



Digital Realty Reports Second Quarter 2015 Results

7/30/2015

SAN FRANCISCO, July 30, 2015 /PRNewswire/ -- **Digital Realty Trust, Inc.** (NYSE: DLR), a leading global provider of data center and colocation solutions, announced today financial results for the second quarter of 2015. All per share results are presented on a fully-diluted share and unit basis.

Highlights

- Reported FFO per share of \$1.26 in 2Q15, compared to \$1.20 in 2Q14;
- Reported core FFO per share of \$1.30 in 2Q15, compared to \$1.21 in 2Q14;
- Signed leases during 2Q15 expected to generate \$37 million in annualized GAAP rental revenue;
- Entered into a definitive agreement to acquire Telx, a national provider of data center colocation, interconnection and cloud enablement solutions, for \$1.886 billion;
- Executed a common stock offering of 10,500,000 shares at a price of \$68 per share subject to forward sale agreements;
- Revised 2015 core FFO per share outlook to \$5.05 - \$5.15 from the prior range of \$5.03 - \$5.13; and
- Revised 2015 "constant-currency" core FFO per share outlook to \$5.20 - \$5.30 from the prior range of \$5.18 - \$5.28.

Financial Results

Revenues were \$420 million for the second quarter of 2015, a 3% increase from the previous quarter and a 5% increase over the same quarter last year.

Adjusted EBITDA was \$243 million for the second quarter of 2015, a 2% increase from the previous quarter and a

4% increase over the same quarter last year.

Funds from operations ("FFO") on a diluted basis was \$176 million in the second quarter of 2015, or \$1.26 per share, compared to \$1.56 per share in the first quarter of 2015 and \$1.20 per share in the second quarter of 2014.

Excluding certain items that do not represent core expenses or revenue streams, core FFO was \$1.30 per share for the second quarter of 2015 compared to \$1.27 per share in the first quarter of 2015, and \$1.21 per share in the second quarter of 2014.

Net income for the second quarter of 2015 was \$138 million, and net income available to common stockholders was \$117 million, or \$0.86 per diluted share, compared to \$0.75 per diluted share in the first quarter of 2015 and \$0.31 per diluted share in the second quarter of 2014.

Leasing Activity

"Consistent execution on our strategic plan against a backdrop of steadily improving data center fundamentals set the stage for another quarter of solid results, highlighted by new leases representing \$37 million in annualized GAAP rental revenue," commented Chief Executive Officer A. William Stein.

"In mid-July we announced an agreement to acquire Telx, a leading provider of colocation and interconnection data center solutions, and we look forward to leveraging our combined strengths to offer the most comprehensive set of data center solutions on an open, connected, and global platform. We expect the combination of our two complementary platforms to create a powerful connection for our customers and a promising growth opportunity for our shareholders."

The weighted-average lag between leases signed during the second quarter of 2015 and the contractual commencement date was 2.5 months.

In addition to new leases signed, Digital Realty also signed renewal leases representing \$23 million of annualized GAAP rental revenue during the quarter. Rental rates on renewal leases signed during the second quarter of 2015 rolled up 1% on a cash basis and up 5% on a GAAP basis.

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

North America	(\$ in thousands) Annualized GAAP Rent	Square Feet	GAAP Rent per Square Foot	Megawatts	GAAP Rent per Kilowatt
Turn-Key Flex	\$27,348	209,870	\$130	17	\$138
Colocation	3,464	15,087	230	1	250
Non-Technical	271	8,903	30	—	—
Total	\$31,083	233,860	\$133	18	\$145
Europe (1)					
Turn-Key Flex	\$1,850	11,756	\$157	1	\$139
Colocation	243	1,143	212	—	253
Non-Technical	32	1,000	32	—	—
Total	\$2,125	13,899	\$153	1	\$146
Asia Pacific (1)					
Turn-Key Flex	\$4,062	24,023	\$169	2	\$173
Colocation	—	—	—	—	—
Non-Technical	—	—	—	—	—
Total	\$4,062	24,023	\$169	2	\$173
Grand Total	\$37,270	271,782	\$137	21	\$148

Note: Totals may not foot due to rounding differences.

