DIGITAL REALTY
Data Center Solutions

NEWS RELEASE

Digital Realty Reports Second Quarter 2018 Results

7/26/2018

SAN FRANCISCO, July 26, 2018 /PRNewswire/ -- Digital Realty (NYSE: DLR), a leading global provider of data center, colocation and interconnection solutions, announced today financial results for the second quarter of 2018. All per-share results are presented on a fully-diluted share and unit basis.

Highlights

- Reported net income available to common stockholders of $0.32 per share in 2Q18, compared to $0.36 in 2Q17
- Reported FFO per share of $1.64 in 2Q18, compared to $1.44 in 2Q17
- Reported core FFO per share of $1.66 in 2Q18, compared to $1.54 in 2Q17
- Signed total bookings during 2Q18 expected to generate $94 million of annualized GAAP rental revenue, including an $8 million contribution from interconnection
- Raised 2018 core FFO per share outlook from $6.50 - $6.60 to $6.55 - $6.65

Financial Results

Digital Realty reported revenues for the second quarter of 2018 of $755 million, a 1% increase from the previous quarter and a 33% increase from the same quarter last year.

The company delivered second quarter of 2018 net income of $88 million, and net income available to common stockholders of $65 million, or $0.32 per diluted share, compared to $0.42 per diluted share in the previous quarter and $0.36 per diluted share in the same quarter last year.

Digital Realty generated second quarter of 2018 adjusted EBITDA of $458 million, a 2% increase from the previous quarter and a 39% increase over the same quarter last year.

The company reported second quarter of 2018 funds from operations of $353 million, or $1.64 per share, compared to $1.61 per share in the previous quarter and $1.44 per share in the same quarter last year.

Excluding certain items that do not represent core expenses or revenue streams, Digital Realty delivered second quarter of 2018 core FFO of $1.66 per share, a 2% increase from $1.63 per share in the previous quarter, and an 8% increase from $1.54 per share in the same quarter last year.

Leasing Activity

"In the second quarter, we signed total bookings expected to generate $94 million of annualized GAAP rental revenue, including an $8 million contribution from interconnection," said Chief Executive Officer A. William Stein. "Data center demand has picked up appreciably in 2018, and we are particularly encouraged by the broad-based activity across regions as well as the depth of demand by customer vertical. Our efforts to strengthen connections with our customers are bearing fruit, and we will continue to work diligently to extend our global platform and deliver sustainable growth for our customers, shareholders and employees."

The weighted-average lag between leases signed during the second quarter of 2018 and the contractual commencement date was five months.

In addition to new leases signed, Digital Realty also signed renewal leases representing $76 million of annualized GAAP rental revenue during the quarter. Rental rates on renewal leases signed during the second quarter of 2018 rolled up 3.4% on a cash basis and up 5.8% on a GAAP basis.

New leases signed during the second quarter of 2018 by region and product type are summarized as follows:

North America	Annualized GAAP Base Rent (in thousands)	Square Feet	GAAP Base Rent per Square Foot	Megawatts	GAAP Base Rent per Kilowatt
Turn-Key Flex	$56,533	488,541	$116	45.8	$103
Powered Base Building	39	534	73	—	—

Colocation	6,369	22,631	281	1.7	305
Non-Technical	524	24,862	21	—	—
Total	$63,465	536,568	$118	47.5	$110
Europe (1)					
Turn-Key Flex	$12,906	109,567	$118	9.7	$110
Colocation	1,115	1,743	640	0.2	441
Non-Technical	44	1,414	31	—	—
Total	$14,065	112,724	$125	9.9	$118
Asia Pacific (1)					
Turn-Key Flex	$8,855	49,199	$180	4.9	$150
Non-Technical	19	568	34	—	—
Total	$8,874	49,767	$178	4.9	$150
Interconnection	$7,596	N/A	N/A	N/A	N/A
Grand Total	$94,000	699,059	$124	62.4	$115

Note: Totals may not foot due to rounding differences.

(1) Based on quarterly average exchange rates during the three months ended June 30, 2018.

Investment Activity

During the second quarter of 2018, Digital Realty closed on the sale of a 378,000 square foot portfolio comprised of three mixed-use properties in Austin, Texas for $48 million. The properties were expected to generate cash net operating income of approximately $3 million in 2018, representing an exit cap rate of 6.3%. The sale generated net proceeds of $46 million, and Digital Realty recognized a gain on the sale of approximately $12 million in the second quarter of 2018.

