



NEWS RELEASE

Digital Realty Reports First Quarter 2018 Results

4/26/2018

SAN FRANCISCO, April 26, 2018 /PRNewswire/ -- **Digital Realty** (NYSE: DLR), a leading global provider of data center, colocation and interconnection solutions, announced today financial results for the first 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 \$0.42 per share in 1Q18, compared to \$0.41 in 1Q17
- Reported FFO per share of \$1.61 in 1Q18, compared to \$1.50 in 1Q17
- Reported core FFO per share of \$1.63 in 1Q18, compared to \$1.52 in 1Q17
- Signed total bookings during 1Q18 expected to generate \$61 million of annualized GAAP rental revenue, including a \$7 million contribution from interconnection
- Raised 2018 core FFO per share outlook from \$6.45 - \$6.60 to \$6.50 - \$6.60

Financial Results

Digital Realty reported revenues for the first quarter of 2018 of \$744 million, a 2% increase from the previous quarter and a 35% increase from the same quarter last year.

The company delivered first quarter 2018 net income of \$110 million, and net income available to common stockholders of \$86 million, or \$0.42 per diluted share, compared to \$0.26 per diluted share in the previous quarter and \$0.41 per diluted share in the same quarter last year.

Digital Realty generated first quarter 2018 adjusted EBITDA of \$451 million, a 5% increase from the previous quarter and a 39% increase over the same quarter last year.

The company reported first quarter 2018 funds from operations of \$346 million, or \$1.61 per share, compared to

\$1.48 per share in the previous quarter and \$1.50 per share in the same quarter last year.

Excluding certain items that do not represent core expenses or revenue streams, Digital Realty delivered first quarter of 2018 core FFO of \$1.63 per share, a 5% increase from \$1.55 per share in the previous quarter, and a 7% increase from \$1.52 per share in the same quarter last year.

Leasing Activity

"In the first quarter, we signed total bookings expected to generate \$61 million of annualized GAAP rental revenue, including a \$7 million contribution from interconnection," said Chief Executive Officer A. William Stein. "As we look toward the remainder of 2018, we are confident in our ability to deliver sustainable growth for stakeholders, driven by broad-based demand across regions, verticals and product lines, along with growing local origination in key growth metros around the world."

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

In addition to new leases signed, Digital Realty also signed renewal leases representing \$57 million of annualized GAAP rental revenue during the quarter. Rental rates on renewal leases signed during the first quarter of 2018 rolled up 3.9% on a cash basis and up 9.7% on a GAAP basis.

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

	Annualized GAAP		GAAP Base Rent per Square Foot	Megawatts	GAAP Base Rent per Kilowatt
	Base Rent (in thousands)	Square Feet			
North America					
Turn-Key Flex	\$31,832	195,399	\$163	25	\$107
Powered Base Building	4,822	198,569	24	—	—
Colocation	5,491	20,468	268	1	335
Non-Technical	81	2,400	34	—	—
Total	\$42,226	416,836	\$101	26	\$119

Europe (1)

Turn-Key Flex	\$23	—	—	—	\$381
Colocation	783	901	\$870	—	484
Non-Technical	5	158	31	—	—
Total	\$811	1,059	\$766	—	\$480
Asia Pacific (1)					
Turn-Key Flex	\$10,554	54,265	\$194	7	\$125
Non-Technical	60	1,424	42	—	—
Total	\$10,614	55,689	\$191	7	\$125
Interconnection	\$7,099	N/A	N/A	N/A	N/A
Grand Total	<u>\$60,750</u>	<u>473,584</u>	<u>\$113</u>	<u>33</u>	<u>\$122</u>

Note: Totals may not foot due to rounding differences.

(1) Based on quarterly average exchange rates during the three months ended March 31, 2018.

Partnerships

In April 2018, Digital Realty launched support for Google Cloud's Partner Interconnect, a new service from Google Cloud that allows customers to connect to Google Cloud Platform from anywhere. Partner Interconnect provides customers with the ability to extend private, on-premise networks from Digital Realty data centers to the Google Cloud Platform, reaching a broad set of public and private cloud-based service offerings. The new offering will enable Digital Realty's Service Exchange customers to reach Google Cloud Platform services in Frankfurt, London, Hong Kong, Singapore, Sydney, Toronto, Los Angeles, New York and Washington, D.C. We expect that additional markets will be brought online later this year.

