



## Digital Realty Reports First Quarter 2015 Results

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SAN FRANCISCO, May 5, 2015 /PRNewswire/ -- **Digital Realty Trust, Inc.** (NYSE: DLR), a leading global provider of data center and colocation solutions, announced today financial results for the first quarter of 2015. All per share results are presented on a fully-diluted share and unit basis.

### Highlights

- Reported FFO per share of \$1.56 in 1Q15, compared to \$1.22 in 1Q14;
- Reported core FFO per share of \$1.27 in 1Q15, compared to \$1.28 in 1Q14;
- Signed leases during 1Q15 expected to generate \$21 million in annualized GAAP rental revenue;
- Revised 2015 core FFO per share outlook to \$5.03 - \$5.13 from the prior range of \$5.00 - \$5.10; and
- Introduced 2015 "constant-currency" core FFO per share outlook of \$5.18 - \$5.28.

### Financial Results

Revenues were \$407 million for the first quarter of 2015, a 1% decline from the previous quarter and a 4% increase over the same quarter last year.

Adjusted EBITDA was \$239 million for the first quarter of 2015, a 1% decline from the previous quarter and a 2% increase over the same quarter last year.

Funds from operations ("FFO") on a diluted basis was \$216 million in the first quarter of 2015, or \$1.56 per share, compared to \$1.40 per share in the fourth quarter of 2014 and \$1.22 per share in the first quarter of 2014.

Excluding certain items that do not represent core expenses or revenue streams, first quarter of 2015 core FFO was \$1.27 per share compared to \$1.26 per share in the fourth quarter of 2014, and \$1.28 per share in the first quarter of 2014.

Net income for the first quarter of 2015 was \$122 million, and net income available to common stockholders was \$102 million, or \$0.75 per diluted share, compared to net loss available to common shareholders of \$0.39 per diluted share in the fourth quarter of 2014 and net income available to common shareholders of \$0.26 per diluted share in the first quarter of 2014.

### Leasing Activity

"We had a strong start to 2015, signing new leases representing \$21 million in annualized GAAP rental revenue during the first quarter," commented Chief Executive Officer A. William Stein. "Landlord leasing economics continue to improve, reflecting both robust demand for our data center solutions and a steadily shrinking supply of available inventory. As a result, we were able to achieve significant improvements in the lag between lease signing and commencement, straight-line rents, and the returns realized on first quarter leasing transactions. We expect to sustain this momentum throughout the year, enabling us to raise our expectations for 2015.

"Along with our financial results, we also made several key additions to an already talented senior management team with the appointment of Andrew Power as Chief Financial Officer, Jarrett Appleby as Chief Operating Officer and Michael Henry as Chief Information Officer. With improving data center fundamentals and a fully built-out team now in place, I am extremely excited about the opportunities ahead for Digital Realty and our ability to execute on our strategic plan, provide flexible solutions for our customers, and create value for our shareholders."

The weighted-average lag between leases signed during the first quarter of 2015 and the contractual commencement date was 3.7 months.

In addition to new leases signed, Digital Realty also signed renewal leases representing \$14 million of annualized GAAP rental revenue during the quarter. Rental rates on renewal leases signed during the first quarter of 2015 rolled down 3% on a cash basis but rolled up 10% on a GAAP basis.