(1) Based on quarterly average exchange rates during the three months ended June 30, 2015.

Investment Activity

During the second quarter of 2015, Digital Realty closed the previously announced sale of 833 Chestnut Street, a 705,000 square foot mixed-use building in downtown Philadelphia, for \$161 million, or \$228 per square foot. The property was expected to generate cash net operating income of approximately \$9.3 million in 2015, representing a cap rate of 5.8%. The sale is expected to generate net proceeds of \$150 million, and Digital Realty recognized a gain on the sale of approximately \$77 million in the second quarter of 2015.

In April 2015, the company acquired a 4.1-acre site adjacent to its existing Digital Deer Park campus in Melbourne, Australia, for a purchase price of \$2 million. This site is capable of supporting an 86,000 square foot Turn-Key Flex data center building. The timing and commencement of any future development will be subject to market conditions.

In June 2015, the company acquired a 144,000 square foot warehouse for redevelopment in Singapore for a purchase price of \$45 million. Upon completion, the project is expected to support 10 to 15 megawatts of IT load. Digital Realty expects to deliver the first three Turn-Key Flex data center suites by early 2016.

Subsequent to the end of the quarter, Digital Realty announced a definitive agreement to acquire Telx from private equity firms ABRY Partners and Berkshire Partners in a transaction valued at \$1.886 billion. The combination is expected to double Digital Realty's footprint in the rapidly growing colocation business and provide the company's customers access to a leading interconnection platform. Digital Realty expects to fund the acquisition with proceeds from the recent forward equity offering and a mix, subject to market conditions and other factors, of preferred equity and debt. The acquisition is expected to close later this year and is subject to customary closing conditions.

Balance Sheet

Digital Realty had approximately \$5.0 billion of total debt outstanding as of June 30, 2015, comprised of \$4.6 billion of unsecured debt and approximately \$0.4 billion of secured debt. At the end of the second quarter of 2015, net debt-to-adjusted EBITDA was 5.0x, debt-plus-preferred-to-total-enterprise-value was 39.6% and fixed charge coverage was 3.5x.

Subsequent to quarter-end, Digital Realty executed an offering of 10,500,000 shares of its common stock at a price of \$68.00 per share subject to forward sale agreements. The company expects to receive net proceeds of approximately \$686 million (net of fees and estimated expenses) upon full physical settlement of the forward sale agreements, which is anticipated to be no later than March 17, 2016. Digital Realty intends to use the net proceeds received upon settlement to fund a portion of the Telx acquisition.

2015 Outlook

Digital Realty revised its 2015 core FFO per share outlook to \$5.05 - \$5.15 from the prior range of \$5.03 - \$5.13. The assumptions underlying the revised outlook, which reflects standalone results for Digital Realty only and does not include any financial impact from the pending acquisition of Telx, are summarized in the following table.

	As of Jan. 5, 2015	As of Feb. 12, 2015	As of May 5, 2015	As of July 30, 2015
Internal Growth				
Rental rates on renewal leases				
Cash basis	Slightly positive	Slightly positive	Slightly negative	Slightly positive
GAAP basis	Up double digits	Up double digits	Up high single digits	Up high single digits
Year-end portfolio occupancy	93.0% - 94.0%	93.0% - 94.0%	93.0% - 94.0%	93.0% - 94.0%
"Same-capital" cash NOI growth (1)	2.0% - 4.0%	2.0% - 4.0%	2.0% - 4.0%	2.0% - 4.0%
Operating margin	72.5% - 73.5%	72.5% - 73.5%	72.5% - 73.5%	72.5% - 73.5%
Incremental revenue from speculative leasing (2)				
Full year forecast	\$25 - \$30 million	\$25 - \$30 million	\$30 - \$35 million	\$30 - \$35 million
Speculative leasing completed to date	(\$0 million)	(\$5 million)	(\$20 million)	(\$30 million)
Speculative leasing embedded in 2015 guidance	\$25 - \$30 million	\$20 - \$25 million	\$10 - \$15 million	\$0 - \$5 million
Overhead load (3)	80 - 90 bps on total assets	80 - 90 bps on total assets	80 - 90 bps on total assets	90 - 100 bps on total assets
Foreign Exchange Rates				
U.S. Dollar / Pound Sterling	N/A	N/A	1.45 - 1.55	1.45 - 1.55
U.S. Dollar / Euro	N/A	N/A	1.05 - 1.10	1.05 - 1.10
External Growth				
Acquisitions				
Dollar volume	\$0 - \$200 million	\$0 - \$200 million	\$0 - \$200 million	\$0 - \$200 million

