



DIGITAL REALTY
Data Center Solutions

NEWS RELEASE

Digital Realty Reports Second Quarter 2016 Results

7/28/2016

SAN FRANCISCO, July 28, 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 second quarter of 2016. All per share results are presented on a fully-diluted share and unit basis.

Highlights

- Reported net income available to common stockholders per share of \$0.19 in 2Q16, compared to \$0.86 in 2Q15
- Reported FFO per share of \$1.36 in 2Q16, compared to \$1.26 in 2Q15
- Reported core FFO per share of \$1.42 in 2Q16, compared to \$1.30 in 2Q15
- Signed leases during 2Q16 expected to generate \$15 million of annualized GAAP rental revenue
- Raised 2016 core FFO per share outlook from \$5.55 - \$5.65 to \$5.65 - \$5.75 and "constant-currency" core FFO per share outlook from \$5.60 - \$5.75 to \$5.70 - \$5.90

Financial Results

Revenues were \$515 million for the second quarter of 2016, a 2% increase from the previous quarter and a 23% increase over the same quarter last year.

Net income for the second quarter of 2016 was \$51 million, and net income available to common stockholders was \$28 million, or \$0.19 per diluted share, compared to \$0.27 per diluted share in the first quarter of 2016 and \$0.86

per diluted share in the second quarter of 2015.

Adjusted EBITDA was \$297 million for the second quarter of 2016, a 1% increase from the previous quarter and a 20% increase over the same quarter last year.

Funds from operations ("FFO") on a fully diluted basis was \$204 million in the second quarter of 2016, or \$1.36 per share, compared to \$1.39 per share in the first quarter of 2016 and \$1.26 per share in the second quarter of 2015.

Excluding certain items that do not represent core expenses or revenue streams, second quarter of 2016 core FFO was \$1.42 per share, unchanged from \$1.42 per share in the first quarter of 2016, and a 9% increase from \$1.30 per share in the second quarter of 2015.

Leasing Activity

"In the second quarter, we signed new leases representing \$15 million of annualized GAAP rental revenue, including a \$6 million contribution from colocation," said Chief Executive Officer A. William Stein.

In addition to space and power, interconnection contributed \$8 million of annualized revenue bookings during the second quarter.

The weighted-average lag between leases signed during the second quarter of 2016 and the contractual commencement date was 1.5 months.

In addition to new leases signed, Digital Realty also signed renewal leases representing \$60 million of annualized GAAP rental revenue during the quarter. Rental rates on renewal leases signed during the second quarter of 2016 rolled up 3% on a cash basis and up 8% on a GAAP basis.

New leases signed during the second quarter of 2016 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	\$5,093	25,251	\$202	2	\$187
Powered Base Building	21	120	171	—	—

Colocation	5,982	26,163	229	2	260
Non-Technical	119	2,464	48	—	—
Total	\$11,215	53,998	\$208	4	\$220
Europe (1)					
Turn-Key Flex	—	—	—	—	—
Colocation	—	—	—	—	—
Non-Technical	—	—	—	—	—
Total	—	—	—	—	—
Asia Pacific (1)					
Turn-Key Flex	\$3,424	14,193	\$241	1	\$247
Colocation	—	—	—	—	—
Non-Technical	68	800	84	—	—
Total	\$3,492	14,993	\$233	1	\$247
Grand Total	\$14,707	68,991	\$213	5	\$226

Note: Totals may not foot due to rounding differences.

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

Investment Activity

Subsequent to the end of the quarter, Digital Realty closed on the sale of a four-property data center portfolio, including two in St. Louis and two in Northern Virginia totaling over 454,000 square feet for \$115 million, or \$252 per square foot. The properties were expected to generate cash net operating income of approximately \$9 million

in 2016. The sale is expected to generate net proceeds of \$113 million, and Digital Realty expects to recognize a gain on the sale of approximately \$27 million in the third quarter of 2016.

In early July, Digital Realty completed the acquisition of a portfolio of eight high-quality, carrier-neutral data centers in Europe from Equinix in a transaction valued at \$874 million, or a multiple of approximately 13 times the anticipated full-year 2016 portfolio EBITDA. Digital Realty also entered into an agreement to sell 114 rue Ambroise Croizat in Paris to Equinix for €190 million (or approximately \$210 million). The Paris property sale is subject to customary closing conditions, and is expected to close in the third quarter of 2016.