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

<b>North America</b>	<b>(\$ in thousands) Annualized GAAP Rent</b>	<b>Square Feet</b>	<b>GAAP Rent per Square Foot</b>	<b>Megawatts</b>	<b>GAAP Rent per Kilowatt</b>
Turn-Key Flex	\$12,152	84,201	\$144	7	\$148
Powered Base Building	7	—	—	—	—
Colocation	2,519	7,752	325	1	258
Non-Technical	33	573	58	—	—
<b>Total</b>	<b>\$14,711</b>	<b>92,526</b>	<b>\$160</b>	<b>8</b>	<b>\$159</b>
<b>Europe (1)</b>					
Turn-Key Flex	\$801	5,157	\$155	1	\$134
Colocation	662	4,354	152	—	153
Non-Technical	—	—	—	—	—
<b>Total</b>	<b>\$1,463</b>	<b>9,511</b>	<b>\$154</b>	<b>1</b>	<b>\$142</b>
<b>Asia Pacific (1)</b>					
Turn-Key Flex	\$4,402	19,333	\$228	2	\$187
Colocation	642	4,332	148	—	244
Non-Technical	—	—	—	—	—
<b>Total</b>	<b>\$5,044</b>	<b>23,665</b>	<b>\$213</b>	<b>2</b>	<b>\$193</b>
<b>Grand Total</b>	<b>\$21,218</b>	<b>125,702</b>	<b>\$169</b>	<b>11</b>	<b>\$165</b>

Note: Totals may not foot due to rounding differences.

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

### Investment Activity

During the first quarter of 2015, Digital Realty completed the previously announced sale of 100 Quannapowitt Parkway, a 169,000 square foot office building in suburban Boston, for \$31 million, or \$184 per square foot. The property was expected to generate cash net operating income of approximately \$1.6 million in 2015, representing a cap rate of 5.0%. The sale generated net proceeds of \$29 million, and Digital Realty recognized a gain on the sale of approximately \$10 million in the first quarter of 2015.

Digital Realty also completed the sale of 3300 East Birch Street, a vacant 69,000 square foot former data center in Southern California for \$14 million, or \$206 per square foot. The sale generated net proceeds of \$14 million, and Digital Realty recognized a gain on the sale of \$8 million in the first quarter of 2015.

Subsequent to the end of the quarter, Digital Realty closed on the 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 expects to recognize a gain on the sale of approximately \$77 million in the second quarter of 2015.

### Balance Sheet

Digital Realty had approximately \$4.8 billion of total debt outstanding as of March 31, 2015, comprised of \$4.4 billion of unsecured debt and approximately \$0.4 billion of secured debt. At the end of the first quarter of 2015, net debt-to-adjusted EBITDA was 5.0x, debt-plus-preferred-to-total-enterprise-value was 39.2% and fixed charge coverage was 3.4x.

## 2015 Outlook

Digital Realty revised its 2015 core FFO per share outlook to \$5.03 - \$5.13 from the prior range of \$5.00 - \$5.10. The assumptions underlying the revised core FFO per share outlook are summarized in the following table.

	As of Jan. 5, 2015	As of Feb. 12, 2015	As of May 5, 2015
<b>Internal Growth</b>			
Rental rates on renewal leases			
Cash basis	Slightly positive	Slightly positive	Slightly negative
GAAP basis	Up double digits	Up double digits	High single
Year-end portfolio occupancy	93.0% - 94.0%	93.0% - 94.0%	93.0% - 94.0%
"Same-capital" cash NOI growth <sup>(1)</sup>	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%
Incremental revenue from speculative leasing <sup>(2)</sup>			
Full year forecast	\$25 - \$30 million	\$25 - \$30 million	\$30 - \$35 million
Speculative leasing completed to date	(\$0 million)	(\$5 million)	(\$20 million)
Speculative leasing embedded in 2015 guidance	\$25 - \$30 million	\$20 - \$25 million	\$10 - \$15 million
Overhead load <sup>(3)</sup>	80 - 90 bps on total assets	80 - 90 bps on total assets	80 - 90 bps on total assets
Foreign Exchange Rates			
U.S. Dollar / Pound Sterling	N/A	N/A	1.45 - 1.55
U.S. Dollar / Euro	N/A	N/A	1.05 - 1.10
<b>External Growth</b>			
Acquisitions			
Dollar volume	\$0 - \$200 million	\$0 - \$200 million	\$0 - \$200 million
Cap rate	7.5% - 8.5%	7.5% - 8.5%	7.5% - 8.5%
Dispositions			
Dollar volume	\$175 - \$400 million	\$175 - \$400 million	\$175 - \$400 million
Cap rate	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
Cap rate	6.75% - 7.25%	6.75% - 7.25%	6.75% - 7.25%
Development			
Capex	\$750 - \$850 million	\$750 - \$850 million	\$750 - \$850 million
Average stabilized yields	10.0% - 12.0%	10.0% - 12.0%	10.0% - 12.0%
Enhancements and other non-recurring capex <sup>(4)</sup>	\$20 - \$25 million	\$20 - \$25 million	\$20 - \$25 million
Recurring capex + capitalized leasing costs <sup>(5)</sup>	\$100 - \$110 million	\$100 - \$110 million	\$100 - \$110 million
<b>Balance Sheet</b>			
Long-term debt issuance			
Dollar amount size	\$300 - \$700 million	\$300 - \$700 million	\$300 - \$700 million
Pricing	4.50% - 5.50%	4.50% - 5.50%	4.50% - 5.50%
Timing	Early-to-mid 2015	Early-to-mid 2015	Early-to-mid 2015

