

CyrusOne Inc.
Form 10-K
February 22, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period _____ to _____

Commission File Number: 001-35789

CyrusOne Inc.
(Exact name of registrant as specified in its charter)
Maryland 46-0691837
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
2101 Cedar Springs Road, Suite 900, Dallas, TX 75201
(Address of Principal Executive Offices) (Zip Code)
(972) 350-0060

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
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Common Stock, \$.01 par value	NASDAQ
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Securities registered pursuant to Section 12 (g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the voting Common Stock owned by non-affiliates on June 30, 2018, was \$5.8 billion, computed by reference to the closing sale price of the Common Stock on the NASDAQ Global Select Market on such date.

There were 108,257,818 shares of Common Stock outstanding as of February 14, 2019.

Portions of the definitive proxy statement relating to the Company's 2019 Annual Meeting of Shareholders are incorporated by reference into Part III of this report to the extent described herein.

EXPLANATORY NOTE

Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” “our Company” or “the Company” refer to CyrusOne Inc., a Maryland corporation, together with its consolidated subsidiaries, including CyrusOne LP, a Maryland limited partnership. Unless otherwise indicated or unless the context requires otherwise, all references to “our operating partnership” or “the operating partnership” refer to CyrusOne LP together with its consolidated subsidiaries.

CyrusOne Inc. is a real estate investment trust, or REIT, whose only material asset is its ownership of operating partnership units of CyrusOne LP. As a result, CyrusOne Inc. does not conduct business itself, other than acting as the sole beneficial owner and sole trustee of CyrusOne GP (the sole general partner of CyrusOne LP), a Maryland statutory trust, issuing public equity from time to time and guaranteeing certain debt of CyrusOne LP and certain of its subsidiaries. CyrusOne Inc. itself does not issue any indebtedness but guarantees the debt of CyrusOne LP and certain of its subsidiaries, as disclosed in this report. CyrusOne LP and its subsidiaries hold substantially all the assets of the Company. CyrusOne LP conducts the operations of the business, along with its subsidiaries, and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by CyrusOne Inc., which are generally contributed to CyrusOne LP in exchange for operating partnership units, CyrusOne LP generates the capital required for the Company's business through CyrusOne LP's operations and by CyrusOne LP's incurrence of indebtedness.

As of December 31, 2018, the total number of outstanding shares of our common stock was approximately 108.3 million. CyrusOne Inc., directly or indirectly, owns all the operating partnership units of CyrusOne LP. As the direct or indirect owner of all the operating partnership units of CyrusOne LP and as sole beneficial owner and sole trustee of CyrusOne GP, which is the sole general partner of CyrusOne LP, CyrusOne Inc. has the full, exclusive and complete responsibility for the operating partnership's day-to-day management and control.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Form 10-K"), together with other statements and information publicly disseminated by our company, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and include this statement for purposes of complying with these safe harbor provisions.

In particular, statements pertaining to our capital resources, portfolio performance, financial condition and results of operations contain certain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" and negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise and we may not be able to realize them. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected.

The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- loss of key customers;
- economic downturn, natural disaster or oversupply of data centers in the limited geographic areas that we serve;
- risks related to the development of our properties and our ability to successfully lease those properties;
- weakening in the fundamentals for data center real estate, including but not limited to, decreases in or slowed growth of global data, e-commerce and demand for outsourcing of data storage and cloud-based applications;
- loss of access to key third-party service providers and suppliers;
- risks of loss of power or cooling which may interrupt our services to our customers;
- inability to identify and complete acquisitions and operate acquired properties, including those acquired in the recently completed acquisition of Zenium Topco Ltd. and certain other affiliated entities ("Zenium");
- our failure to obtain necessary outside financing on favorable terms, or at all;
- restrictions in the instruments governing our indebtedness;
- risks related to environmental matters;
- unknown or contingent liabilities related to our acquisitions;
- significant competition in our industry;
- loss of key personnel;
- risks associated with real estate assets and the industry;
- failure to maintain our status as a REIT or to comply with the highly technical and complex REIT provisions of the Internal Revenue Code of 1986, as amended (the "Code");
- REIT distribution requirements could adversely affect our ability to execute our business plan;
- insufficient cash available for distribution to stockholders;
- future offerings of debt may adversely affect the market price of our common stock;
- increases in market interest rates will increase our borrowing costs and may drive potential investors to seek higher dividend yields and reduce demand for our common stock;
- market price and volume of stock could be volatile;

- international activities, including those now conducted as a result of the recently completed Zenium acquisition and land acquisitions, are subject to special risks different from those faced by us in the United States;
- the uncertainty surrounding the United Kingdom's decision to withdraw from the European Union and around the British Parliament's approval of the agreement with the European Union regarding the United Kingdom's withdrawal from the European Union;
- expanded and widened price increases in certain selective materials for data center development capital expenditures due to international trade negotiations;
- any failure to comply with anti-corruption laws and regulations could have adverse effects on our business;
- legislative or other actions relating to taxes could have a negative effect on us; and
- other factors affecting the real estate and technology industry generally.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section entitled "Risk Factors". Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. We disclaim any obligation other than as required by law to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors or for new information, data or methods, future events or other changes.