Cap rate	7.5% - 8.5%	7.5% - 8.5%	7.5% - 8.5%	7.5% - 8.5%
Dispositions				
Dollar volume	\$175 - \$400 million	\$175 - \$400 million	\$175 - \$400 million	\$205 - \$400 million
Cap rate	0.0% - 10.0%	0.0% - 10.0%	0.0% - 10.0%	0.0% - 10.0%
Joint ventures				
Dollar volume	\$0 - \$150 million	\$0 - \$150 million	\$0 - \$150 million	\$0 - \$150 million
Cap rate	6.75% - 7.25%	6.75% - 7.25%	6.75% - 7.25%	6.75% - 7.25%
Development				
Capex	\$750 - \$850 million	\$750 - \$850 million	\$750 - \$850 million	\$750 - \$850 million
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 (4)	\$20 - \$25 million	\$20 - \$25 million	\$20 - \$25 million	\$20 - \$25 million
Recurring capex + capitalized leasing costs (5)	\$100 - \$110 million	\$100 - \$110 million	\$100 - \$110 million	\$100 - \$110 million

Balance Sheet

Long-term debt issuance

Dollar amount	\$300 - \$700 million	\$300 - \$700 million	\$300 - \$700 million	\$0.5 - \$1.0 billion
Pricing	4.50% - 5.50%	4.50% - 5.50%	4.50% - 5.50%	4.00% - 5.50%
Timing	Early-to-mid 2015	Early-to-mid 2015	Early-to-mid 2015	Mid-to-late 2015

Funds From Operations / share (NAREIT-Defined)	\$4.95 - \$5.05	\$4.95 - \$5.05	\$5.28 - \$5.38	\$5.33 - \$5.43
Adjustments for non-core items (6)	(\$0.05)	(\$0.05)	(\$0.25)	(\$0.28)
Core Funds From Operations / share	\$5.00 - \$5.10	\$5.00 - \$5.10	\$5.03 - \$5.13	\$5.05 - \$5.15
Foreign currency translation adjustments	N/A	N/A	\$0.15	\$0.15
Constant-Currency Core FFO / share	N/A	N/A	\$5.18 - \$5.28	\$5.20 - \$5.30

(1) The "same-capital" pool includes properties owned as of December 31, 2013 with less than 5% of total rentable square feet under development. It also excludes properties that were undergoing, or were expected to undergo, development activities in 2014-2015. NOI

represents rental revenue and tenant reimbursement revenue less rental property operating and maintenance expenses, property taxes and insurance expenses (as reflected in the statement of operations), and cash NOI is NOI less straight-line rents and above and below market rent amortization.

- (2) Incremental revenue from speculative leasing represents revenue expected to be recognized in the current year from leases that have not yet been signed.
- (3) Overhead load is defined as General & Administrative expense divided by Total Assets.
- (4) 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.
- (5) 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.
- (6) See "Funds From Operations and Core Funds From Operations" table below for historical reconciliations of net income available to common shareholders to Funds From Operations (NAREIT-Defined) and Core Funds From Operations.

Non-GAAP Financial Measures

This press release contains non-GAAP financial measures, including FFO, core FFO, "constant-currency" core FFO, and Adjusted EBITDA. A reconciliation from U.S. GAAP net income available to common stockholders to FFO, a definition of FFO, a reconciliation from FFO to core FFO, and a definition of core FFO are included as an attachment to this press release. A reconciliation from U.S. GAAP net income available to common stockholders to Adjusted EBITDA, a definition of Adjusted EBITDA, a definition of debt-plus-preferred-to-total-enterprise-value, and a definition of 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 2015 financial results and operating performance. The conference call will feature: Chief Executive Officer A. William Stein; Chief Financial Officer Andrew Power; Chief Investment Officer Scott Peterson; and Senior Vice President of Sales & Marketing Matt Miszewski.