<b>Funds From Operations / share (NAREIT-Defined)</b>	<b>\$4.95 - \$5.05</b>	<b>\$4.95 - \$5.05</b>	<b>\$5.28 - \$5.38</b>
Adjustments for non-core expenses and revenue streams <sup>(6)</sup>	(\$0.05)	(\$0.05)	(\$0.25)
<b>Core Funds From Operations / Share</b>	<b>\$5.00 - \$5.10</b>	<b>\$5.00 - \$5.10</b>	<b>\$5.03 - \$5.13</b>
Foreign currency translation adjustments	N/A	N/A	\$0.15
<b>Constant-Currency Core Funds From Operations / share</b>	<b>N/A</b>	<b>N/A</b>	<b>\$5.18 - \$5.28</b>

- (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 Funds From Operations (NAREIT-Defined) to 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 first quarter 2015 financial results and operating performance. The conference call will feature: Chief Executive Officer A. William Stein; Chief Investment Officer Scott Peterson; Senior Vice President of Sales & Marketing Matt Miszewski; and Senior Vice President of Finance Matt Mercier.

To participate in the live call, investors are invited to dial +1 (866) 737-5498 (for domestic callers) or +1 (412) 902-6526 (for international callers) 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 June 5, 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# 10062842. 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](http://www.digitalrealty.com). The Company Overview is updated periodically, and may disclose material information and updates. To receive e-mail alerts when the Company Overview is updated, please visit the Investors page of Digital Realty's website.

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## Safe Harbor Statement

This press release contains forward-looking statements which are based on current expectations, forecasts and assumptions that involve risks and uncertainties that could cause actual results to differ materially, including statements related to 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; our joint venture with the GCEAR fund, our expected fees and proceeds from the joint venture, future cash NOI and remaining lease terms related to the joint venture property; 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. 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-15	31-Dec-14	30-Sep-14	30-Jun-14	31-Mar-14
Rental revenues	\$319,166	\$319,816	\$317,064	\$313,420	\$305,786
Tenant reimbursements - Utilities	59,764	59,830	65,604	62,063	59,177
Tenant reimbursements - Other	26,065	28,887	26,605	23,625	24,444
Fee income	1,614	1,871	2,748	1,466	1,183
Other	—	1,812	165	873	—
<b>Total Operating Revenues</b>	<b>\$406,609</b>	<b>\$412,216</b>	<b>\$412,186</b>	<b>\$401,447</b>	<b>\$390,590</b>
Utilities	\$62,970	\$62,560	\$69,388	\$65,432	\$62,087
Rental property operating	34,650	33,211	32,017	33,312	30,659
Repairs & maintenance	26,943	31,783	29,489	28,052	25,150
Property taxes	23,263	23,053	25,765	20,595	22,125
Insurance	2,155	2,180	2,145	1,896	2,422
Change in fair value of contingent consideration	(43,034)	(3,991)	(1,465)	766	(3,403)
Depreciation & amortization	129,073	133,327	137,474	137,092	130,620