PART I

ITEM 1. BUSINESS

The Company

We are a fully integrated, self-managed data center real estate investment trust ("REIT") that owns, operates and develops enterprise-class, carrier-neutral, multi-tenant and single-tenant data center properties. Founded in 2001, CyrusOne Inc. successfully completed an initial public offering and began trading on the NASDAQ Exchange on January 18, 2013. Our data centers are generally purpose-built facilities with redundant power and cooling. They are not network specific and enable customer connectivity to a range of telecommunication carriers. We provide mission-critical data center facilities that protect and ensure the continued operation of information technology ("IT") infrastructure for approximately 1,000 customers in 48 data centers and two recovery centers in 13 markets (10 cities in the U.S., London, U.K., Singapore and Frankfurt, Germany).

Recent Developments

On September 28, 2018, CyrusOne Inc. completed a public offering of 6.7 million shares of its common stock for \$397.3 million, net of underwriting discounts and expenses of approximately \$18.1 million. In connection with this offering, on September 25, 2018, CyrusOne Inc. entered into a forward sale agreement with Morgan Stanley & Co. LLC with respect to an additional 2.5 million shares of its common stock. On December 28, 2018, the Company effected a full physical settlement of the previously announced forward sale agreement entered into with Morgan Stanley & Co. LLC. Upon settlement, the Company issued all such shares to Morgan Stanley & Co. LLC in its capacity as forward purchaser, in exchange for net proceeds of approximately \$148.2 million.

In March 2018, the Company entered into a new senior unsecured credit agreement ("\$3.0 Billion Credit Facility"). The new agreement includes a \$1.7 billion revolving credit facility (the "\$1.7 Billion Revolving Credit Facility") with a maturity of March 2022 that includes a one-year extension option exercisable by the Company, subject to certain conditions. The agreement includes a 5-year term loan with commitments totaling \$1.0 billion ("2023 Term Loan") and a \$300.0 million 7-year term loan ("2025 Term Loan"). The 2023 Term Loan includes a delayed draw feature which allowed the Company to draw \$300.0 million in up to three tranches over a six-month period in multiple currencies. The Company exercised the draw as a part of the Zenium acquisition. The \$1.7 Billion Revolving Credit Facility has the option to borrow in non-USD currencies. The \$3.0 Billion Credit Facility also includes an accordion feature providing for an aggregate increase in the revolving and term components to \$4.0 billion, subject to certain conditions. As of December 31, 2018, the Company had \$1,000.0 million, \$300.0 million and \$143.0 million outstanding under the 2023 Term Loan, the 2025 Term Loan and the \$1.7 Billion Revolving Credit Facility, respectively. The Company also assumed a €100.0 million construction facility as part of the Zenium acquisition, which was paid off in December 2018.

On August 24, 2018, the Company completed the acquisition of Zenium. Zenium is a hyperscale data center provider in Europe with four operating data centers in London and Frankfurt, and land sites available for development in London and Frankfurt. In connection with the acquisition, and after giving effect to a post-closing working capital adjustment, the Company paid aggregate cash consideration of approximately \$462.8 million, net of approximately \$12.7 million of cash acquired, and assumed outstanding indebtedness of approximately \$86.3 million. In the fourth quarter of 2018, the Company also paid approximately \$1.0 million related to the post-closing working capital adjustment which is included above in the aggregate cash consideration. The Company financed the acquisition with proceeds from the \$300.0 million delayed draw term loan included in the 2023 Term Loan and \$174.5 million of borrowings under the \$1.7 Billion Revolving Credit Facility.

During 2018, the Company acquired 182 acres of land for future development for \$182.3 million. As of December 31, 2018, the Company has a total of 470 acres of land available for future development.