Balance Sheet

Digital Realty had approximately \$6.1 billion of total debt outstanding as of June 30, 2016, comprised of \$5.9 billion of unsecured debt and approximately \$0.2 billion of secured debt. At the end of the second quarter of 2016, net debt-to-adjusted EBITDA was 5.2x, debt-plus-preferred-to-total enterprise value was 31.5% and fixed charge coverage was 3.4x.

During the second quarter, Digital Realty executed an offering of 14,375,000 shares (including 1,875,000 shares from the exercise of the underwriters' over-allotment option in full) of common stock at a price of \$96.00 per share subject to forward sale agreements. The company expects to receive net proceeds of approximately \$1.3 billion (net of fees and estimated expenses) upon full physical settlement of the forward sale agreements, which is anticipated to be no later than May 19, 2017.

2016 Outlook

Digital Realty raised its 2016 core FFO per share outlook from \$5.55 - \$5.65 to \$5.65 - \$5.75. The assumptions underlying this guidance are summarized in the following table.

	Jan. 4, 2016	Feb. 25, 2016	Apr. 28, 2016	Jul. 28, 2016
Top-Line and Cost Structure				
2016 total revenue	\$2.0 - \$2.2 billion	\$2.0 - \$2.2 billion	\$2.0 - \$2.2 billion	\$2.0 - \$2.2 billion
2016 net non-cash rent adjustments (1)	\$10 - \$20 million	\$10 - \$20 million	\$10 - \$20 million	\$10 - \$20 million
2016 adjusted EBITDA margin	55.0% - 57.0%	55.0% - 57.0%	55.5% - 57.5%	56.0% - 58.0%

2016 G&A margin	7.0% - 7.5%	7.0% - 7.5%	6.5% - 7.0%	6.5% - 7.0%
-----------------	-------------	-------------	-------------	-------------

Internal Growth

Rental rates on renewal leases

Cash basis	N/A	Flat	Flat	Slightly positive
GAAP basis	N/A	Up high single-digits	Up high single-digits	Up high single-digits
Year-end portfolio occupancy	N/A	+/- 50 bps	+/- 50 bps	+/- 50 bps
"Same-capital" cash NOI growth (2)	N/A	0.0% - 3.0%	1.0% - 4.0%	2.5% - 4.0%

Foreign Exchange Rates

U.S. Dollar / Pound Sterling	N/A	\$1.40 - \$1.48	\$1.38 - \$1.45	\$1.27 - \$1.32
U.S. Dollar / Euro	N/A	\$1.02 - \$1.07	\$1.05 - \$1.10	\$1.05 - \$1.10

External Growth

Dispositions

Dollar volume	\$0 - \$200 million	\$38 - \$200 million	\$38 - \$200 million	\$150 - \$360 million
Cap rate	0.0% - 10.0%	0.0% - 10.0%	0.0% - 10.0%	7.0% - 8.0%

Development

CapEx	\$750 - \$900 million	\$750 - \$900 million	\$750 - \$900 million	\$750 - \$900 million
Average stabilized yields	10.5% - 12.5%	10.5% - 12.5%	10.5% - 12.5%	10.5% - 12.5%
Enhancements and other non-recurring CapEx (3)	\$20 - \$25 million	\$20 - \$25 million	\$20 - \$25 million	\$5 - \$10 million
Recurring CapEx + capitalized leasing costs (4)	\$145 - \$155 million	\$145 - \$155 million	\$145 - \$155 million	\$120 - \$130 million

Balance Sheet

Long-term debt issuance

Dollar amount	\$1.25 - \$1.75 billion	\$1.25 - \$1.75 billion	\$1.25 - \$1.75 billion	\$1.25 - \$1.75 billion
Pricing	3.00% - 5.00%	3.00% - 5.00%	2.50% - 3.50%	2.50% - 3.50%
Timing	Mid 2016	Mid 2016	Early-to-mid 2016	Early-to-mid 2016