General & administrative	19,798	21,480	20,709	20,061	18,248
Severance related accrual, equity acceleration, and legal expenses	1,396	—	—	260	12,430
Transactions	93	323	144	755	81
Impairment of investments in real estate	—	113,970	12,500	—	—
Other expenses	(16)	486	1,648	772	164
<b>Total Operating Expenses</b>	<b>\$257,291</b>	<b>\$418,382</b>	<b>\$329,814</b>	<b>\$308,993</b>	<b>\$300,583</b>
<b>Operating Income (Loss)</b>	<b>\$149,318</b>	<b>(\$6,166)</b>	<b>\$82,372</b>	<b>\$92,454</b>	<b>\$90,007</b>
Equity in earnings of unconsolidated joint ventures	\$4,618	\$3,776	\$3,455	\$3,477	\$2,581
Gain on sale of property	17,820	—	—	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	(2,290)	641	378	(83)	1,727
Interest expense	(45,466)	(46,396)	(48,169)	(49,146)	(47,374)
Tax (expense) benefit	(1,675)	(1,201)	(1,178)	(1,021)	(1,838)
Loss from early extinguishment of debt	—	—	(195)	(293)	(292)
<b>Net Income (Loss)</b>	<b>\$122,325</b>	<b>(\$34,795)</b>	<b>\$130,161</b>	<b>\$61,333</b>	<b>\$46,717</b>
Net (income) loss attributable to noncontrolling interests	(2,142)	961	(2,392)	(993)	(805)
<b>Net Income (Loss) Attributable to Digital Realty Trust, Inc.</b>	<b>\$120,183</b>	<b>(\$33,834)</b>	<b>\$127,769</b>	<b>\$60,340</b>	<b>\$45,912</b>
Preferred stock dividends	(18,455)	(18,455)	(18,455)	(18,829)	(11,726)
<b>Net Income (Loss) Available to Common Stockholders</b>	<b>\$101,728</b>	<b>(\$52,289)</b>	<b>\$109,314</b>	<b>\$41,511</b>	<b>\$34,186</b>
Weighted-average shares outstanding - basic	135,704,525	135,544,597	135,492,618	133,802,622	128,535,995
Weighted-average shares outstanding - diluted	136,128,800	135,544,597	135,946,533	133,977,885	129,136,961
Weighted-average fully diluted shares and units	138,831,268	138,757,650	138,762,045	137,912,511	138,161,544
Net income per share - basic	\$0.75	(\$0.39)	\$0.81	\$0.31	\$0.27
Net income per share - diluted	\$0.75	(\$0.39)	\$0.80	\$0.31	\$0.26

### 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				
	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14	31-Mar-14

<b>Net Income (Loss) Available to Common Stockholders</b>	<b>\$101,728</b>	<b>(\$52,289)</b>	<b>\$109,314</b>	<b>\$41,511</b>	<b>\$34,186</b>
Adjustments:					
Noncontrolling interests in operating partnership	2,026	(1,074)	2,272	873	693
Real estate related depreciation & amortization (1)	127,823	132,100	136,289	135,939	129,496
Unconsolidated JV real estate related depreciation & amortization	2,603	2,173	1,934	1,802	1,628
Gain on sale of property	(17,820)	—	—	(15,945)	—
Gain on contribution of properties to unconsolidated joint venture	—	—	(93,498)	—	(1,906)
Impairment of investments in real estate	—	113,970	12,500	—	—
<b>Funds From Operations</b>	<b>\$216,360</b>	<b>\$194,880</b>	<b>\$168,811</b>	<b>\$164,180</b>	<b>\$164,097</b>
Add: Interest and amortization of debt issuance costs on 2029 Debentures	—	—	—	675	4,050
<b>Funds From Operations - diluted</b>	<b>\$216,360</b>	<b>\$194,880</b>	<b>\$168,811</b>	<b>\$164,855</b>	<b>\$168,147</b>
Weighted-average shares and units outstanding - basic	138,407	138,327	138,308	136,615	131,143
Weighted-average shares and units outstanding - diluted (2)	138,831	138,757	138,762	137,912	138,162
<b>Funds From Operations per share - basic</b>	<b>\$1.56</b>	<b>\$1.41</b>	<b>\$1.22</b>	<b>\$1.20</b>	<b>\$1.25</b>
<b>Funds From Operations per share - diluted (2)</b>	<b>\$1.56</b>	<b>\$1.40</b>	<b>\$1.22</b>	<b>\$1.20</b>	<b>\$1.22</b>