Investment Activity

During the first quarter of 2018, Digital Realty closed on the sale of 34551 Ardenwood Boulevard, a 323,000 square

foot technology manufacturing property in Fremont, CA for \$73 million. The property was 86% leased and was expected to generate cash net operating income of approximately \$5 million in 2018, representing an exit cap rate of 7%. The sale generated net proceeds of \$72 million, and Digital Realty recognized a gain on the sale of approximately \$25 million in the first quarter of 2018.

Digital Realty also closed on the sale of 200 Quannapowitt Parkway, a substantially vacant 211,000 square foot data center redevelopment project in Wakefield, MA for \$15 million. The sale generated net proceeds of \$15 million, and Digital Realty recognized a loss on the sale of approximately \$0.4 million in the first quarter of 2018.

Likewise during the first quarter of 2018, Digital Realty closed on the sale of 3065 Gold Camp Drive and 11085 Sun Center Drive, two data centers totaling 109,000 square feet in Rancho Cordova, CA for \$51 million. The properties were 100% leased and were expected to generate cash net operating income of approximately \$4 million in 2018, representing an exit cap rate of 8.6%. The sale generated net proceeds of \$50 million, and Digital Realty recognized a gain on the sale of approximately \$14 million in the first quarter of 2018.

Subsequent to the end of the quarter, Digital Realty closed on the sale of a portfolio of three mixed-use properties in Austin, TX totaling over 378,000 square feet 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 participated in Megaport's March 2018 follow-on offering, investing an additional \$5 million and bringing its total stake in Megaport to 7.6%.

Balance Sheet

Digital Realty had approximately \$9.1 billion of total debt outstanding as of March 31, 2018, comprised of \$9.0 billion of unsecured debt and approximately \$0.1 billion of secured debt. At the end of the first quarter of 2018, net debt-to-adjusted EBITDA was 5.3x, debt-plus-preferred-to-total enterprise value was 31.5% and fixed charge coverage was 4.3x.

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 April 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 first 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# 4448213 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 May 26, 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# 10117784. 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.

Contact Information

Andrew P. Power
Chief Financial Officer
Digital Realty
(415) 738-6500

John J. Stewart / Maria S. Lukens
Investor Relations

Digital Realty
(415) 738-6500

2018 Outlook

Digital Realty raised its 2018 core FFO per share outlook from \$6.45 - \$6.60 to \$6.50 - \$6.60. The assumptions underlying this guidance are summarized in the following table.

	As of	As of	As of
Top-Line and Cost Structure	January 8, 2018	February 15, 2018	April 26, 2018
2018 total revenue	\$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)
2018 Adjusted EBITDA margin	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%

Internal Growth

Rental rates on renewal leases

Cash basis	Slightly negative	Slightly negative	Slightly negative
GAAP basis	Up mid-single-digits	Up mid-single-digits	Up mid-single-digits
Year-end portfolio occupancy	+/- 50 bps	+/- 50 bps	+/- 50 bps
"Same-capital" cash NOI growth (2)	0% - 3.0%	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
U.S. Dollar / Euro	\$1.10 - \$1.20	\$1.10 - \$1.20	\$1.18 - \$1.22

External Growth

Dispositions

Dollar volume	\$0 - \$200 million	\$88 - \$200 million	\$187 - \$300 million
Cap rate	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
Average stabilized yields	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
Recurring CapEx + capitalized leasing costs (4)	\$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
Pricing	3.25% - 4.25%	3.25% - 4.25%	3.25% - 4.25%
Timing	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
Real estate depreciation and (gain)/loss on sale	\$4.90 - \$4.95	\$4.90 - \$4.95	\$4.90 - \$4.95
Funds From Operations / share (NAREIT-Defined)	\$6.40 - \$6.50	\$6.40 - \$6.50	\$6.45 - \$6.50
Non-core expenses and revenue streams	\$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

- (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.