Net income per diluted share	\$0.35 - \$0.45	\$0.35 - \$0.45	\$0.45 - \$0.50	\$1.95 - \$2.00
Real estate depreciation and (gain)/loss on sale	\$5.00 - \$5.00	\$5.00 - \$5.00	\$5.00 - \$5.00	\$3.55 - \$3.55
Funds From Operations / share (NAREIT-Defined)	\$5.35 - \$5.45	\$5.35 - \$5.45	\$5.45 - \$5.50	\$5.50 - \$5.55
Non-core expense and revenue streams	\$0.10 - \$0.15	\$0.10 - \$0.15	\$0.10 - \$0.15	\$0.15 - \$0.20
Core Funds From Operations / share	\$5.45 - \$5.60	\$5.45 - \$5.60	\$5.55 - \$5.65	\$5.65 - \$5.75
Foreign currency translation adjustments	\$0.05 - \$0.10	\$0.05 - \$0.10	\$0.05 - \$0.10	\$0.05 - \$0.15
Constant-Currency Core FFO / share	\$5.50 - \$5.70	\$5.50 - \$5.70	\$5.60 - \$5.75	\$5.70 - \$5.90

- (1) Net non-cash rent adjustments represents the sum of straight-line rental revenue, straight-line rent expense as well as the amortization of above- and below-market leases (i.e., FAS 141 adjustments).
- (2) The "same-capital" pool includes properties owned as of December 31, 2014 with less than 5% of the total rentable square feet under development. It also excludes properties that were undergoing, or were expected to undergo, development activities in 2015-2016, properties classified as held for sale, and properties sold or contributed to joint ventures for all periods presented.
- Note: In an effort to present 2016 same-capital results on a basis comparable to 2015, projected Net Operating Income (NOI) is shown prior to Telx-related eliminations at properties owned as of December 31, 2014 that meet the same-capital definition.
- (3) Other non-recurring CapEx represents costs incurred to enhance the capacity or marketability of operating properties, such as network fiber initiatives and software development costs.
- (4) Recurring CapEx represents non-incremental improvements required to maintain current revenues, including second-generation tenant improvements and leasing commissions. Capitalized leasing costs include capitalized leasing compensation as well as capitalized internal leasing commissions.

Non-GAAP Financial Measures

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

Investor Conference Call

Prior to Digital Realty's 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 second quarter 2016 financial results and operating performance. The conference call will feature Chief Executive Officer A. William Stein and Chief Financial Officer Andrew P. Power.

To participate in the live call, investors are invited to dial +1 (888) 317-6003 (for domestic callers) or +1 (412) 317-6061 (for international callers) and reference the conference ID# 9863420 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 August 28, 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# 10088313. 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 1,800 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.

Contact Information

Andrew P. Power
Chief Financial Officer
Digital Realty Trust, Inc.
+1 (415) 738-6500

John J. Stewart

Senior Vice President
Investor Relations
Digital Realty Trust, Inc.
+1 (415) 738-6500

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 and financial contributions of the European portfolio acquisition; the expected timing of the closing of the sale of our Paris property to Equinix; expected financial impact of sale of four-property data center property; the settlement of our forward sales agreements; market dynamics and data center fundamentals; our strategic priorities; rent from leases that have been signed but have not yet commenced and other contracted rent to be received in future periods; rental rates on future leases; lag between signing and commencement; cap rates and yields; investment activity; and the company's FFO, core FFO, constant-currency core FFO and net income outlook and underlying assumptions. These risks and uncertainties include, among others, the following: the impact of current global economic, credit and market conditions; current local economic conditions in the geographies in which we operate; decreases in information technology spending, including as a result of economic slowdowns or recession; adverse economic or real estate developments in our industry or the industry sectors that we sell to (including risks relating to decreasing real estate valuations and impairment charges); our dependence upon significant tenants; bankruptcy or insolvency of a major tenant or a significant number of smaller tenants; defaults on or non-renewal of leases by tenants; our failure to obtain necessary debt and equity financing; risks associated with using debt to fund our business activities, including re-financing and interest rate risks, our failure to repay debt when due, adverse changes in our credit ratings or our breach of covenants or other terms contained in our loan facilities and agreements; financial market fluctuations; changes in foreign currency exchange rates; our inability to manage our growth effectively; difficulty acquiring or operating properties in foreign jurisdictions; our failure to successfully integrate and operate acquired or developed properties or businesses; the suitability of our properties and data center infrastructure, delays or disruptions in connectivity, failure of our physical and information security infrastructure or services or availability of power; risks related to joint venture investments, including as a result of our lack of control of such investments; delays or unexpected costs in development of properties; decreased rental rates, increased operating costs or increased vacancy rates; increased competition or available supply of data center space; our inability to successfully develop and lease new properties and development space; difficulties in identifying properties to acquire and completing acquisitions; our inability to acquire off-market properties; our inability to comply with the rules and regulations applicable to reporting companies; our failure to maintain our status as a REIT; possible adverse changes to tax laws; restrictions on our ability to engage in certain business