Reconciliation of FFO to Core FFO	Three Months Ended				
	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14	31-Mar-14
<b>Funds From Operations - diluted</b>	<b>\$216,360</b>	<b>\$194,880</b>	<b>\$168,811</b>	<b>\$164,855</b>	<b>\$168,147</b>
Termination fees and other non-core revenues (3)	1,573	(2,584)	(165)	(873)	(2,047)
Gain on sale of investment	—	(14,551)	—	—	—
Significant transaction expenses	93	323	144	755	81
Loss from early extinguishment of debt	—	—	195	293	292
Change in fair value of contingent consideration (4)	(43,034)	(3,991)	(1,465)	766	(3,403)
Equity in earnings adjustment for non-core items	—	—	—	—	843
Severance related accrual, equity acceleration, and legal expenses (5)	1,396	—	—	260	12,430
Other non-core expense adjustments (6)	(30)	453	1,588	651	—
<b>Core Funds From Operations - diluted</b>	<b>\$176,358</b>	<b>\$174,530</b>	<b>\$169,108</b>	<b>\$166,707</b>	<b>\$176,343</b>
Weighted-average shares and units outstanding - diluted (2)	138,831	138,757	138,762	137,912	138,162
<b>Core Funds From Operations per share - diluted (2)</b>	<b>\$1.27</b>	<b>\$1.26</b>	<b>\$1.22</b>	<b>\$1.21</b>	<b>\$1.28</b>

(1) Real Estate Related Depreciation & Amortization:

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

Depreciation & amortization per income statement	\$129,073	\$133,327	\$137,474	\$137,092	\$130,620
Non-real estate depreciation	(1,250)	(1,227)	(1,185)	(1,153)	(1,124)
<b>Real Estate Related Depreciation &amp; Amortization</b>	<b>\$127,823</b>	<b>\$132,100</b>	<b>\$136,289</b>	<b>\$135,939</b>	<b>\$129,496</b>

- (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, we had a balance of \$0, \$0 and \$266,400 of 5.50% exchangeable senior debentures due 2029 that were exchangeable for 0, 0 and 6,806 common shares on a weighted average basis for the three months ended March 31, 2015, December 31, 2014 and March 31, 2014, respectively. See below for calculations of diluted FFO available to common stockholders and unitholders and weighted average common stock and units outstanding.
- (3) Includes one-time fees, proceeds and certain other adjustments that are not core to our business.
- (4) Relates to earn-out contingencies in connection with the Sentrum and Singapore 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