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# 0560178 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, 2015. 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# 10068588. 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 600 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

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 results to differ materially, including statements related to the acquisition of Telx Holdings, Inc.; supply and demand for data center and colocation space; pricing and net effective leasing economics; market dynamics and data center fundamentals; our strategic priorities, including improving ROIC and our disposition program; rent from leases that have been signed but have not yet commenced and other contracted rent to be received in future periods; rental rates on future leases; lag between signing and commencement; cap rates and yields; and the company's FFO, core FFO, "constant currency" core FFO and net income outlook and underlying assumptions. These risks and uncertainties include, among others, the impact of current global economic, credit and market conditions; decreases in information technology spending; adverse economic or real estate developments in our industry or the industry sectors that we sell to; risks related to our tenants; our failure to obtain necessary debt and equity financing; risks associated with using

debt to fund our business activities; financial market fluctuations; our inability to manage our growth effectively; difficulty acquiring or operating properties in foreign jurisdictions; our failure to successfully integrate and operate acquired or developed properties or businesses; the suitability of our properties and data center infrastructure, delays or disruptions in connectivity, failure of our physical infrastructure or services or availability of power; risks related to joint venture investments; 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 comply with the rules and regulations applicable to reporting companies; our failure to maintain our status as a REIT; 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; and changes in laws and regulations, including those related to taxation and real estate ownership and operation. For a further list and description of such risks and uncertainties, see the reports and other filings by the company with the U.S. Securities and Exchange Commission, including the company's Annual Report on Form 10-K for the year ended December 31, 2014 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. The company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Consolidated Quarterly Statements of Operations

Unaudited and in thousands, except share and per share data

	Three Months Ended					Six Months Ended	
	30-Jun-15	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14	30-Jun-15	30-Jun-14
Rental revenues	\$330,676	\$319,166	\$319,816	\$317,064	\$313,420	\$649,842	\$619,206
Tenant reimbursements - Utilities	62,305	59,764	59,830	65,604	62,063	122,069	121,240
Tenant reimbursements - Other	25,267	26,065	28,887	26,605	23,625	51,332	48,069
Fee income	1,549	1,614	1,871	2,748	1,466	3,163	2,650
Other	498	—	1,812	165	873	498	873
Total Operating Revenues	\$420,295	\$406,609	\$412,216	\$412,186	\$401,447	\$826,904	\$792,038

Utilities	\$64,669	\$62,970	\$62,560	\$69,388	\$65,432	\$127,639	\$127,519
Rental property operating	36,035	34,650	33,211	32,017	33,312	70,685	63,971
Repairs & maintenance	28,835	26,943	31,783	29,489	28,052	55,778	53,202
Property taxes	20,900	23,263	23,053	25,765	20,595	44,163	42,720
Insurance	2,154	2,155	2,180	2,145	1,896	4,309	4,317
Change in fair value of contingent consideration	352	(43,034)	(3,991)	(1,465)	766	(42,682)	(2,637)
Depreciation & amortization	131,524	129,073	133,327	137,474	137,092	260,597	267,712
General & administrative	24,312	19,798	21,480	20,709	20,061	44,110	38,310
Severance related accrual, equity acceleration, and legal expenses	1,301	1,396	—	—	260	2,697	12,690
Transactions	3,166	93	323	144	755	3,259	835
Impairment of investments in real estate	—	—	113,970	12,500	—	—	—
Other expenses	(6)	(16)	486	1,648	772	(22)	936
Total Operating Expenses	\$313,242	\$257,291	\$418,382	\$329,814	\$308,993	\$570,533	\$609,575
Operating Income (Loss)	\$107,053	\$149,318	(\$6,166)	\$82,372	\$92,454	\$256,371	\$182,463
Equity in earnings of unconsolidated joint ventures	\$3,383	\$4,618	\$3,776	\$3,455	\$3,477	\$8,001	\$6,058
Gain on sale of property	76,669	17,820	—	—	15,945	94,489	15,945
Gain on contribution of properties to unconsolidated JV	—	—	—	93,498	—	—	1,906
Gain on sale of investment	—	—	14,551	—	—	—	—
Interest and other income	(231)	(2,290)	641	378	(83)	(2,521)	1,643
Interest expense	(46,114)	(45,466)	(46,396)	(48,169)	(49,146)	(91,580)	(96,520)
Tax (expense)	(2,615)	(1,675)	(1,201)	(1,178)	(1,021)	(4,290)	(2,859)
Loss from early extinguishment of debt	(148)	—	—	(195)	(293)	(148)	(585)
Net Income (Loss)	\$137,997	\$122,325	(\$34,795)	\$130,161	\$61,333	\$260,322	\$108,051