activities; environmental uncertainties and risks related to natural disasters; losses in excess of our insurance coverage; changes in foreign laws and regulations, including those related to taxation and real estate ownership and operation; and changes in local, state and federal regulatory requirements, including changes in real estate and zoning laws and increases in real property tax rates. For a further list and description of such risks and uncertainties, see the reports and other filings by the company with the U.S. Securities and Exchange Commission, including the company's Annual Report on Form 10-K for the year ended December 31, 2015, as amended and Quarterly Report on Form 10-Q for the quarter ended March 31, 2016. The company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

	Three Months Ended				Six Months Ended		
	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15	30-Jun-16	30-Jun-15
Rental revenues	\$377,109	\$371,128	\$365,827	\$336,679	\$329,213	\$748,237	\$647,016
Tenant reimbursements - Utilities	62,363	58,955	60,800	70,148	62,305	121,318	122,069
Tenant reimbursements - Other	25,848	25,263	30,190	25,336	25,267	51,111	51,332
Interconnection & other	48,363	46,963	41,746	1,651	1,463	95,326	2,826
Fee income	1,251	1,799	1,880	1,595	1,549	3,050	3,163
Other	—	91	—	580	498	91	498
Total Operating Revenues	\$514,934	\$504,199	\$500,443	\$435,989	\$420,295	\$1,019,133	\$826,904
Utilities	\$74,396	\$69,917	\$70,758	\$73,887	\$64,669	\$144,313	\$127,639
Rental property operating	54,731	54,109	52,563	35,254	34,954	108,840	70,685
Repairs & maintenance	30,421	30,143	32,063	31,301	29,895	60,564	55,778
Property taxes	27,449	27,331	28,472	19,953	20,900	54,780	44,163
Insurance	2,241	2,412	2,360	2,140	2,154	4,653	4,309

Change in fair value of contingent consideration	—	—	—	(1,594)	352	—	(42,682)
Depreciation & amortization	175,594	169,016	172,956	136,974	131,524	344,610	260,597
General & administrative	32,681	29,808	29,862	26,431	24,312	62,489	44,110
Severance-related expense, equity acceleration, and legal expenses	1,508	1,448	6,125	(3,676)	1,301	2,956	2,697
Transaction expenses	3,615	1,900	3,099	11,042	3,166	5,515	3,259
Other expenses	—	(1)	60,914	51	(6)	(1)	(22)
Total Operating Expenses	\$402,636	\$386,083	\$459,172	\$331,763	\$313,221	\$788,719	\$570,533
Operating Income (Loss)	\$112,298	\$118,116	\$41,271	\$104,226	\$107,074	\$230,414	\$256,371
Equity in earnings of unconsolidated joint ventures	\$4,132	\$4,078	\$3,321	\$4,169	\$3,383	\$8,210	\$8,001
Gain (loss) on sale of property	—	1,097	322	(207)	76,669	1,097	94,489
Interest and other income	(3,325)	(624)	498	(358)	(231)	(3,949)	(2,521)
Interest (expense)	(59,909)	(57,261)	(61,717)	(48,138)	(46,114)	(117,170)	(91,580)
Tax (expense)	(2,252)	(2,109)	(268)	(1,850)	(2,636)	(4,361)	(4,290)
Loss from early extinguishment of debt	—	(964)	—	—	(148)	(964)	(148)
Net Income (Loss)	\$50,944	\$62,333	(\$16,573)	\$57,842	\$137,997	\$113,277	\$260,322
Net (income) loss attributable to noncontrolling interests	(569)	(784)	590	(864)	(2,486)	(1,353)	(4,628)
Net Income (Loss) Attributable to Digital Realty Trust, Inc.	\$50,375	\$61,549	(\$15,983)	\$56,978	\$135,511	\$111,924	\$255,694
Preferred stock dividends	(22,424)	(22,424)	(24,056)	(18,456)	(18,456)	(44,848)	(36,911)
Net Income (Loss) Available to Common Stockholders	\$27,951	\$39,125	(\$40,039)	\$38,522	\$117,055	\$67,076	\$218,783