	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14	31-Mar-14
<b>Assets</b>					
Investments in real estate:					
Real estate	\$9,146,341	\$9,027,600	\$9,213,833	\$9,246,540	\$9,085,558
Construction in progress	735,544	809,406	876,494	895,811	826,609
Land held for future development	135,606	145,607	146,390	117,878	113,543
<b>Investments in Real Estate</b>	<b>\$10,017,491</b>	<b>\$9,982,613</b>	<b>\$10,236,717</b>	<b>\$10,260,229</b>	<b>\$10,025,710</b>
Accumulated depreciation & amortization	(1,962,966)	(1,874,054)	(1,840,379)	(1,778,768)	(1,665,421)
<b>Net Investments in Properties</b>	<b>\$8,054,525</b>	<b>\$8,108,559</b>	<b>\$8,396,338</b>	<b>\$8,481,461</b>	<b>\$8,360,289</b>
Investment in unconsolidated joint ventures	103,475	94,729	94,497	92,619	81,411
<b>Net Investments in Real Estate</b>	<b>\$8,158,000</b>	<b>\$8,203,288</b>	<b>\$8,490,835</b>	<b>\$8,574,080</b>	<b>\$8,441,700</b>
Cash and cash equivalents	37,329	41,321	36,528	80,926	70,243
Accounts and other receivables (1)	112,995	135,931	140,463	115,888	117,492
Deferred rent	455,834	447,643	442,358	436,443	415,515
Acquired above-market leases, net	34,757	38,605	42,477	47,181	49,521
Acquired in-place lease value and deferred leasing costs, net	434,917	456,962	461,243	470,620	479,940
Deferred financing costs, net	28,243	30,821	33,761	36,914	34,295
Restricted cash	11,934	11,555	13,986	39,778	42,842
Assets associated with real estate held for sale	81,667	120,471	—	—	25,070
Other assets	52,750	40,188	60,356	62,794	64,836
<b>Total Assets</b>	<b>\$9,408,426</b>	<b>\$9,526,784</b>	<b>\$9,722,007</b>	<b>\$9,864,624</b>	<b>\$9,741,453</b>

**Liabilities and Equity**

Global unsecured revolving credit facility	\$826,906	\$525,951	\$485,023	\$374,641	\$790,500
Unsecured term loan	942,006	976,600	1,002,186	1,034,830	1,026,891
Unsecured senior notes, net of discount	2,672,472	2,791,758	2,835,478	2,897,068	2,368,848
Exchangeable senior debentures	—	—	—	—	266,400
Mortgage loans, net of premiums	376,527	378,818	417,042	552,696	554,742
Accounts payable and other accrued liabilities	523,948	605,923	648,314	636,783	614,645
Accrued dividends and distributions	—	115,019	—	—	—
Acquired below-market leases	97,234	104,235	110,708	118,432	123,152
Security deposits and prepaid rent	108,244	108,478	119,696	115,893	116,945
Liabilities associated with assets held for sale	3,228	5,764	—	—	3,610
<b>Total Liabilities</b>	<b>\$5,550,565</b>	<b>\$5,612,546</b>	<b>\$5,618,447</b>	<b>\$5,730,343</b>	<b>\$5,865,733</b>

**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	353,300	353,378	289,857
Common Stock: \$0.01 par value per share, 215,000,000 shares authorized (6)	1,350	1,349	1,348	1,347	1,279
Additional paid-in capital	3,967,846	3,970,438	3,964,876	3,955,830	3,689,098
Dividends in excess of earnings	(1,110,298)	(1,096,603)	(931,777)	(928,626)	(857,779)
Accumulated other comprehensive (loss) income, net	(91,562)	(45,046)	(20,470)	14,962	13,947
<b>Total Stockholders' Equity</b>	<b>\$3,815,457</b>	<b>\$3,878,259</b>	<b>\$4,062,108</b>	<b>\$4,091,722</b>	<b>\$3,831,233</b>

**Noncontrolling Interests**

Noncontrolling interest in operating partnership	\$35,596	\$29,188	\$34,632	\$35,632	\$37,406
Noncontrolling interest in consolidated joint ventures	6,808	6,791	6,820	6,927	7,081
<b>Total Noncontrolling Interests</b>	<b>\$42,404</b>	<b>\$35,979</b>	<b>\$41,452</b>	<b>\$42,559</b>	<b>\$44,487</b>