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 expansion of our Google Cloud Partner Interconnect offering; supply and demand for data center and colocation space; our investment in Megaport; impairment losses; our global platform; acquisition and disposition activity, including transactions which are under agreement but subject to closing conditions; 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; expected capital markets activity; and the company's FFO, core FFO and net income outlook and underlying assumptions. These risks and uncertainties 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; our failure to maintain our status as a REIT for federal income tax purposes; our operating partnership'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. 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, 2017. 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

	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17
Rental revenues	\$530,925	\$517,356	\$440,591	\$412,576	\$404,126
Tenant reimbursements - Utilities	98,576	97,657	78,134	68,407	63,398
Tenant reimbursements - Other	51,503	54,324	29,479	24,935	23,890
Interconnection & other	61,373	60,275	59,851	58,301	57,225
Fee income	1,133	1,386	1,662	1,429	1,895
Other	858	447	208	341	35
Total Operating Revenues	\$744,368	\$731,445	\$609,925	\$565,989	\$550,569
Utilities	\$112,230	\$112,055	\$95,619	\$82,739	\$77,198
Rental property operating	113,410	113,445	94,442	91,977	92,141
Property taxes	35,263	36,348	32,586	28,161	26,919
Insurance	3,731	3,223	2,590	2,576	2,592
Depreciation & amortization	294,789	287,973	199,914	178,111	176,466
General & administrative	36,289	44,311	41,477	37,144	33,778
Severance, equity acceleration, and legal expenses	234	1,209	2,288	365	869
Transaction and integration expenses	4,178	15,681	42,809	14,235	3,323
Impairment of investments in real estate	—	—	28,992	—	—
Other expenses	431	2	3,051	24	—
Total Operating Expenses	\$600,555	\$614,247	\$543,768	\$435,332	\$413,286
Operating Income	\$143,813	\$117,198	\$66,157	\$130,657	\$137,283

Equity in earnings of unconsolidated joint ventures	\$7,410	\$5,924	\$5,880	\$8,388	\$5,324
Gain (loss) on real estate transactions	39,273	30,746	9,751	380	(522)
Interest and other income	(42)	324	2,813	367	151
Interest (expense)	(76,985)	(73,989)	(71,621)	(57,582)	(55,450)
Tax (expense)	(3,374)	(545)	(2,494)	(2,639)	(2,223)
Gain from early extinguishment of debt	—	—	1,990	—	—
Net Income	\$110,095	\$79,658	\$12,476	\$79,571	\$84,563
Net (income) attributable to non-controlling interests	(3,468)	(6,023)	(40)	(920)	(1,025)
Net Income Attributable to Digital Realty Trust, Inc.	\$106,627	\$73,635	\$12,436	\$78,651	\$83,538
Preferred stock dividends, including undeclared dividends	(20,329)	(20,329)	(16,575)	(14,505)	(17,393)
Issuance costs associated with redeemed preferred stock	—	—	—	(6,309)	—
Net Income (Loss) Available to Common Stockholders	\$86,298	\$53,306	(\$4,139)	\$57,837	\$66,145
Weighted-average shares outstanding - basic	205,714,173	205,448,689	170,194,254	160,832,889	159,297,027
Weighted-average shares outstanding - diluted	206,507,476	206,185,084	170,194,254	161,781,868	160,421,655
Weighted-average fully diluted shares and units	214,802,763	214,424,363	174,169,511	164,026,578	162,599,529
Net income (loss) per share - basic	\$0.42	\$0.26	(\$0.02)	\$0.36	\$0.42
Net income (loss) per share - diluted	\$0.42	\$0.26	(\$0.02)	\$0.36	\$0.41

Funds From Operations and Core Funds From Operations

Unaudited and in thousands, except per share data

Three Months Ended

Reconciliation of Net Income to Funds From Operations (FFO)	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17
Net (Loss) Income Available to Common Stockholders	\$86,298	\$53,306	(\$4,139)	\$57,837	\$66,145
Adjustments:					
Non-controlling interests in operating partnership	3,480	2,138	(79)	807	904
Real estate related depreciation & amortization (1)	291,686	284,924	196,871	175,010	173,447
Unconsolidated JV real estate related depreciation & amortization	3,476	3,323	2,732	2,754	2,757
(Gain) loss on real estate transactions	(39,273)	(30,746)	(9,751)	(380)	522
Non-controlling interests share of gain on sale of property	—	3,900	—	—	—
Impairment of investments in real estate	—	—	28,992	—	—
Funds From Operations	\$345,667	\$316,845	\$214,626	\$236,028	\$243,775
Funds From Operations - diluted	\$345,667	\$316,845	\$214,626	\$236,028	\$243,775
Weighted-average shares and units outstanding - basic	214,009	213,688	173,461	163,078	161,475
Weighted-average shares and units outstanding - diluted (2)	214,803	214,424	174,170	164,027	162,600
Funds From Operations per share - basic	\$1.62	\$1.48	\$1.24	\$1.45	\$1.51
Funds From Operations per share - diluted (2)	\$1.61	\$1.48	\$1.23	\$1.44	\$1.50