Weighted-average shares outstanding - basic	146,824,268	146,565,564	145,561,559	135,832,503	135,810,060	146,694,916	135,757,584
Weighted-average shares outstanding - diluted	147,808,268	147,433,194	145,561,559	138,259,936	136,499,004	147,416,934	136,260,995
Weighted-average fully diluted shares and units	150,210,714	149,915,428	149,100,083	139,192,198	139,256,470	149,859,276	138,991,115
Net income (loss) per share - basic	\$0.19	\$0.27	(\$0.28)	\$0.28	\$0.86	\$0.46	\$1.61
Net income (loss) per share - diluted	\$0.19	\$0.27	(\$0.28)	\$0.28	\$0.86	\$0.46	\$1.61

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-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15	30-Jun-16	30-Jun-15
Net Income (Loss) Available to Common Stockholders	\$27,951	\$39,125	(\$40,039)	\$38,522	\$117,055	\$67,076	\$218,783
Adjustments:							
Noncontrolling interests in operating partnership	457	663	(708)	747	2,377	1,120	4,403
Real estate related depreciation & amortization (1)	167,043	166,912	170,095	135,613	130,198	333,955	258,021
Impairment charge Telx trade name	6,122	—	—	—	—	6,122	—
Unconsolidated JV real estate related depreciation & amortization	2,810	2,803	2,867	2,761	3,187	5,613	5,791
(Gain) loss on sale of property	—	(1,097)	(322)	207	(76,669)	(1,097)	(94,489)
(Gain) on settlement of pre-existing relationship with Telx (2)	—	—	(14,355)	—	—	—	—

Funds From Operations	\$204,383	\$208,406	\$117,538	\$177,850	\$176,148	\$412,789	\$392,509
Funds From Operations - diluted	\$204,383	\$208,406	\$117,538	\$177,850	\$176,148	\$412,789	\$392,509
Weighted-average shares and units outstanding - basic	149,227	149,048	148,388	138,468	138,568	149,137	138,488
Weighted-average shares and units outstanding - diluted (3)	150,211	149,915	149,100	139,192	139,257	149,859	138,991
Funds From Operations per share - basic	\$1.37	\$1.40	\$0.79	\$1.28	\$1.27	\$2.77	\$2.83
Funds From Operations per share - diluted (3)	\$1.36	\$1.39	\$0.79	\$1.28	\$1.26	\$2.75	\$2.82

Reconciliation of FFO to Core FFO	Three Months Ended				Six Months Ended		
	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15	30-Jun-16	30-Jun-15
Funds From Operations - diluted	\$204,383	\$208,406	\$117,538	\$177,850	\$176,148	\$412,789	\$392,509
Termination fees and other non-core revenues (4)	—	(91)	—	(580)	(313)	(91)	1,260
Transaction expenses	3,615	1,900	3,099	11,042	3,166	5,515	3,259
Loss from early extinguishment of debt	—	964	—	—	148	964	148
Change in fair value of contingent consideration (5)	—	—	—	(1,594)	352	—	(42,682)
Severance related expense, equity acceleration, and legal expenses (6)	1,508	1,448	6,125	(3,676)	1,301	2,956	2,697
Bridge facility fees (7)	—	—	3,903	—	—	—	—
Loss on currency forwards	3,082	—	—	—	—	3,082	—
Other non-core expense adjustments (8)	—	(1)	75,269	51	(29)	(1)	(59)
Core Funds From Operations - diluted	\$212,587	\$212,626	\$205,934	\$183,093	\$180,773	\$425,214	\$357,132
Weighted-average shares and units outstanding - diluted (3)	150,211	149,915	149,100	139,192	139,257	149,859	138,991

Core Funds From Operations per share - diluted (3)	\$1.42	\$1.42	\$1.38	\$1.32	\$1.30	\$2.84	\$2.57
--	--------	--------	--------	--------	--------	--------	--------

(1) Real Estate Related Depreciation & Amortization:

	Three Months Ended				Six Months Ended		
	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15	30-Jun-16	30-Jun-15
Depreciation & amortization per income statement	\$175,594	\$169,016	\$172,956	\$136,974	\$131,524	\$344,610	\$260,597
Non-real estate depreciation	(2,429)	(2,104)	(2,861)	(1,361)	(1,326)	(4,533)	(2,576)
Impairment charge Telx trade name	(6,122)	—	—	—	—	(6,122)	—
Real Estate Related Depreciation & Amortization	\$167,043	\$166,912	\$170,095	\$135,613	\$130,198	\$333,955	\$258,021

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

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

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

(5) Relates to earn-out contingencies in connection with the Sentrum and Singapore (29A International Business Park) acquisitions. The Sentrum earn-out contingency expired in July 2015 and the Singapore earn-out contingency will expire in November 2020 and will be reassessed on a quarterly basis. During the first quarter of 2015, we reduced the fair value of the earnout related to Sentrum by approximately \$44.8 million. The adjustment was the result of an evaluation by management that no additional leases would be executed for vacant space by the contingency expiration date.

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

(7) Bridge facility fees included in interest expense.

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

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

Reconciliation of Core FFO to AFFO	Three Months Ended				Six Months Ended		
	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15	30-Jun-16	30-Jun-15
Core FFO available to common stockholders and unitholders	\$212,587	\$212,626	\$205,934	\$183,093	\$180,773	\$425,214	\$357,132
Adjustments:							
Non-real estate depreciation	2,429	2,104	2,861	1,361	1,326	4,533	2,576
Amortization of deferred financing costs	2,643	2,260	2,121	2,076	2,069	4,903	4,285
Amortization of debt discount/premium	689	647	611	557	546	1,336	1,128
Non-cash stock-based compensation expense	4,630	3,420	604	3,831	4,518	8,050	7,313
Straight-line rent revenue	(5,554)	(7,456)	(9,530)	(13,579)	(14,499)	(13,010)	(27,868)
Straight-line rent expense	5,933	5,655	5,698	80	92	11,588	167
Above- and below-market rent amortization	(1,997)	(2,266)	(2,479)	(2,174)	(2,359)	(4,263)	(4,683)
Deferred non-cash tax expense	669	637	(757)	680	1,066	1,306	1,623
Capitalized leasing compensation (1)	(2,455)	(2,695)	(2,563)	(2,581)	(2,044)	(5,150)	(5,072)
Recurring capital expenditures (2)	(17,914)	(21,064)	(35,386)	(14,716)	(23,708)	(38,978)	(41,774)
Capitalized internal leasing commissions	(1,677)	(2,024)	(1,460)	(907)	(888)	(3,701)	(1,714)
AFFO available to common stockholders and unitholders (3)	\$199,984	\$191,844	\$165,654	\$157,721	\$146,892	\$391,828	\$293,113

Three Months Ended

Six Months Ended

Share Count Detail	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15	30-Jun-16	30-Jun-15
Weighted Average Common Stock and Units Outstanding	149,227	149,048	148,388	138,468	138,568	149,137	138,488
Add: Effect of dilutive securities	984	867	712	724	689	722	503
Weighted Avg. Common Stock and Units Outstanding - diluted	150,211	149,915	149,100	139,192	139,257	149,859	138,991

(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 our supplemental operating and financial data package.

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

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

	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15
Assets					
Investments in real estate:					
Real estate	\$10,223,946	\$10,226,549	\$10,066,936	\$9,473,253	\$9,353,820
Construction in progress	594,986	720,363	664,992	570,598	646,012
Land held for future development	161,714	156,000	183,445	133,343	141,294
Investments in Real Estate	\$10,980,646	\$11,102,912	\$10,915,373	\$10,177,194	\$10,141,126

Accumulated depreciation & amortization	(2,441,150)	(2,380,400)	(2,251,268)	(2,137,631)	(2,033,289)
Net Investments in Properties	\$8,539,496	\$8,722,512	\$8,664,105	\$8,039,563	\$8,107,837
Investment in unconsolidated joint ventures	105,673	106,008	106,107	103,703	103,410
Net Investments in Real Estate	\$8,645,169	\$8,828,520	\$8,770,212	\$8,143,266	\$8,211,247
Cash and cash equivalents	\$33,241	\$31,134	\$57,053	\$22,998	\$49,989
Accounts and other receivables (1)	165,867	180,456	177,398	157,994	126,734
Deferred rent	408,193	412,579	403,327	475,796	467,262
Acquired in-place lease value, deferred leasing costs and other real estate intangibles, net	1,331,275	1,368,340	1,391,659	405,824	424,229
Acquired above-market leases, net	26,785	30,107	32,698	30,617	33,936
Goodwill	330,664	330,664	330,664	—	—
Restricted cash	18,297	19,599	18,009	12,500	18,557
Assets associated with real estate held for sale	222,304	145,087	180,139	173,461	171,990
Other assets	110,580	75,489	54,904	49,384	51,862
Total Assets	\$11,292,375	\$11,421,975	\$11,416,063	\$9,471,840	\$9,555,806