Net (income) loss attributable to noncontrolling interests	(2,486)	(2,142)	961	(2,392)	(993)	(4,628)	(1,798)
Net Income (Loss) Attributable to Digital Realty Trust, Inc.	\$135,511	\$120,183	(\$33,834)	\$127,769	\$60,340	\$255,694	\$106,253
Preferred stock dividends	(18,456)	(18,455)	(18,455)	(18,455)	(18,829)	(36,911)	(30,555)
Net Income (Loss) Available to Common Stockholders	\$117,055	\$101,728	(\$52,289)	\$109,314	\$41,511	\$218,783	\$75,698
Weighted-average shares outstanding - basic	135,810,060	135,704,525	135,544,597	135,492,618	133,802,622	135,757,584	131,183,857
Weighted-average shares outstanding - diluted	136,499,004	136,128,800	135,544,597	135,946,533	133,977,885	136,260,995	131,320,547
Weighted-average fully diluted shares and units	139,256,470	138,831,268	138,757,650	138,762,045	137,912,511	138,991,115	137,979,188
Net income (loss) per share - basic	\$0.86	\$0.75	(\$0.39)	\$0.81	\$0.31	\$1.61	\$0.58
Net income (loss) per share - diluted	\$0.86	\$0.75	(\$0.39)	\$0.80	\$0.31	\$1.61	\$0.58

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-15	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14	30-Jun-15	30-Jun-14
Net Income (Loss) Available to Common Stockholders	\$117,055	\$101,728	(\$52,289)	\$109,314	\$41,511	\$218,783	\$75,697

Adjustments:							
Noncontrolling interests in operating partnership	2,377	2,026	(1,074)	2,272	873	4,403	1,566
Real estate related depreciation & amortization (1)	130,198	127,823	132,100	136,289	135,939	258,021	265,435
Unconsolidated JV real estate related depreciation & amortization	3,187	2,603	2,173	1,934	1,802	5,791	3,430
Gain on sale of property	(76,669)	(17,820)	—	—	(15,945)	(94,489)	(15,945)
Gain on contribution of properties to unconsolidated JV	—	—	—	(93,498)	—	—	(1,906)
Impairment of investments in real estate	—	—	113,970	12,500	—	—	—
Funds From Operations	\$176,148	\$216,360	\$194,880	\$168,811	\$164,180	\$392,509	\$328,277
Add: Interest and amortization of debt issuance costs on 2029 Debentures	—	—	—	—	675	—	4,725
Funds From Operations - diluted	\$176,148	\$216,360	\$194,880	\$168,811	\$164,855	\$392,509	\$333,002
Weighted-average shares and units outstanding - basic	138,568	138,407	138,327	138,308	136,615	138,488	133,894
Weighted-average shares and units outstanding - diluted (2)	139,257	138,831	138,757	138,762	137,912	138,991	137,979
Funds From Operations per share - basic	\$1.27	\$1.56	\$1.41	\$1.22	\$1.20	\$2.83	\$2.45
Funds From Operations per share - diluted (2)	\$1.26	\$1.56	\$1.40	\$1.22	\$1.20	\$2.82	\$2.41