Digital Realty also closed on the sale of 1125 Energy Park Drive, a substantially vacant, 78,100 square foot suburban office redevelopment project in St. Paul, Minnesota for $7 million. The sale generated net proceeds of $7 million, and Digital Realty recognized a gain on the sale of approximately $3 million in the second quarter of 2018.

Likewise during the second quarter of 2018, Digital Realty closed on the sale of 2010 E. Centennial Circle, a vacant 113,400 square foot office redevelopment project in Tempe, Arizona for $6 million. The sale generated net proceeds of $5 million, and Digital Realty recognized a loss on the sale of approximately $1 million in the second quarter of 2018.

During the second quarter of 2018, Digital Realty acquired a 13-acre site adjacent to one of its existing data centers in Santa Clara, California for a purchase price of $56 million. The parcel contains two fully leased office buildings with less than one year of remaining lease term. The existing structures will be razed upon expiration of the in-place leases. The site is expected to support the development of 403,000 square feet and the build-out of approximately 48 megawatts of critical load.

Digital Realty also acquired a 62-acre land parcel in Manassas, Virginia during the second quarter for a purchase price of $17 million. The site is expected to support the development of 1,700,000 square feet and the build-out of approximately 192 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 company's existing campus in Ashburn, Virginia.

Balance Sheet

Digital Realty had approximately $9.1 billion of total debt outstanding as of June 30, 2018, comprised of $9.0 billion of unsecured debt and approximately $0.1 billion of secured debt. At the end of the second quarter of 2018, net debt-to-adjusted EBITDA was 5.2x, debt-plus-preferred-to-total enterprise value was 30.2% and fixed charge coverage was 4.3x.

2018 Outlook

Digital Realty raised its 2018 core FFO per share outlook from $6.50 - $6.60 to $6.55 - $6.65. The assumptions underlying this guidance are summarized in the following table.

	As of	As of	As of	As of

Top-Line and Cost Structure	January 8, 2018	February 15, 2018	April 26, 2018	July 26, 2018
2018 total revenue	$3.0 - $3.2 billion	$3.0 - $3.2 billion	$3.0 - $3.2 billion	$3.0 - $3.2 billion
2018 net non-cash rent adjustments (1)	($5 - $15 million)	($5 - $15 million)	($5 - $15 million)	($5 - $15 million)
2018 Adjusted EBITDA margin	58.0% - 60.0%	58.0% - 60.0%	58.0% - 60.0%	58.0% - 60.0%
2018 G&A margin	5.5% - 6.5%	5.5% - 6.5%	5.5% - 6.5%	5.5% - 6.5%
Internal Growth				
Rental rates on renewal leases				
Cash basis	Slightly negative	Slightly negative	Slightly negative	Slightly negative
GAAP basis	Up mid-single-digits	Up mid-single-digits	Up mid-single-digits	Up mid-single-digits
Year-end portfolio occupancy	+/- 50 bps	+/- 50 bps	+/- 50 bps	+/- 50 bps
"Same-capital" cash NOI growth (2)	0% - 3.0%	0% - 3.0%	1.0% - 3.0%	1.0% - 3.0%
Foreign Exchange Rates				
U.S. Dollar / Pound Sterling	$1.28 - $1.32	$1.28 - $1.32	$1.35 - $1.40	$1.30 - $1.35
U.S. Dollar / Euro	$1.10 - $1.20	$1.10 - $1.20	$1.18 - $1.22	$1.15 - $1.20
External Growth				
Dispositions				
Dollar volume	$0 - $200 million	$88 - $200 million	$187 - $300 million	$199 - $300 million
Cap rate	0.0% - 10.0%	0.0% - 10.0%	0.0% - 10.0%	0.0% - 10.0%
Development				
CapEx	$0.9 - $1.1 billion	$0.9 - $1.1 billion	$0.9 - $1.1 billion	$1.0 - $1.2 billion
Average stabilized yields	10.0% - 12.0%	10.0% - 12.0%	10.0% - 12.0%	10.0% - 12.0%
Enhancements and other non-recurring CapEx (3)	$25 - $30 million	$25 - $30 million	$25 - $30 million	$25 - $30 million
Recurring CapEx + capitalized leasing costs (4)	$160 - $170 million	$160 - $170 million	$160 - $170 million	$160 - $170 million
Balance Sheet				
Long-term debt issuance				
Dollar amount	$0 - $500 million	$0 - $500 million	$0 - $500 million	$650 million - $1 billion
Pricing	3.25% - 4.25%	3.25% - 4.25%	3.25% - 4.25%	3.25% - 4.50%