Liabilities and Equity

Global unsecured revolving credit facility	\$88,535	\$677,868	\$960,271	\$682,648	\$770,481
Unsecured term loan	1,545,590	1,566,185	923,267	937,198	959,982
Unsecured senior notes, net of discount	4,252,570	3,662,753	3,712,569	2,794,783	2,834,070
Mortgage loans, net of premiums	248,711	249,923	302,930	304,777	374,090
Accounts payable and other accrued liabilities	598,610	570,653	608,343	513,555	516,232
Accrued dividends and distributions	—	—	126,925	—	—
Acquired below-market leases	90,823	96,475	101,114	88,632	94,312
Security deposits and prepaid rent	128,802	147,934	138,347	107,704	109,005
Liabilities associated with assets held for sale	13,092	4,974	5,795	6,892	7,441
Total Liabilities	\$6,966,733	\$6,976,765	\$6,879,561	\$5,436,189	\$5,665,613

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)	242,012	242,014	242,014	241,683	—
Common Stock: \$0.01 par value per share, 215,000,000 shares authorized (7)	1,460	1,459	1,456	1,351	1,351
Additional paid-in capital	4,669,149	4,659,484	4,655,220	3,977,945	3,974,398
Dividends in excess of earnings	(1,541,265)	(1,440,028)	(1,350,089)	(1,185,633)	(1,108,701)
Accumulated other comprehensive (loss) income, net	(129,657)	(104,252)	(96,590)	(87,988)	(67,324)
Total Stockholders' Equity	\$4,289,820	\$4,406,798	\$4,500,132	\$3,995,479	\$3,847,845
Noncontrolling Interests					
Noncontrolling interest in operating partnership	\$29,095	\$31,648	\$29,612	\$33,411	\$35,577
Noncontrolling interest in consolidated joint ventures	6,727	6,764	6,758	6,761	6,771
Total Noncontrolling Interests	\$35,822	\$38,412	\$36,370	\$40,172	\$42,348
Total Equity	\$4,325,642	\$4,445,210	\$4,536,502	\$4,035,651	\$3,890,193
Total Liabilities and Equity	\$11,292,375	\$11,421,975	\$11,416,063	\$9,471,840	\$9,555,806

(1) Net of allowance for doubtful accounts of \$5,872 and \$5,844 as of June 30, 2016 and December 31, 2015, 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 June 30, 2016 and December 31, 2015, respectively.

(3) Series F Cumulative Redeemable Preferred Stock, 6.625%, \$182,500 and \$182,500 liquidation preference, respectively (\$25.00 per share),

7,300,000 and 7,300,000 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively.

- (4) Series G Cumulative Redeemable Preferred Stock, 5.875%, \$250,000 and \$250,000 liquidation preference, respectively (\$25.00 per share), 10,000,000 and 10,000,000 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively.
- (5) Series H Cumulative Redeemable Preferred Stock, 7.375%, \$365,000 and \$365,000 liquidation preference, respectively (\$25.00 per share), 14,600,000 and 14,600,000 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively.
- (6) Series I Cumulative Redeemable Preferred Stock, 6.350%, \$250,000 and \$250,000 liquidation preference, respectively (\$25.00 per share), 10,000,000 and 10,000,000 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively.
- (7) Common Stock: 146,859,067 and 146,384,247 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively.

