724
Non-cash stock-based compensation expense	604	3,831	4,518	2,795	2,530	11,748	11,918
Straight-line rent revenue	(9,530)	(13,579)	(14,499)	(13,369)	(18,609)	(50,977)	(77,483)
Straight-line rent expense	5,698	80	92	74	51	5,944	1,645
Above- and below-market rent amortization	(2,479)	(2,174)	(2,359)	(2,324)	(2,273)	(9,336)	(9,982)
Non-cash tax expense	(757)	680	1,066	557	173	1,546	837
Capitalized leasing compensation (1)	(2,563)	(2,581)	(2,044)	(3,028)	(6,594)	(10,216)	(27,020)
Recurring capital expenditures (2)	(35,386)	(14,716)	(23,708)	(18,066)	(21,040)	(91,876)	(52,562)
Capitalized internal leasing commissions	(1,460)	(907)	(888)	(826)	(5,331)	(4,081)	(18,318)
AFFO available to common stockholders and unitholders - basic (3)	\$165,654	\$157,721	\$146,892	\$146,220	\$127,392	\$616,484	\$531,105
Weighted-average shares and units outstanding - basic	148,388	138,468	138,568	138,407	138,327	141,108	136,124
Weighted-average shares and units outstanding - diluted (4)	149,100	139,192	139,257	138,831	138,757	141,725	138,364
AFFO available to common stockholders and unitholders - basic	\$165,654	\$157,721	\$146,892	\$146,220	\$127,392	\$616,484	\$531,105
Add: Interest and amortization of debt issuance costs on 2029 Debentures	—	—	—	—	—	—	4,725
AFFO available to common stockholders and unitholders - diluted	\$165,654	\$157,721	\$146,892	\$146,220	\$127,392	\$616,484	\$535,830
AFFO per share - diluted (4)	\$1.11	\$1.13	\$1.05	\$1.05	\$0.92	\$4.35	\$3.87
Dividends per share and common unit	\$0.85	\$0.85	\$0.85	\$0.85	\$0.83	\$3.40	\$3.32
Diluted AFFO Payout Ratio	76.5%	75.0%	80.6%	80.7%	90.4%	78.2%	85.7%

Share Count Detail	Three Months Ended					Twelve Months Ended	
	31-Dec-15	30-Sep-15	30-Jun-15	30-Mar-15	31-Dec-14	31-Dec-15	31-Dec-14
Weighted Average Common Stock and Units Outstanding	148,388	138,468	138,568	138,407	138,327	141,108	136,124
Add: Effect of dilutive securities (excludes 5.50% debentures)	712	724	689	424	430	618	282
Add: Effect of dilutive 5.50% exchangeable senior debentures	—	—	—	—	—	—	1,958
Weighted Avg. Common Stock and Units Outstanding - diluted	149,100	139,192	139,257	138,831	138,757	141,726	138,364