During 2018, the Company sold approximately 12.2 million shares of its common stock through its At-The-Market ("ATM") program, through a public offering and through a forward sales agreement. The sales generated gross proceeds of approximately \$723.5 million. As of December 31, 2018, there was approximately \$750.0 million in remaining capacity of the \$750.0 million authorized under the New 2018 ATM Stock Offering Program (as defined in

Item 7 under "Liquidity and Capital Resources").

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The following diagram depicts our ownership structure as of December 31, 2018:

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Our Business

We provide mission-critical data center real estate assets that protect and ensure the continued operation of IT infrastructure for our customers. We provide twenty-four hours-a-day, seven-days-a-week security guard monitoring with customizable security features. Our goal is to be the preferred global data center provider to the Fortune 1000, including the largest enterprises and providers of cloud services. As of December 31, 2018, our customers included 211 of the Fortune 1000, or other companies of equivalent size, representing approximately 76% of our annualized rent as of December 31, 2018.

Data centers are highly specialized and secure real estate assets that serve as centralized repositories of server, storage and network equipment. They are designed to provide the space, power, cooling and network connectivity necessary to efficiently operate mission-critical IT equipment. Telecommunications carriers typically provide network access into a data center through optical fiber. The demand for data center infrastructure is being driven by many factors, but most importantly by significant growth in data and increased demand for data infrastructure. The market for data center facilities includes established “traditional” enterprises that are web-enabling their applications and business processes, as well as cloud-centric companies with sophisticated technology requirements.

We cultivate long-term strategic relationships with our customers and provide them with solutions for their data center facilities and IT infrastructure requirements. The Company provides high-quality colocation with robust connectivity and the flexibility for customers to scale for future growth. Our offerings provide flexibility, reliability and security delivered through a tailored, customer service focused platform that is designed to foster long-term relationships. We focus on technology and large cloud computing customers that are expanding their data needs rapidly in the public and private cloud environments to provide them with solutions that address their current and future needs. Our facilities and construction design allow us to offer flexibility in density and power resiliency, and the opportunity for expansion as our customers' needs grow. The Company's network of 48 owned or leased data centers and investments with other colocation providers, enable us to provide our customers with solutions in America, Europe and Asia. The platform enables high-performance, low-cost data transfer and accessibility for customers.

As a full-service provider of data center solutions, our primary revenue sources consist of colocation rent from the lease of our data centers and services or products we provide to our customers including managed services, equipment sales, installation and other services. Colocation leases may include all or portions of a data center, where customers may also lease office space to support their colocation operations. Revenue is primarily based on power usage as well as square footage. Managed services are provided in certain contracts pursuant to contracts ranging from one to five years and include monitoring computer equipment, managing backups and storage, utilization reporting and other related ancillary information technology services using our equipment. Equipment sales, where title transfers to the customer, typically consist of servers, switches, networking equipment, cable infrastructure, cabinets and other miscellaneous technology communication equipment typically installed in our colocation facilities. Other services are generally one-time services and include installation of customer equipment, including products we sell to our tenants, performing customer system reboots, server cabinet and cage management, power monitoring, shipping and receiving, resolving technical issues, and other hands-on service requested by the customer.

Our Competitive Strengths

Our ability to attract and retain the world's largest customers is attributed to the following competitive strengths, which distinguish us from other data center operators and enable us to continue to grow our operations.

High Quality Customer Base. The high quality of our assets, combined with our reputation for serving the needs of large enterprises, has enabled us to focus on the Fortune 1000, or other companies of equivalent size, to build a quality customer base. We currently have nearly 1,000 customers from a broad spectrum of industries and serve nine of the top ten cloud companies. Our revenue is generated by an enterprise customer base, as evidenced by the fact that as of December 31, 2018, 76% of our annualized rent comes from the Fortune 1000 or other companies of equivalent size. We serve a diversity of industries, including information technology, financial services, energy, oil and gas, mining,

medical, research and consulting services and consumer goods and services.

As of December 31, 2018, Microsoft Corporation represented 18% of our revenue.

Strategically Located Portfolio. Our portfolio is located in several domestic and international markets possessing attractive characteristics for enterprise-focused data center operations. We have domestic properties in six of the largest metropolitan areas in the U.S. (New York, Chicago, Houston, Phoenix, San Antonio and Dallas) and five of the largest metropolitan areas for Fortune 500 headquarters (New York, Houston, Dallas, Chicago and Cincinnati). We also have six properties in international markets including three in London, two in Frankfurt and one in Singapore. We have land in Dublin and Amsterdam under development. We believe cities with large populations or a large number of corporate headquarters are likely to produce incremental demand for IT infrastructure. In addition, being located close to our current and potential customers provides chief information officers (CIOs) with additional confidence when outsourcing their data center infrastructure to us.