Timing	Mid-to-late 2018	Mid-to-late 2018	Mid-to-late 2018	Mid-to-late 2018
Net income per diluted share	$1.50 - $1.55	$1.50 - $1.55	$1.55 - $1.55	$1.55 - $1.60
Real estate depreciation and (gain)/loss on sale	$4.90 - $4.95	$4.90 - $4.95	$4.90 - $4.95	$4.95 - $4.95
Funds From Operations / share (NAREIT-Defined)	$6.40 - $6.50	$6.40 - $6.50	$6.45 - $6.50	$6.50 - $6.55
Non-core expenses and revenue streams	$0.05 - $0.10	$0.05 - $0.10	$0.05 - $0.10	$0.05 - $0.10
Core Funds From Operations / share	$6.45 - $6.60	$6.45 - $6.60	$6.50 - $6.60	$6.55 - $6.65

(1) Net non-cash rent adjustments represent the sum of straight-line rental revenue, straight-line rent expense as well as the amortization of above- and below-market leases (i.e., FAS 141 adjustments).

(2) The "same-capital" pool includes buildings owned as of December 31, 2016 with less than 5% of the total rentable square feet under development. It also excludes buildings that were undergoing, or were expected to undergo, development activities in 2017-2018, buildings classified as held for sale, and buildings sold or contributed to joint ventures for all periods presented.

(3) Other non-recurring CapEx represents costs incurred to enhance the capacity or marketability of operating data centers, such as network fiber initiatives and software development costs.

(4) Recurring CapEx represents non-incremental improvements required to maintain current revenues, including second-generation tenant improvements and leasing commissions. Capitalized leasing costs include capitalized leasing compensation as well as capitalized internal leasing commissions.

Non-GAAP Financial Measures

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

Investor Conference Call

Prior to Digital Realty's investor conference call at 5:30 p.m. EDT / 2:30 p.m. PDT on July 26, 2018, a presentation will be posted to the Investors section of the company's website at **http://investor.digitalrealty.com**. The presentation is designed to accompany the discussion of the company's second quarter 2018 financial results and operating performance. The conference call will feature Chief Executive Officer A. William Stein and Chief Financial Officer Andrew P. Power.

To participate in the live call, investors are invited to dial (888) 317-6003 (for domestic callers) or (412) 317-6061 (for international callers) and reference the conference ID# 3366836 at least five minutes prior to start time. A live webcast of the call will be available via the Investors section of Digital Realty's website at **http://investor.digitalrealty.com**.

Telephone and webcast replays will be available after the call until August 27, 2018. The telephone replay can be accessed by dialing (877) 344-7529 (for domestic callers) or (412) 317-0088 (for international callers) and providing the conference ID# 10121533. The webcast replay can be accessed on Digital Realty's website.

About Digital Realty

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

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Consolidated Quarterly Statements of Operations

Unaudited and in Thousands, Except Share and Per Share Data

	Three Months Ended					Six Months Ended	
	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	30-Jun-18	30-Jun-17
Rental revenues	$534,556	$530,925	$517,356	$440,591	$412,576	$1,065,481	$816,702
Tenant reimbursements - Utilities	100,084	98,576	97,657	78,134	68,407	198,660	131,805
Tenant reimbursements - Other	55,639	51,503	54,324	29,479	24,935	107,142	48,825
Interconnection & other	61,770	61,373	60,275	59,851	58,301	123,143	115,526
Fee income	2,343	1,133	1,386	1,662	1,429	3,476	3,324
Other	527	858	447	208	341	1,385	376
Total Operating Revenues	$754,919	$744,368	$731,445	$609,925	$565,989	$1,499,287	$1,116,558
Utilities	$115,470	$112,230	$112,055	$95,619	$82,739	$227,700	$159,937
Rental property operating	114,852	113,410	113,445	94,442	91,977	228,262	184,118
Property taxes	27,284	35,263	36,348	32,586	28,161	62,547	55,080
Insurance	2,606	3,731	3,223	2,590	2,576	6,337	5,168
Depreciation & amortization	298,788	294,789	287,973	199,914	178,111	593,577	354,577
General & administration	44,277	36,289	44,311	41,477	37,144	80,566	70,922
Severance, equity acceleration, and legal expenses	1,822	234	1,209	2,288	365	2,056	1,234
Transaction and integration expenses	5,606	4,178	15,681	42,809	14,235	9,784	17,558
Impairment of investments in real estate	—	—	—	28,992	—	—	—
Other expenses	152	431	2	3,051	24	583	24
Total Operating Expenses	$610,857	$600,555	$614,247	$543,768	$435,332	$1,211,412	$848,618
Operating Income (Loss)	$144,062	$143,813	$117,198	$66,157	$130,657	$287,875	$267,940