Three Months Ended

Reconciliation of FFO to Core FFO	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17
Funds From Operations - diluted	\$345,667	\$316,845	\$214,626	\$236,028	\$243,775
Adjustments:					
Termination fees and other non-core revenues (3)	(858)	(447)	(208)	(341)	(35)
Transaction and integration expenses	4,178	15,681	42,809	14,235	3,323
Gain from early extinguishment of debt	—	—	(1,990)	—	—
Issuance costs associated with redeemed preferred stock	—	—	—	6,309	—
Equity in earnings adjustment for non-core items	—	—	—	(3,285)	—

Severance, equity acceleration, and legal expenses (4)	234	1,209	2,288	365	869
Bridge facility fees (5)	—	—	3,182	—	—
Other non-core expense adjustments	431	2	3,051	24	—
Core Funds From Operations - diluted	\$349,652	\$333,290	\$263,758	\$253,335	\$247,932
Weighted-average shares and units outstanding - diluted (2)	214,803	214,424	174,170	164,027	162,600
Core Funds From Operations per share - diluted (2)	\$1.63	\$1.55	\$1.51	\$1.54	\$1.52

(1) Real Estate Related Depreciation & Amortization:

Three Months Ended

	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17
Depreciation & amortization per income statement	\$294,789	\$287,973	\$199,914	\$178,111	\$176,466
Non-real estate depreciation	(3,103)	(3,049)	(3,043)	(3,101)	(3,019)
Real Estate Related Depreciation & Amortization	\$291,686	\$284,924	\$196,871	\$175,010	\$173,447

(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 below 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

Reconciliation of Core FFO to AFFO	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17
Core FFO available to common stockholders and unitholders	\$349,652	\$333,290	\$263,758	\$253,335	\$247,932
Adjustments:					
Non-real estate depreciation	3,103	3,049	3,043	3,101	3,019
Amortization of deferred financing costs	3,060	3,092	2,611	2,518	2,443
Amortization of debt discount/premium	875	858	816	713	697
Non-cash stock-based compensation expense	5,497	3,923	4,636	5,637	3,704
Straight-line rental revenue	(10,266)	(8,705)	(1,692)	(2,110)	(4,058)
Straight-line rental expense	2,547	(635)	4,212	4,343	4,187
Above- and below-market rent amortization	6,666	6,562	(873)	(1,946)	(1,973)
Deferred non-cash tax expense	(216)	(1,100)	284	(1,443)	(653)
Capitalized leasing compensation (1)	(2,998)	(3,567)	(2,945)	(2,740)	(2,634)
Recurring capital expenditures (2)	(27,328)	(45,298)	(34,664)	(26,740)	(29,588)
Capitalized internal leasing commissions (1)	(2,049)	(1,217)	(1,225)	(1,355)	(1,493)
AFFO available to common stockholders and unitholders (3)	\$328,543	\$290,252	\$237,961	\$233,313	\$221,583
Weighted-average shares and units outstanding - basic	214,009	213,688	173,461	163,078	161,475
Weighted-average shares and units outstanding - diluted (4)	214,803	214,424	174,170	164,027	162,600
AFFO per share - diluted (4)	\$1.53	\$1.35	\$1.37	\$1.42	\$1.36
Dividends per share and common unit	\$1.01	\$0.93	\$0.93	\$0.93	\$0.93
Diluted AFFO Payout Ratio	66.0 %	68.7 %	68.1 %	65.4 %	68.2 %

Three Months Ended

Share Count Detail	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17
Weighted Average Common Stock and Units Outstanding	214,009	213,688	173,461	163,078	161,475
Add: Effect of dilutive securities	794	736	709	949	1,125
Weighted Avg. Common Stock and Units Outstanding - diluted	214,803	214,424	174,170	164,027	162,600

(1) Includes only second-generation leasing costs.

(2) For a definition of recurring capital expenditures, see our earnings press release and supplemental information package.