<b>Total Equity</b>	<b>\$3,857,861</b>	<b>\$3,914,238</b>	<b>\$4,103,560</b>	<b>\$4,134,281</b>	<b>\$3,875,720</b>
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<b>Total Liabilities and Equity</b>	<b>\$9,408,426</b>	<b>\$9,526,784</b>	<b>\$9,722,007</b>	<b>\$9,864,624</b>	<b>\$9,741,453</b>
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- (1) Net of allowance for doubtful accounts of \$6,439 and \$6,302 as of March 31, 2015 and December 31, 2014, respectively.
- (2) Series E Cumulative Redeemable Preferred Stock, 7.000%, \$287,500 and \$287,500 liquidation preference, respectively (\$25.00 per share), 11,500,000 and 11,500,000 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively.
- (3) Series F Cumulative Redeemable Preferred Stock, 6.625%, \$182,500 and \$182,500 liquidation preference, respectively (\$25.00 per share), 7,300,000 and 7,300,000 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively.
- (4) Series G Cumulative Redeemable Preferred Stock, 5.875%, \$250,000 and \$250,000 liquidation preference, respectively (\$25.00 per share), 10,000,000 and 10,000,000 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively.
- (5) Series H Cumulative Redeemable Preferred Stock, 7.375%, \$365,000 and \$365,000 liquidation preference, respectively (\$25.00 per share), 14,600,000 and 14,600,000 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively.

- (6) Common Stock: 135,793,668 and 135,626,255 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively.

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

Unaudited and in thousands

Reconciliation of Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) <sup>(1)</sup>	Three Months Ended				
	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14	31-Mar-14
<b>Net Income (Loss) Available to Common Stockholders</b>	<b>\$101,728</b>	<b>(\$52,289)</b>	<b>\$109,314</b>	<b>\$41,511</b>	<b>\$34,186</b>
Interest	45,466	46,396	48,169	49,146	47,374
Loss from early extinguishment of debt	—	—	195	293	292
Tax expense (benefit)	1,675	1,201	1,178	1,021	1,838
Depreciation & amortization	129,073	133,327	137,474	137,092	130,620
Impairment of investments in real estate	—	113,970	12,500	—	—
<b>EBITDA</b>	<b>\$277,942</b>	<b>\$242,605</b>	<b>\$308,830</b>	<b>\$229,063</b>	<b>\$214,310</b>
Change in fair value of contingent consideration	(43,034)	(3,991)	(1,465)	766	(3,403)
Severance accrual and equity acceleration	1,396	—	—	260	12,430
Gain on sale of property	(17,820)	—	—	(15,945)	—
Gain on contribution of properties to unconsolidated joint venture	—	—	(93,498)	—	(1,906)
Gain on sale of investment	—	(14,551)	—	—	—
Noncontrolling interests	2,142	(961)	2,392	993	805
Preferred stock dividends	18,455	18,455	18,455	18,829	11,726
<b>Adjusted EBITDA</b>	<b>\$239,081</b>	<b>\$241,557</b>	<b>\$234,714</b>	<b>\$233,966</b>	<b>\$233,962</b>

(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 and equity acceleration 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 accrual and equity acceleration, gain on sale of property, gain on contribution of properties to unconsolidated joint venture, 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 accrual and equity acceleration, impairment of investments in real estate, gain on sale of property, gain on contribution of properties to unconsolidated joint venture, gain on sale of equity 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 March 31, 2015, GAAP interest expense was \$45 million, capitalized interest was \$4 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	\$1.23	\$1.33
Add:		

Real estate depreciation and amortization	\$4.05	\$4.05
<b>Projected FFO per diluted share</b>	<b>\$5.28</b>	<b>\$5.38</b>
Adjustments for items that do not represent core expenses and revenue streams	(\$0.25)	(\$0.25)
<b>Projected core FFO per diluted share</b>	<b>\$5.03</b>	<b>\$5.13</b>
Foreign currency translation adjustments	\$0.15	\$0.15
<b>Projected Constant - Currency Core Funds From Operations per diluted share</b>	<b>\$5.18</b>	<b>\$5.28</b>

To view the original version on PR Newswire, visit:<http://www.prnewswire.com/news-releases/digital-realty-reports-first-quarter-2015-results-300078040.html>

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