Three Months Ended

Reconciliation of Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) (1)	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15
Net Income (Loss) Available to Common Stockholders	\$27,951	\$39,125	(\$40,039)	\$38,522	\$117,055
Interest	59,909	57,261	61,717	48,138	46,114
Loss from early extinguishment of debt	—	964	—	—	148
Tax expense	2,252	2,109	268	1,850	2,636
Depreciation & amortization	175,594	169,016	172,956	136,974	131,524
EBITDA	\$265,706	\$268,475	\$194,902	\$225,484	\$297,477
Change in fair value of contingent consideration	—	—	—	(1,594)	352
Severance-related expense, equity acceleration, and legal expenses	1,508	1,448	6,125	(3,676)	1,301
Transaction expenses	3,615	1,900	3,099	11,042	3,166
(Gain) loss on sale of property	—	(1,097)	(322)	207	(76,669)
(Gain) on settlement of pre-existing relationship with Telx	—	—	(14,355)	—	—
Loss on currency forwards	3,082	—	—	—	—
Other non-core expense adjustments	—	(1)	75,269	51	(29)
Noncontrolling interests	569	784	(590)	864	2,486
Preferred stock dividends	22,424	22,424	24,056	18,456	18,456

Adjusted EBITDA	\$296,904	\$293,933	\$288,184	\$250,834	\$246,540
-----------------	-----------	-----------	-----------	-----------	-----------

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

Definitions

Funds from Operations (FFO):

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

Core Funds from Operations:

We present core funds from operations, or core FFO, as a supplemental operating measure because, in excluding

certain items that do not reflect core revenue or expense streams, it provides a performance measure that, when compared year over year, captures trends in our core business operating performance. We calculate core FFO by adding to or subtracting from FFO (i) termination fees and other non-core revenues, (ii) transaction expenses, (iii) loss from early extinguishment of debt, (iv) change in fair value of contingent consideration, (v) severance-related expense, equity acceleration, and legal expenses, (vi) bridge facility fees, (vii) loss on currency forwards 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 not calculate core FFO in a consistent manner. Accordingly, our core FFO may not be comparable to other REITs' core FFO. Core FFO should be considered only as a supplement to net income computed in accordance with GAAP as a measure of our performance.

Constant-Currency Core Funds from Operations:

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

Adjusted Funds from Operations (AFFO):

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

EBITDA and Adjusted EBITDA:

We believe that earnings before interest, loss from early extinguishment of debt, income taxes and depreciation and amortization, or EBITDA, and Adjusted EBITDA (as defined below), are useful supplemental performance measures because they allow investors to view our performance without the impact of non-cash depreciation and amortization or the cost of debt and, with respect to Adjusted EBITDA, change in fair value of contingent

consideration, severance related expense, equity acceleration, and legal expenses, transaction expenses, gain (loss) on sale of property, gain on settlement of pre-existing relationship with Telx, loss on currency forwards, other non-core expense adjustments, noncontrolling interests, and preferred stock dividends. Adjusted EBITDA is EBITDA excluding change in fair value of contingent consideration, severance related expense, equity acceleration, and legal expenses, transaction expenses, gain (loss) on sale of property, gain on settlement of pre-existing relationship with Telx, loss on currency forwards, other non-core expense adjustments, noncontrolling interests, 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, tenant reimbursement revenue and interconnection revenue less utilities expense, rental property operating expenses, repair and maintenance expenses, property taxes and insurance expenses (as reflected in the statement of operations). NOI is commonly used by stockholders, company management and industry analysts as a measurement of operating performance of the company's rental portfolio. Cash NOI is NOI less straight-line rents and above and below market rent amortization. Cash NOI is commonly used by stockholders, company management and industry analysts as a measure of property operating performance on a cash basis. However, because NOI and cash NOI exclude depreciation and amortization and capture neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and capitalized leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations, the utility of NOI and cash NOI as measures of our performance is limited. Other REITs may not calculate NOI and cash NOI in the same manner we do and, accordingly, our NOI and cash NOI may not be comparable to such other REITs' NOI and cash NOI. Accordingly, NOI and cash NOI should be considered only as supplements to net income computed in accordance with GAAP as measures of our performance.

Additional Definitions

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

Adjusted EBITDA (inclusive of our share of JV EBITDA) multiplied by four.

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

Fixed charge coverage ratio is Adjusted EBITDA divided by the sum of GAAP interest expense, capitalized interest, scheduled debt principal payments and preferred dividends. For the quarter ended June 30, 2016, GAAP interest expense was \$60 million, capitalized interest was \$4 million and scheduled debt principal payments and preferred dividends was \$22 million.

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/digital-realty-reports-second-quarter-2016-results-300305923.html>

SOURCE Digital Realty Trust, Inc.