Equity in earnings of unconsolidated joint venture	$7,438	$7,410	$5,924	$5,880	$8,388	$14,848	$13,712
Gain (loss) on real estate transactions	14,192	39,273	30,746	9,751	380	53,465	(142)
Interest and other income	3,398	(42)	324	2,813	367	3,356	518
Interest (expense)	(78,810)	(76,985)	(73,989)	(71,621)	(57,582)	(155,795)	(113,032)
Tax (expense)	(2,121)	(3,374)	(545)	(2,494)	(2,639)	(5,495)	(4,862)
Gain from early extinguishment of debt	—	—	—	1,990	—	—	—
Net Income (Loss)	$88,159	$110,095	$79,658	$12,476	$79,571	$198,254	$164,134
Net (income) loss attributable to noncontrolling interests	(2,696)	(3,468)	(6,023)	(40)	(920)	(6,164)	(1,945)
Net Income Attributable to Digital Realty Trust, Inc.	$85,463	$106,627	$73,635	$12,436	$78,651	$192,090	$162,189
Preferred stock dividends, including undeclared dividends	(20,329)	(20,329)	(20,329)	(16,575)	(14,505)	(40,658)	(31,898)
Issuance costs associated with redeemed preferred stock	—	—	—	—	(6,309)	—	(6,309)
Net Income (Loss) Available to Common Stockholders	$65,134	$86,298	$53,306	($4,139)	$57,837	$151,432	$123,982
Weighted-average shares outstanding - basic	205,956,005	205,714,173	205,448,689	170,194,254	160,832,889	205,835,757	160,069,201
Weighted-average shares outstanding - diluted	206,563,079	206,507,476	206,185,084	170,194,254	161,781,868	206,460,170	161,059,527
Weighted-average fully diluted shares and units	214,895,273	214,802,763	214,424,363	174,169,511	164,026,578	214,773,601	163,271,004
Net income (loss) per share - basic	$0.32	$0.42	$0.26	($0.02)	$0.36	$0.74	$0.77
Net income (loss) per share - diluted	$0.32	$0.42	$0.26	($0.02)	$0.36	$0.73	$0.77

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					Six Months Ended	
	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	30-Jun-18	30-Jun-17
Net Income (Loss) Available to Common Stockholders	$65,134	$86,298	$53,306	($4,139)	$57,837	$151,432	$123,982
Adjustments:							
Non-controlling interests in operating partnership	2,700	3,480	2,138	(79)	807	6,180	1,711
Real estate related depreciation & amortization (1)	295,750	291,686	284,924	196,871	175,010	587,436	348,457
Unconsolidated JV real estate related depreciation & amortization	3,722	3,476	3,323	2,732	2,754	7,198	5,510
(Gain) loss on real estate transactions	(14,192)	(39,273)	(30,746)	(9,751)	(380)	(53,465)	142
Non-controlling interests share of gain on sale of property	—	—	3,900	—	—	—	—
Impairment of investments in real estate	—	—	—	28,992	—	—	—
Funds From Operations	$353,114	$345,667	$316,845	$214,626	$236,028	$698,781	$479,802
Funds From Operations - diluted	$353,114	$345,667	$316,845	$214,626	$236,028	$698,781	$479,802
Weighted-average shares and units outstanding - basic	214,288	214,009	213,688	173,461	163,078	214,149	162,281
Weighted-average shares and units outstanding - diluted (2)	214,895	214,803	214,424	174,170	164,027	214,774	163,271
Funds From							

Operations per share - basic	$1.65	$1.62	$1.48	$1.24	$1.45	$3.26	$2.96
Funds From Operations per share - diluted (2)	$1.64	$1.61	$1.48	$1.23	$1.44	$3.25	$2.94