- (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 includes only second generation leasing costs.
- (2) For a definition of recurring capital expenditures, see page 37 of the quarterly supplemental.
- (3) For a definition and discussion of AFFO, see page 46 of the quarterly supplemental. For a reconciliation of net income available to common stockholders to FFO, see page 13 of the quarterly supplemental.
- (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. In addition, the 5.50% exchangeable senior debentures due 2029 were exchangeable for 0 and 2,618 common shares on a weighted average basis for the three and twelve months ended December 31, 2014, respectively. See page 13 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-15	30-Sep-15	30-Jun-15	31-Mar-15	31-Dec-14
Assets					
Investments in real estate:					
Real estate	\$10,066,936	\$9,473,253	\$9,353,820	\$9,146,341	\$9,027,600
Construction in progress	664,992	570,598	646,012	735,544	809,406
Land held for future development	183,445	133,343	141,294	135,606	145,607
Investments in Real Estate	\$10,915,373	\$10,177,194	\$10,141,126	\$10,017,491	\$9,982,613
Accumulated depreciation & amortization	(2,251,268)	(2,137,631)	(2,033,289)	(1,962,966)	(1,874,054)
Net Investments in Properties	\$8,664,105	\$8,039,563	\$8,107,837	\$8,054,525	\$8,108,559
Investment in unconsolidated joint ventures	106,107	103,703	103,410	103,475	94,729
Net Investments in Real Estate	\$8,770,212	\$8,143,266	\$8,211,247	\$8,158,000	\$8,203,288
Cash and cash equivalents	\$57,053	\$22,998	\$49,989	\$30,969	\$34,814
Accounts and other receivables (1)	177,398	157,994	126,734	112,995	135,931
Deferred rent	403,327	475,796	467,262	455,834	447,643
Acquired in-place lease value, deferred leasing costs and other real estate intangibles, net	1,391,659	405,824	424,229	434,917	456,961
Acquired above-market leases, net	32,698	30,617	33,936	34,757	38,605
Goodwill	330,664	—	—	—	—
Deferred financing costs, net	35,204	29,173	30,203	28,243	30,821
Restricted cash	18,009	12,500	18,557	18,294	18,062
Assets associated with real estate held for sale	180,139	173,461	171,990	81,667	120,471
Other assets	54,904	49,384	51,862	52,750	40,188
Total Assets	\$11,451,267	\$9,501,013	\$9,586,009	\$9,408,426	\$9,526,784
Liabilities and Equity					
Global unsecured revolving credit facility	\$967,884	\$688,957	\$777,013	\$826,906	\$525,951
Unsecured term loan	924,568	938,276	961,098	942,006	976,600
Unsecured senior notes, net of discount	3,738,606	2,816,359	2,856,408	2,672,472	2,791,758
Mortgage loans, net of premiums	303,183	304,987	374,307	376,527	378,818
Accounts payable and other accrued liabilities	608,343	513,555	516,232	523,948	605,923
Accrued dividends and distributions	126,925	—	—	—	115,019
Acquired below-market leases	101,114	88,632	94,312	97,234	104,235
Security deposits and prepaid rent	138,347	107,704	109,005	108,244	108,478
Liabilities associated with assets held for sale	5,795	6,892	7,441	3,228	5,764

Total Liabilities	\$6,914,765	\$5,465,362	\$5,695,816	\$5,550,565	\$5,612,546
Equity					
Preferred Stock: \$0.01 par value per share, 70,000,000 shares authorized:					
Series E Cumulative Redeemable Preferred Stock (2)	\$277,172	\$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)	242,014	241,683	—	—	—
Common Stock: \$0.01 par value per share, 215,000,000 shares authorized (7)	1,456	1,351	1,351	1,350	1,349
Additional paid-in capital	4,655,220	3,977,945	3,974,398	3,967,846	3,970,438
Dividends in excess of earnings	(1,350,089)	(1,185,633)	(1,108,701)	(1,110,298)	(1,096,603)
Accumulated other comprehensive (loss) income, net	(96,590)	(87,988)	(67,324)	(91,562)	(45,046)
Total Stockholders' Equity	\$4,500,132	\$3,995,479	\$3,847,845	\$3,815,457	\$3,878,259
Noncontrolling Interests					
Noncontrolling interest in operating partnership	\$29,612	\$33,411	\$35,577	\$35,596	\$29,188
Noncontrolling interest in consolidated joint ventures	6,758	6,761	6,771	6,808	6,791
Total Noncontrolling Interests	\$36,370	\$40,172	\$42,348	\$42,404	\$35,979
Total Equity	\$4,536,502	\$4,035,651	\$3,890,193	\$3,857,861	\$3,914,238
Total Liabilities and Equity	\$11,451,267	\$9,501,013	\$9,586,009	\$9,408,426	\$9,526,784

- (1) Net of allowance for doubtful accounts of \$5,844 and \$6,302 as of December 31, 2015 and December 31, 2014, respectively.
- (2) Series E Cumulative Redeemable Preferred Stock, 7.000%, \$287,500 and \$287,500 liquidation preference, respectively (\$25.00 per share), 11,500,000 and 11,500,000 shares issued and outstanding as of December 31, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, respectively.
- (6) Series I Cumulative Redeemable Preferred Stock, 6.350%, \$250,000 and \$0 liquidation preference, respectively (\$25.00 per share), 10,000,000 and 0 shares issued and outstanding as of December 31, 2015 and December 31, 2014, respectively.
- (7) Common Stock: 146,384,247 and 135,626,255 shares issued and outstanding as of December 31, 2015 and December 31, 2014, respectively.