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

(4) For all periods presented, we have excluded the effect of dilutive series 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 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-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17
Assets					
Investments in real estate:					
Real estate	\$15,654,932	\$15,163,846	\$14,693,479	\$11,132,356	\$10,858,628
Construction in progress	1,470,065	1,399,684	1,405,740	787,315	780,966
Land held for future development	236,415	352,406	330,101	262,139	229,411
Investments in Real Estate	\$17,361,412	\$16,915,936	\$16,429,320	\$12,181,810	\$11,869,005

Accumulated depreciation & amortization	(3,439,050)	(3,238,227)	(3,075,294)	(2,929,095)	(2,792,910)
Net Investments in Properties	\$13,922,362	\$13,677,709	\$13,354,026	\$9,252,715	\$9,076,095
Investment in unconsolidated joint ventures	167,564	163,477	106,374	103,881	112,856
Net Investments in Real Estate	\$14,089,926	\$13,841,186	\$13,460,400	\$9,356,596	\$9,188,951
Cash and cash equivalents	\$22,370	\$51	\$192,578	\$22,383	\$14,950
Accounts and other receivables (1)	309,328	276,347	258,490	229,450	195,406
Deferred rent	442,887	430,026	420,348	423,188	418,858
Acquired in-place lease value, deferred leasing costs and other real estate intangibles, net	2,928,566	2,998,806	3,052,277	1,494,083	1,501,843
Acquired above-market leases, net	165,568	184,375	178,190	19,716	20,826
Goodwill	3,405,110	3,389,595	3,384,394	778,862	757,444
Restricted cash	7,330	13,130	17,753	18,931	10,447
Assets associated with real estate held for sale	41,707	139,538	132,818	87,882	56,154
Other assets	169,125	131,291	135,250	148,480	164,669
Total Assets	\$21,581,917	\$21,404,345	\$21,232,498	\$12,579,571	\$12,329,548
Liabilities and Equity					
Global unsecured revolving credit facility	\$952,121	\$550,946	\$138,477	\$563,063	\$564,467
Unsecured term loan	1,428,498	1,420,333	1,432,659	1,520,482	1,505,667
Unsecured senior notes, net of discount	6,660,727	6,570,757	6,806,333	4,351,148	4,128,110
Mortgage loans, net of premiums	106,366	106,582	106,775	2,927	3,085
Accounts payable and other accrued liabilities	1,012,490	980,218	1,024,394	850,602	804,371
Accrued dividends and distributions	—	199,761	—	—	—
Acquired below-market leases	225,674	249,465	257,732	76,099	78,641
Security deposits and prepaid rent	207,859	217,898	223,536	181,007	171,692
Liabilities associated with assets held for sale	1,767	5,033	4,660	2,949	3,070
Total Liabilities	\$10,595,502	\$10,300,993	\$9,994,566	\$7,548,277	\$7,259,103

Redeemable noncontrolling interests – operating partnership	49,871	53,902	64,509	—	—
---	--------	--------	--------	---	---

Equity

Preferred Stock: \$0.01 par value per share, 110,000,000 shares authorized:

Series C Cumulative Redeemable Perpetual Preferred Stock (2)	\$219,250	\$219,250	\$219,250	—	—
Series F Cumulative Redeemable Preferred Stock (3)	—	—	—	—	\$176,191
Series G Cumulative Redeemable Preferred Stock (4)	241,468	241,468	241,468	\$241,468	241,468
Series H Cumulative Redeemable Preferred Stock (5)	353,290	353,290	353,290	353,290	353,290
Series I Cumulative Redeemable Preferred Stock (6)	242,012	242,012	242,012	242,012	242,012
Series J Cumulative Redeemable Preferred Stock (7)	193,540	193,540	193,667	—	—
Common Stock: \$0.01 par value per share, 315,000,000 shares authorized (8)	2,045	2,044	2,043	1,611	1,584
Additional paid-in capital	11,285,611	11,261,462	11,250,322	5,991,753	5,769,091
Dividends in excess of earnings	(2,177,269)	(2,055,552)	(1,917,791)	(1,722,610)	(1,629,633)
Accumulated other comprehensive (loss) income, net	(106,096)	(108,432)	(116,732)	(110,709)	(122,540)
Total Stockholders' Equity	\$10,253,851	\$10,349,082	\$10,467,529	\$4,996,815	\$5,031,463