	Three Months Ended					Six Months Ended	
Reconciliation of FFO to Core FFO	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	30-Jun-18	30-Jun-17
Funds From Operations - diluted	$353,114	$345,667	$316,845	$214,626	$236,028	$698,781	$479,802
Adjustments:							
Termination fees and other non-core revenues (3)	(3,663)	(858)	(447)	(208)	(341)	(4,521)	(376)
Transaction and integration expenses	5,606	4,178	15,681	42,809	14,235	9,784	17,558
Gain from early extinguishment of debt	—	—	—	(1,990)	—	—	—
Issuance costs associated with redeemed preferred stock	—	—	—	—	6,309	—	6,309
Equity in earnings adjustment for non-core items	—	—	—	—	(3,285)	—	(3,285)
Severance, equity acceleration, and legal expenses (4)	1,822	234	1,209	2,288	365	2,056	1,234
Bridge facility fees (5)	—	—	—	3,182	—	—	—
Other non-core expense adjustments	152	431	2	3,051	24	583	24
Core Funds From Operations - diluted	$357,031	$349,652	$333,290	$263,758	$253,335	$706,683	$501,266
Weighted-average shares and units outstanding - diluted (2)	214,895	214,803	214,424	174,170	164,027	214,774	163,271
Core Funds From Operations per share - diluted (2)	$1.66	$1.63	$1.55	$1.51	$1.54	$3.29	$3.07

(1) Real Estate Related Depreciation & Amortization:	Three Months Ended	Six Months Ended

	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	30-Jun-18	30-Jun-17
Depreciation & amortization per income statement	$298,788	$294,789	$287,973	$199,914	$178,111	$593,577	$354,577
Non-real estate depreciation	(3,038)	(3,103)	(3,049)	(3,043)	(3,101)	(6,141)	(6,120)
Real Estate Related Depreciation & Amortization	$295,750	$291,686	$284,924	$196,871	$175,010	$587,436	$348,457

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

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

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

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

Adjusted Funds From Operations (AFFO)

Unaudited and in Thousands, Except Per Share Data

	Three Months Ended					Six Months Ended	
Reconciliation of Core FFO to AFFO	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	30-Jun-18	30-Jun-17
Core FFO available to common stockholders and unitholders	$357,031	$349,652	$333,290	$263,758	$253,335	$706,683	$501,266

Adjustments:							
Non-real estate depreciation	3,038	3,103	3,049	3,043	3,101	6,141	6,121
Amortization of deferred financing costs	2,953	3,060	3,092	2,611	2,518	6,013	4,961
Amortization of debt discount/premium	882	875	858	816	713	1,757	1,410
Non-cash stock-based compensation expense	8,419	5,497	3,923	4,636	5,637	13,916	9,341
Straight-line rental revenue	(8,489)	(10,266)	(8,705)	(1,692)	(2,109)	(18,755)	(6,168)
Straight-line rental expense	2,669	2,547	(635)	4,212	4,342	5,216	8,529
Above- and below-market rent amortization	6,794	6,666	6,562	(873)	(1,946)	13,460	(3,919)
Deferred non-cash tax expense	(1,137)	(216)	(1,100)	284	(1,443)	(1,353)	(2,096)
Capitalized leasing compensation (1)	(2,825)	(2,998)	(3,567)	(2,945)	(2,740)	(5,823)	(5,374)
Recurring capital expenditures (2)	(34,447)	(27,328)	(45,298)	(34,664)	(26,740)	(61,775)	(56,328)
Capitalized internal leasing commissions (1)	(2,822)	(2,049)	(1,217)	(1,225)	(1,355)	(4,871)	(2,848)
AFFO available to common stockholders and unitholders (3)	$332,066	$328,543	$290,252	$237,961	$233,313	$660,609	$454,895
Weighted-average shares and units outstanding - basic	214,288	214,009	213,688	173,461	163,078	214,149	162,281
Weighted-average shares and units outstanding - diluted (4)	214,895	214,803	214,424	174,170	164,027	214,774	163,271
AFFO per share - diluted (4)	$1.55	$1.53	$1.35	$1.37	$1.42	$3.08	$2.79

Dividends per share and common unit	$1.01	$1.01	$0.93	$0.93	$0.93	$2.02	$1.86
Diluted AFFO Payout Ratio	65.4 %	66.0 %	68.7 %	68.1 %	65.4 %	65.7 %	66.8 %

	Three Months Ended					Six Months Ended	
Share Count Detail	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	30-Jun-18	30-Jun-17
Weighted Average Common Stock and Units Outstanding	214,288	214,009	213,688	173,461	163,078	214,149	162,281
Add: Effect of dilutive securities (excludes 5.50% debentures)	607	794	736	709	949	625	990
Weighted Avg. Common Stock and Units Outstanding - diluted	214,895	214,803	214,424	174,170	164,027	214,774	163,271

(1) Includes only second-generation leasing costs.

(2) Recurring capital expenditures represent non-incremental building improvements required to maintain current revenues, including second-generation tenant improvements and external leasing commissions. Recurring capital expenditures do not include acquisition costs contemplated when underwriting the purchase of a building, costs which are incurred to bring a building up to Digital Realty's operating standards, or internal leasing commissions.