Three Months Ended

Six Months Ended

Reconciliation of FFO to Core FFO	30-Jun-15	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14	30-Jun-15	30-Jun-14
Funds From Operations - diluted	\$176,148	\$216,360	\$194,880	\$168,811	\$164,855	\$392,509	\$333,002
Termination fees and other non-core revenues (3)	(313)	1,573	(2,584)	(165)	(873)	1,260	(2,920)
Gain on sale of investment	—	—	(14,551)	—	—	—	—
Significant transaction expenses	3,166	93	323	144	755	3,259	836
Loss from early extinguishment of debt	148	—	—	195	293	148	585
Change in fair value of contingent consideration (4)	352	(43,034)	(3,991)	(1,465)	766	(42,682)	(2,637)
Equity in earnings adjustment for non-core items	—	—	—	—	—	—	843
Severance related accrual, equity acceleration, and legal expenses (5)	1,301	1,396	—	—	260	2,697	12,690
Other non-core expense adjustments (6)	(29)	(30)	453	1,588	651	(59)	651
Core Funds From Operations - diluted	\$180,773	\$176,358	\$174,530	\$169,108	\$166,707	\$357,131	\$343,050
Weighted-average shares and units outstanding - diluted (2)	139,257	138,831	138,757	138,762	137,912	138,991	137,979
Core Funds From Operations per share - diluted (2)	\$1.30	\$1.27	\$1.26	\$1.22	\$1.21	\$2.57	\$2.49

(1) Real Estate Related Depreciation & Amortization:

Three Months Ended					Six Months Ended	
30-Jun-15	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14	30-Jun-15	30-Jun-14

Depreciation & amortization per income statement	\$131,524	\$129,073	\$133,327	\$137,474	\$137,092	\$260,597	\$267,712
Non-real estate depreciation	(1,326)	(1,250)	(1,227)	(1,185)	(1,153)	(2,576)	(2,277)
Real Estate Related Depreciation & Amortization	\$130,198	\$127,823	\$132,100	\$136,289	\$135,939	\$258,021	\$265,435

- (2) For all periods presented, we have excluded the effect of dilutive series E, series F, series G and series H 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 and series H preferred stock, as applicable, which we consider highly improbable. In addition, the 5.50% exchangeable senior debentures due 2029 were exchangeable for 0, 0 and 1,122 common shares on a weighted average basis for the three months ended June 30, 2015, March 31, 2015 and June 30, 2014, respectively, and 0 and 3,948 for the six months ended June 30, 2015 and June 30, 2014, respectively. See above for calculation 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 earn-out contingencies in connection with the Sentrum and Singapore (29A International Business Park) acquisitions. The earn-out contingencies expire in July 2015 and November 2020, respectively, and are 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.
- (5) Relates to severance and other charges related to the departure of company executives.
- (6) 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.

Consolidated Balance Sheets

Unaudited and in thousands, except share and per share data

	30-Jun-15	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14
Assets					
Investments in real estate:					
Real estate	\$9,353,820	\$9,146,341	\$9,027,600	\$9,213,833	\$9,246,540

Construction in progress	646,012	735,544	809,406	876,494	895,811
Land held for future development	141,294	135,606	145,607	146,390	117,878
Investments in Real Estate	\$10,141,126	\$10,017,491	\$9,982,613	\$10,236,717	\$10,260,229
Accumulated depreciation & amortization	(2,033,289)	(1,962,966)	(1,874,054)	(1,840,379)	(1,778,768)
Net Investments in Properties	\$8,107,837	\$8,054,525	\$8,108,559	\$8,396,338	\$8,481,461
Investment in unconsolidated joint ventures	103,410	103,475	94,729	94,497	92,619
Net Investments in Real Estate	\$8,211,247	\$8,158,000	\$8,203,288	\$8,490,835	\$8,574,080
Cash and cash equivalents	59,152	37,329	41,321	36,528	80,926
Accounts and other receivables (1)	126,734	112,995	135,931	140,463	115,888
Deferred rent	467,262	455,834	447,643	442,358	436,443
Acquired above-market leases, net	33,936	34,757	38,605	42,477	47,181
Acquired in-place lease value and deferred leasing costs, net	424,229	434,917	456,962	461,243	470,620
Deferred financing costs, net	30,203	28,243	30,821	33,761	36,914
Restricted cash	9,394	11,934	11,555	13,986	39,778
Assets associated with real estate held for sale	171,990	81,667	120,471	—	—
Other assets	51,862	52,750	40,188	60,356	62,794
Total Assets	\$9,586,009	\$9,408,426	\$9,526,784	\$9,722,007	\$9,864,624
Liabilities and Equity					
Global unsecured revolving credit facility	\$777,013	\$826,906	\$525,951	\$485,023	\$374,641
Unsecured term loan	961,098	942,006	976,600	1,002,186	1,034,830
Unsecured senior notes, net of discount	2,856,408	2,672,472	2,791,758	2,835,478	2,897,068
Mortgage loans, net of premiums	374,307	376,527	378,818	417,042	552,696
Accounts payable and other accrued liabilities	516,232	523,948	605,923	648,314	636,783
Accrued dividends and distributions	—	—	115,019	—	—
Acquired below-market leases	94,312	97,234	104,235	110,708	118,432
Security deposits and prepaid rent	109,005	108,244	108,478	119,696	115,893
Liabilities associated with assets held for sale	7,441	3,228	5,764	—	—