Non-controlling Interests

Non-controlling interest in operating partnership	\$680,400	\$698,125	\$699,308	\$27,909	\$32,409
Non-controlling interest in consolidated joint ventures	2,293	2,243	6,586	6,570	6,573
Total Non-controlling Interests	\$682,693	\$700,368	\$705,894	\$34,479	\$38,982
Total Equity	\$10,936,544	\$11,049,450	\$11,173,423	\$5,031,294	\$5,070,445
Total Liabilities and Equity	\$21,581,917	\$21,404,345	\$21,232,498	\$12,579,571	\$12,329,548

- (1) Net of allowance for doubtful accounts of \$6,906 and \$6,737, as of March 31, 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 March 31, 2018 and December 31, 2017, respectively.
- (3) Series F Cumulative Redeemable Preferred Stock, 6.625%, \$0 and \$0 liquidation preference, respectively (\$25.00 per share), 0 and 0 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively. All outstanding shares of Series F Cumulative Redeemable Preferred Stock were redeemed on April 5, 2017.
- (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 March 31, 2018 and December 31, 2017, 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 March 31, 2018 and December 31, 2017, 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 March 31, 2018 and December 31, 2017, respectively.
- (7) 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 March 31, 2018 and December 31, 2017, respectively.
- (8) Common Stock: 205,874,914 and 205,470,300 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively.

Three Months Ended

Reconciliation of Earnings Before Interest, Taxes,					
Depreciation & Amortization (EBITDA) (1)	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17
Net Income (Loss) Available to Common Stockholders	\$86,298	\$53,306	(\$4,139)	\$57,837	\$66,145
Interest	76,985	73,989	71,621	57,582	55,450
(Gain) from early extinguishment of debt	—	—	(1,990)	—	—
Tax expense	3,374	545	2,494	2,639	2,223
Depreciation & amortization	294,789	287,973	199,914	178,111	176,466
Impairment of investments in real estate	—	—	28,992	—	—
EBITDA	\$461,446	\$415,813	\$296,892	\$296,169	\$300,284
Severance, equity acceleration, and legal expenses	234	1,209	2,288	365	869
Transaction and integration expenses	4,178	15,681	42,809	14,235	3,323

(Gain) loss on real estate transactions	(39,273)	(30,746)	(9,751)	(380)	522
Equity in earnings adjustment for non-core items	—	—	—	(3,285)	—
Other non-core expense adjustments	431	2	3,051	24	—
Non-controlling interests	3,468	6,023	40	920	1,025
Preferred stock dividends, including undeclared dividends	20,329	20,329	16,575	14,505	17,393
Issuance costs associated with redeemed preferred stock	—	—	—	6,309	—
Adjusted EBITDA	<u>\$450,813</u>	<u>\$428,311</u>	<u>\$351,904</u>	<u>\$328,862</u>	<u>\$323,416</u>

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

(2) Cash interest expense is interest expense less amortization of debt discount and deferred financing fees and includes interest that we capitalized. We consider cash interest expense to be a useful measure of interest as it excludes non-cash based interest expense.

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 charges, real estate related depreciation and amortization (excluding amortization of deferred financing costs), unconsolidated JV real estate related depreciation & amortization, non-controlling 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 (loss) 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 rent revenue, (vi) straight-line rent 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 expense adjustments, 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 expense adjustments, 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 March 31, 2018, GAAP interest expense was \$77 million, capitalized interest was \$7 million and scheduled debt principal payments and preferred dividends was \$20 million.

Reconciliation of Net Operating Income (NOI) (in thousands)	Three Months Ended		
	31-Mar-18	31-Dec-17	31-Mar-17
Operating income	\$143,813	\$117,198	\$137,283
Fee income	(1,133)	(1,386)	(1,895)
Other income	(858)	(447)	(35)
Depreciation and amortization	294,789	287,973	176,466
General and administrative	36,289	44,311	33,778
Severance, equity acceleration, and legal expenses	234	1,209	869
Transaction expenses	4,178	15,681	3,323
Other expenses	431	2	—
Net Operating Income	\$477,743	\$464,541	\$349,789
Cash Net Operating Income (Cash NOI)			
Net Operating Income	\$477,743	\$464,541	\$349,789
Straight-line rental revenue	(10,266)	(8,705)	(4,058)
Straight-line rental expense	2,599	(626)	4,258
Above- and below-market rent amortization	6,666	6,633	(1,973)

Cash Net Operating Income

\$476,742 \$461,843 \$348,016

View original content:<http://www.prnewswire.com/news-releases/digital-realty-reports-first-quarter-2018-results-300637679.html>

SOURCE Digital Realty