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

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

Consolidated Balance Sheets

Unaudited and in Thousands, Except Share and Per Share Data

	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17
Assets					
Investments in real estate:					
Real estate	$15,969,938	$15,654,932	$15,163,846	$14,693,479	$11,132,356
Construction in progress	1,323,998	1,470,065	1,399,684	1,405,740	787,315
Land held for future development	261,368	236,415	352,406	330,101	262,139
Investments in real estate	$17,555,304	$17,361,412	$16,915,936	$16,429,320	$12,181,810
Accumulated depreciation and amortization	(3,588,124)	(3,439,050)	(3,238,227)	(3,075,294)	(2,929,095)
Net Investments in Properties	$13,967,180	$13,922,362	$13,677,709	$13,354,026	$9,252,715
Investment in unconsolidated joint ventures	167,306	167,564	163,477	106,374	103,881
Net Investments in Real Estate	$14,134,486	$14,089,926	$13,841,186	$13,460,400	$9,356,596
Cash and cash equivalents	$17,589	$22,370	$51	$192,578	$22,383
Accounts and other receivables (1)	282,287	309,328	276,347	258,490	229,450
Deferred rent	445,766	442,887	430,026	420,348	423,188
Acquired in-place lease value, deferred leasing costs and other real estate intangibles, net	2,823,275	2,928,566	2,998,806	3,052,277	1,494,083
Acquired above-market leases, net	150,084	165,568	184,375	178,190	19,716
Goodwill	3,378,325	3,405,110	3,389,595	3,384,394	778,862
Restricted cash	9,443	7,330	13,130	17,753	18,931
Assets associated with real estate held for sale	—	41,707	139,538	132,818	87,882
Other assets	170,168	169,125	131,291	135,250	148,480
Total Assets	$21,411,423	$21,581,917	$21,404,345	$21,232,498	$12,579,571

Liabilities and Equity

Global unsecured revolving credit facility	$466,971	$952,121	$550,946	$138,477	$563,063
Unsecured term loan	1,376,784	1,428,498	1,420,333	1,432,659	1,520,482
Unsecured senior notes, net of discount	7,156,084	6,660,727	6,570,757	6,806,333	4,351,148
Mortgage loans, net of premiums	106,245	106,366	106,582	106,775	2,927
Accounts payable and other accrued liabilities	1,031,794	1,012,490	980,218	1,024,394	850,602
Accrued dividends and distributions	—	—	199,761	—	—
Acquired below-market leases	216,520	225,674	249,465	257,732	76,099
Security deposits and prepaid rent	207,292	207,859	217,898	223,536	181,007
Liabilities associated with assets held for sale	—	1,767	5,033	4,660	2,949
Total Liabilities	$10,561,690	$10,595,502	$10,300,993	$9,994,566	$7,548,277
Redeemable non-controlling interests - operating partnership	52,805	49,871	53,902	64,509	—
Equity					
Preferred Stock: $0.01 par value per share, 110,000,000 shares authorized:					
Series C Cumulative Redeemable Preferred Stock (2)	$219,250	$219,250	$219,250	$219,250	—
Series G Cumulative Redeemable Preferred Stock (3)	241,468	241,468	241,468	241,468	$241,468
Series H Cumulative Redeemable Preferred Stock (4)	353,290	353,290	353,290	353,290	353,290
Series I Cumulative Redeemable Preferred Stock (5)	242,012	242,012	242,012	242,012	242,012
Series J Cumulative Redeemable Preferred Stock (6)	193,540	193,540	193,540	193,667	—
Common Stock: $0.01 par value per share, 315,000,000 shares authorized (7)	2,047	2,045	2,044	2,043	1,611
Additional paid-in capital	11,310,132	11,285,611	11,261,462	11,250,322	5,991,753
Dividends in excess of earnings	(2,314,291)	(2,177,269)	(2,055,552)	(1,917,791)	(1,722,610)
Accumulated other comprehensive (loss) income, net	(107,070)	(106,096)	(108,432)	(116,732)	(110,709)
Total Stockholders' Equity	$10,140,378	$10,253,851	$10,349,082	$10,467,529	$4,996,815
Noncontrolling Interests					

Noncontrolling interest in operating partnership	$654,261	$680,400	$698,125	$699,308	$27,909
Noncontrolling interest in consolidated joint ventures	2,289	2,293	2,243	6,586	6,570
Total Noncontrolling Interests	$656,550	$682,693	$700,368	$705,894	$34,479
Total Equity	$10,796,928	$10,936,544	$11,049,450	$11,173,423	$5,031,294
Total Liabilities and Equity	$21,411,423	$21,581,917	$21,404,345	$21,232,498	$12,579,571

(1) Net of allowance for doubtful accounts of $8,825 and $6,737, as of June 30, 2018 and December 31, 2017, respectively.