Total Liabilities	\$5,695,816	\$5,550,565	\$5,612,546	\$5,618,447	\$5,730,343
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	353,300	353,378
Common Stock: \$0.01 par value per share, 215,000,000 shares authorized (6)	1,351	1,350	1,349	1,348	1,347
Additional paid-in capital	3,974,398	3,967,846	3,970,438	3,964,876	3,955,830
Dividends in excess of earnings	(1,108,701)	(1,110,298)	(1,096,603)	(931,777)	(928,626)
Accumulated other comprehensive (loss) income, net	(67,324)	(91,562)	(45,046)	(20,470)	14,962
Total Stockholders' Equity	\$3,847,845	\$3,815,457	\$3,878,259	\$4,062,108	\$4,091,722
Noncontrolling Interests					
Noncontrolling interest in operating partnership	\$35,577	\$35,596	\$29,188	\$34,632	\$35,632
Noncontrolling interest in consolidated joint ventures	6,771	6,808	6,791	6,820	6,927
Total Noncontrolling Interests	\$42,348	\$42,404	\$35,979	\$41,452	\$42,559
Total Equity	\$3,890,193	\$3,857,861	\$3,914,238	\$4,103,560	\$4,134,281
Total Liabilities and Equity	\$9,586,009	\$9,408,426	\$9,526,784	\$9,722,007	\$9,864,624

(1) Net of allowance for doubtful accounts of \$6,263 and \$6,302 as of June 30, 2015 and December 31, 2014, respectively.

(2) Series E Cumulative Redeemable Preferred Stock, 7.000%, \$287,500 and \$287,500 liquidation preference, respectively (\$25.00 per share), 11,500,000 and 11,500,000 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively.

- (3) Series F Cumulative Redeemable Preferred Stock, 6.625%, \$182,500 and \$182,500 liquidation preference, respectively (\$25.00 per share), 7,300,000 and 7,300,000 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively.
- (4) Series G Cumulative Redeemable Preferred Stock, 5.875%, \$250,000 and \$250,000 liquidation preference, respectively (\$25.00 per share), 10,000,000 and 10,000,000 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively.
- (5) Series H Cumulative Redeemable Preferred Stock, 7.375%, \$365,000 and \$365,000 liquidation preference, respectively (\$25.00 per share), 14,600,000 and 14,600,000 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively.
- (6) Common Stock: 135,832,492 and 135,626,255 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively.

Reconciliation of Earnings Before Interest, Taxes, Depreciation, and Amortization

Unaudited and in thousands

Three Months Ended

Reconciliation of Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) (1)	30-Jun-15	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14
Net Income (Loss) Available to Common Stockholders	\$117,055	\$101,728	(\$52,289)	\$109,314	\$41,511
Interest	46,114	45,466	46,396	48,169	49,146
Loss from early extinguishment of debt	148	—	—	195	293
Tax expense	2,615	1,675	1,201	1,178	1,021
Depreciation & amortization	131,524	129,073	133,327	137,474	137,092
Impairment of investments in real estate	—	—	113,970	12,500	—
EBITDA	\$297,456	\$277,942	\$242,605	\$308,830	\$229,063
Change in fair value of contingent consideration	352	(43,034)	(3,991)	(1,465)	766
Severance related accrual, equity acceleration, and legal expenses	1,301	1,396	—	—	260
Gain on sale of property	(76,669)	(17,820)	—	—	(15,945)