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

	Three Months Ended				
	31-Dec-15	30-Sep-15	30-Jun-15	31-Mar-15	31-Dec-14
Net Income (Loss) Available to Common Stockholders	(\$40,039)	\$38,522	\$117,055	\$101,728	(\$52,289)
Interest	61,717	48,138	46,114	45,466	46,396
Loss from early extinguishment of debt	—	—	148	—	—
Tax expense	268	1,850	2,636	1,697	1,201
Depreciation & amortization	172,956	136,974	131,524	129,073	133,327
Impairment of investments in real estate	—	—	—	—	113,970
EBITDA	\$194,902	\$225,484	\$297,477	\$277,964	\$242,605
Change in fair value of contingent consideration	—	(1,594)	352	(43,034)	(3,991)
Severance related accrual, equity acceleration, and legal expenses	6,125	(3,676)	1,301	1,396	—
Transaction expenses	3,099	11,042	3,166	93	323
(Gain) loss on sale of property	(322)	207	(76,669)	(17,820)	—

(Gain) on sale of investment	—	—	—	—	(14,551)
(Gain) on settlement of pre-existing relationship with Telx	(14,355)	—	—	—	—
Other non-core expense adjustments	75,269	51	(29)	(30)	453
Noncontrolling interests	(590)	864	2,486	2,142	(961)
Preferred stock dividends	24,056	18,456	18,456	18,455	18,455
Adjusted EBITDA	\$288,184	\$250,834	\$246,540	\$239,166	\$242,333

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

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) gain on sale of investment, (iii) significant transaction expenses, (iv) loss from early extinguishment of debt, (v) change in fair value of contingent consideration, (vi) equity in earnings adjustment for non-core items, (vii) severance accrual, equity acceleration, and legal expenses, (viii) bridge facility fees 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 acceleration, (vi) straight-line rent revenue, (vii) straight-line rent expense, (viii) above-and below-market rent amortization, (ix) 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 expense, loss from 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, change in fair value of contingent consideration, severance related accrual, equity acceleration, and legal expenses, transaction expenses, gain (loss) on sale of property, gain on sale of investment, gain on settlement of pre-existing relationship with Telx, 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 accrual, equity acceleration, and legal expenses, transaction expenses, gain (loss) on sale of property, gain on sale of investment, gain on settlement of pre-existing relationship with Telx, other non-core expense adjustments, noncontrolling interests, and preferred stock dividends. 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 and tenant reimbursement revenue less utilities, 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 less unrestricted cash and cash equivalents divided by the product of Adjusted 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, 2015, GAAP interest expense was \$62 million, capitalized interest was \$3 million and scheduled debt principal payments and preferred dividends was \$26 million.

Reconciliation of Range of 2016 Projected Net Income to Projected FFO (NAREIT-Defined), Core FFO and Constant-Currency Core FFO

	<u>Low</u>	<u>High</u>
Net income available to common stockholders per diluted share	\$0.35	\$0.45
Add: Real estate depreciation and amortization and (gain)/loss on sale	\$5.00	\$5.00
Projected Funds from Operations per diluted share (NAREIT-Defined)	\$5.35	\$5.45
Add: Adjustments for items that do not represent core expenses and revenue streams	\$0.10	\$0.15
Projected Core Funds from Operations per diluted share	\$5.45	\$5.60
Add: Foreign currency translation adjustments	\$0.05	\$0.10
Projected Constant - Currency Core Funds from Operations per diluted share	\$5.50	\$5.70

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/digital-realty-reports-fourth-quarter-and-full-year-2015-results-300226542.html>