(2) Series C Cumulative Redeemable Perpetual Preferred Stock, 6.625%, $201,250 and $201,250 liquidation preference, respectively ($25.00 per share), 8,050,000 and 8,050,000 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively.

(3) 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 June 30, 2018 and December 31, 2017, respectively.

(4) 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 June 30, 2018 and December 31, 2017, respectively.

(5) 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 June 30, 2018 and December 31, 2017, respectively.

(6) Series J Cumulative Redeemable Preferred Stock, 5.250%, $200,000 and $200,000 liquidation preference, respectively ($25.00 per share), 8,000,000 and 8,000,000 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively.

(7) Common Stock: 206,055,117 and 205,470,300 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively.

Reconciliation of Earnings Before Interest, Taxes, Depreciation & Amortization and Financial Ratios

Unaudited and in Thousands

Reconciliation of Earnings Before Interest, Taxes,	Three Months Ended				
Depreciation & Amortization (EBITDA) (1)	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17

Net Income (Loss) Available to Common Stockholders	$65,134	$86,298	$53,306	($4,139)	$57,837
Interest	78,810	76,985	73,989	71,621	57,582
(Gain) from early extinguishment of debt	—	—	—	(1,990)	—
Tax expense	2,121	3,374	545	2,494	2,639
Depreciation & amortization	298,788	294,789	287,973	199,914	178,111
Impairment of investments in real estate	—	—	—	28,992	—
EBITDA	$444,853	$461,446	$415,813	$296,892	$296,169
Severance, equity acceleration, and legal expenses	1,822	234	1,209	2,288	365
Transaction and integration expenses	5,606	4,178	15,681	42,809	14,235
(Gain) loss on real estate transactions	(14,192)	(39,273)	(30,746)	(9,751)	(380)
Equity in earnings adjustment for non-core items	—	—	—	—	(3,285)
Other non-core adjustments, net	(2,984)	431	2	3,051	24
Non-controlling interests	2,696	3,468	6,023	40	920
Preferred stock dividends, including undeclared dividends	20,329	20,329	20,329	16,575	14,505
Issuance costs associated with redeemed preferred stock	—	—	—	—	6,309
Adjusted EBITDA	$458,130	$450,813	$428,311	$351,904	$328,862

(1) For definitions and discussion of EBITDA and Adjusted EBITDA, see the definitions section.

Definitions

Funds From Operations (FFO) :

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

Core Funds from Operations (Core FFO) :

We present core funds from operations, or core FFO, as a supplemental operating measure because, in excluding certain items that do not reflect core revenue or expense streams, it provides a performance measure that, when compared year over year, captures trends in our core business operating performance. We calculate core FFO by adding to or subtracting from FFO (i) termination fees and other non-core revenues, (ii) transaction and integration expenses, (iii) gain from early extinguishment of debt, (iv) issuance costs associated with redeemed preferred stock, (v) equity in earnings adjustment for non-core items, (vi) severance, equity acceleration, and legal expenses, (vii) bridge facility fees and (viii) other non-core expense adjustments. Because certain of these adjustments have a real economic impact on our financial condition and results from operations, the utility of core FFO as a measure of our performance is limited. Other REITs may calculate core FFO differently than we do and accordingly, our core FFO may not be comparable to other REITs' core FFO. Core FFO should be considered only as a supplement to net income computed in accordance with GAAP as a measure of our performance.

Adjusted Funds from Operations (AFFO) :

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

EBITDA and Adjusted EBITDA :

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

Net Operating Income (NOI) and Cash NOI :

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

Additional Definitions

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

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

Fixed charge coverage ratio is Adjusted EBITDA divided by the sum of GAAP interest expense, capitalized interest, scheduled debt principal payments and preferred dividends. For the quarter ended June 30, 2018, GAAP interest expense was $79 million, capitalized interest was $8 million and scheduled debt principal payments and preferred dividends was $20 million.