Gain on contribution of properties to unconsolidated joint venture	—	—	—	(93,498)	—
Gain on sale of investment	—	—	(14,551)	—	—
Noncontrolling interests	2,486	2,142	(961)	2,392	993
Preferred stock dividends	18,456	18,455	18,455	18,455	18,829
Adjusted EBITDA	\$243,382	\$239,081	\$241,557	\$234,714	\$233,966

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

computed in accordance with GAAP as a measure of our performance.

Core Funds from Operations:

We present core funds from operations, or core FFO, as a supplemental operating measure because, in excluding certain items that do not reflect core revenue or expense streams, it provides a performance measure that, when compared year over year, captures trends in our core business operating performance. We calculate core FFO by adding to or subtracting from FFO (i) termination fees and other non-core revenues, (ii) gain on sale of investment, (iii) significant transaction expenses, (iv) loss from early extinguishment of debt, (v) change in fair value of contingent consideration, (vi) equity in earnings adjustment for non-core items, (vii) severance accrual, equity acceleration, and legal expenses 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.

EBITDA and Adjusted EBITDA:

We believe that earnings before interest expense, income taxes, depreciation and amortization, and impairment of investments in real estate, or EBITDA, and Adjusted EBITDA (as defined below), are useful supplemental performance measures because they allow investors to view our performance without the impact of non-cash depreciation and amortization or the cost of debt and, with respect to Adjusted EBITDA, change in fair value of contingent consideration, severance related accrual, equity acceleration, and legal expenses, gain on sale of property, gain on contribution of properties to unconsolidated joint ventures, gain on sale of equity investment, noncontrolling interests, and preferred stock dividends. Adjusted EBITDA is EBITDA excluding change in fair value of contingent consideration, severance related accrual, equity acceleration, and legal expenses, gain on sale of property, gain on contribution of properties to unconsolidated joint ventures, gain on sale of investment, noncontrolling interests, and preferred stock dividends. In addition, we believe EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties in the evaluation of REITs. Because EBITDA and Adjusted EBITDA are calculated before recurring cash charges including interest expense and income taxes, exclude capitalized costs, such as leasing commissions, and are not adjusted for capital expenditures or other recurring cash requirements of our business, their utility as a measure of our performance is limited. Other

REITs may calculate EBITDA and Adjusted EBITDA differently than we do; accordingly, our EBITDA and Adjusted EBITDA may not be comparable to such other REITs' EBITDA and Adjusted EBITDA. Accordingly, EBITDA and Adjusted EBITDA should be considered only as supplements to net income computed in accordance with GAAP as a measure of our financial performance.

Net Operating Income (NOI) and Cash NOI:

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

Additional Definitions

Net debt-to-Adjusted EBITDA ratio is calculated using total debt at balance sheet carrying value less unrestricted cash and cash equivalents divided by the product of Adjusted EBITDA multiplied by four.

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

Fixed charge coverage ratio is Adjusted EBITDA divided by the sum of GAAP interest expense, capitalized interest, scheduled debt principal payments and preferred dividends. For the quarter ended June 30, 2015, GAAP interest expense was \$46 million, capitalized interest was \$3 million and scheduled debt principal payments and preferred dividends was \$21 million.

Reconciliation of Range of 2015 Projected Net Income to Projected FFO and Core FFO

	Low	High
Net income available to common stockholders per diluted share	\$1.28	\$1.38
Add:		
Real estate depreciation and amortization	\$4.05	\$4.05
Projected FFO per diluted share	\$5.33	\$5.43
Adjustments for items that do not represent core expenses and revenue streams	(\$0.28)	(\$0.28)
Projected core FFO per diluted share	\$5.05	\$5.15
Foreign currency translation adjustments	\$0.15	\$0.15
Projected constant - currency core FFO per diluted share	\$5.20	\$5.30

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/digital-realty-reports-second-quarter-2015-results-300121511.html>

SOURCE Digital Realty Trust, Inc.