	Three Months Ended			Six Months Ended	
Reconciliation of Net Operating Income (NOI) (in thousands)	30-Jun-18	31-Mar-18	30-Jun-17	30-Jun-18	30-Jun-17
Operating income	$144,062	$143,813	$130,657	$287,875	$267,940
Fee income	(2,343)	(1,133)	(1,429)	(3,476)	(3,324)
Other income	(527)	(858)	(341)	(1,385)	(376)
Depreciation and amortization	298,788	294,789	178,111	593,577	354,577
General and administrative	44,277	36,289	37,144	80,566	70,922
Severance, equity acceleration, and legal expenses	1,822	234	365	2,056	1,234
Transaction expenses	5,606	4,178	14,235	9,784	17,558

Other expenses	152	431	24	583	24
Net Operating Income	$491,837	$477,743	$358,766	$969,580	$708,555
Cash Net Operating Income (Cash NOI)					
Net Operating Income	$491,837	$477,743	$358,766	$969,580	$708,555
Straight-line rental revenue	(8,489)	(10,266)	(2,109)	(18,755)	(6,168)
Straight-line rental expense	2,692	2,599	4,316	5,291	8,573
Above- and below-market rent amortization	6,794	6,666	(1,946)	13,460	(3,919)
Cash Net Operating Income	$492,834	$476,742	$359,027	$969,576	$707,041

Forward-Looking Statements

This document contains forward-looking statements within the meaning of the federal securities laws, which are based on current expectations, forecasts and assumptions that involve risks and uncertainties that could cause actual outcomes and results to differ materially. Such forward-looking statements include statements relating to: our expected investment and expansion activity, supply and demand for data center and colocation space, our acquisition and disposition activity, pricing and net effective leasing economics, market dynamics and data center fundamentals, our strategic priorities, rent from leases that have been signed but have not yet commenced and other contracted rent to be received in future periods, rental rates on future leases, lag between signing and commencement, cap rates and yields, investment activity, the company's FFO, core FFO and net income 2018 outlook and underlying assumptions, information related to trends, our strategy and plans, leasing expectations, weighted average lease terms, the exercise of lease extensions, lease expirations, debt maturities, annualized rent at expiration of leases, the effect new leases and increases in rental rates will have on our rental revenue, our credit ratings, construction and development activity and plans, projected construction costs, estimated yields on investment, expected occupancy, expected square footage and IT load capacity upon completion of development projects, 2018 backlog NOI, NAV components, and other forward-looking financial data. Such statements are based on management's beliefs and assumptions made based on information currently available to management. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance and may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- reduced demand for data centers or decreases in information technology spending;
- decreased rental rates, increased operating costs or increased vacancy rates;
- increased competition or available supply of data center space;
- the suitability of our data centers and data center infrastructure, delays or disruptions in connectivity or availability of power, or failures or breaches of our physical and information security infrastructure or services;
- our dependence upon significant customers, bankruptcy or insolvency of a major customer or a significant number of smaller customers, or defaults on or non-renewal of leases by customers;
- breaches of our obligations or restrictions under our contracts with our customers;
- our inability to successfully develop and lease new properties and development space, and delays or unexpected costs in development of properties;
- the impact of current global and local economic, credit and market conditions;
- our inability to retain data center space that we lease or sublease from third parties;
- difficulty acquiring or operating properties in foreign jurisdictions;
- our failure to realize the intended benefits from, or disruptions to our plans and operations or unknown or contingent liabilities related to, our recent acquisitions;
- our failure to successfully integrate and operate acquired or developed properties or businesses;
- difficulties in identifying properties to acquire and completing acquisitions;
- risks related to joint venture investments, including as a result of our lack of control of such investments;
- 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;
- our failure to obtain necessary debt and equity financing, and our dependence on external sources of capital;
- financial market fluctuations and changes in foreign currency exchange rates;
- 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 and goodwill and other intangible asset impairment charges;
- our inability to manage our growth effectively;
- losses in excess of our insurance coverage;
- environmental liabilities and risks related to natural disasters;
- our inability to comply with rules and regulations applicable to our company;
- Digital Realty Trust, Inc.'s failure to maintain its status as a REIT for federal income tax purposes;
- Digital Realty Trust, L.P.'s failure to qualify as a partnership for federal income tax purposes;

- restrictions on our ability to engage in certain business activities; and
- changes in local, state, federal and international laws and regulations, including related to taxation, real estate and zoning laws, and increases in real property tax rates.

The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance. We discussed a number of additional material risks in our annual report on Form 10-K for the year ended December 31, 2017 and other filings with the Securities and Exchange Commission. Those risks continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise. Digital Realty, Digital Realty Trust, the Digital Realty logo, Turn-Key Flex and Powered Base Building are registered trademarks and service marks of Digital Realty Trust, Inc. in the United States and/or other countries.

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