Modern, High Quality, Flexible Facilities. Our portfolio includes highly efficient, reliable facilities with flexibility to customize customer solutions and accessibility to hundreds of connectivity providers. To optimize the delivery of power, our properties include modern engineering technologies designed to minimize unnecessary power usage and, in our newest facilities, we are able to provide power utilization efficiency ratios that we believe to be among the best in the multi-tenant data center industry. Fortune 1000 chief information officers ("CIOs") are dividing their application stacks into various groups as some applications require 100% availability, while others may require significant power to support complex computing, or robust connectivity. Our facility design enables us to deliver different power densities and resiliencies to the same customer footprint, allowing customers to tailor solutions to meet their application needs. In addition, the National IX Platform, discussed below, provides access to hundreds of telecommunication and Internet carriers.

Massively Modular[®] Construction Methods. Our Massively Modular[®] data center design principles allow us to efficiently stage construction on a large scale and deliver critical power and colocation square feet (CSF) in a timeframe that we believe is one of the best in the industry. We acquire or build a large powered shell capable of scaling with our customers' power and colocation space needs. Once the building shell is ready, we can build individual data center halls in portions of the building space to meet the needs of customers on a modular basis. This modular data center hall construction can be completed in 12 to 16 weeks to meet our customers' immediate needs. This short construction timeframe ensures a very high utilization of the assets and minimizes the time between our capital investment and the recognition of customer revenue, favorably impacting our return on investment while also translating into lower costs for our customers. Our design principles also allow us to add incremental equipment to increase power densities as our customers' power needs increase, which provides our customers with a significant amount of flexibility to manage their IT demands. We believe this Massively Modular[®] approach allows us to respond to rapidly evolving customer needs, to commit capital toward the highest return projects and to develop state-of-the-art data center facilities.

Significant Leasing Capability. Our focus on the customer, our ability to scale with their needs, and our operational excellence provide us with embedded future growth from our customer base. During 2018, we signed new leases representing \$152.7 million in annualized revenue, with previously existing customers accounting for approximately 86% of this amount. Since December 31, 2017, we have increased our CSF by approximately 552,000 square feet or 17%, while maintaining a high percentage of CSF utilized of 88% and 83% as of December 31, 2018 and 2017, respectively.

Significant, Attractive Expansion Opportunities. As of December 31, 2018, we had 1,670,000 net rentable square feet (NRSF) of powered shell available for future development and approximately 470 acres of land that are available for future data center facility development, consisting of 462 acres in US markets and eight in Europe. The powered shell available for future development in locations that are part of our domestic portfolio consist of approximately 600,000 NRSF in the Northeast (Raleigh-Durham, Northern Virginia and New York Metro), 594,000 NRSF in the Southwest (Texas and Phoenix) and 454,000 NRSF in the Midwest (Chicago and Cincinnati). Our current development properties and available acreage were selected based on extensive site selection criteria and the collective industry knowledge and experience of our management team, with a focus on markets with a strong presence of and high demand by Fortune 1000 companies and providers of cloud services. As a result, we believe that our development portfolio contains properties that are located in markets with attractive supply and demand conditions and that possess suitable physical characteristics to support data center infrastructure.

Differentiated Reputation for Service. We believe that the decision CIOs make to outsource their data center infrastructure has material implications for their businesses and, as such, CIOs look to third-party data center providers that have a reputation for serving similar organizations and that are able to deliver a customized solution. We take a consultative approach to understanding the unique requirements of our customers, and our design principles allow us to deliver a customized data center solution to match their needs. We believe that this approach has helped fuel our growth. Our current customers are also often the source of new contracts, with referrals being an important source of new customers.

Experienced Management Team. Our management team is comprised of individuals drawing on diverse knowledge and skill sets acquired through extensive experiences in the real estate, REITs, telecommunications, technology and mission-critical infrastructure industries.

Balance Sheet Positioned to Fund Continued Growth. As of December 31, 2018, we had \$1,613.4 million in available liquidity, including \$1,549.0 million in borrowing capacity under the \$3.0 Billion Credit Facility. The \$3.0 Billion Credit Facility also includes an accordion feature providing for an aggregate increase in the revolving and term components to \$4.0 billion, subject to certain conditions. We believe that we are appropriately capitalized with sufficient financial flexibility and capacity to fund our anticipated growth.

Experienced Sales Force with Robust Partner Channel. We have an experienced sales force with a particular expertise in selling to large enterprises and providers of cloud services, which can require extensive consultation and drive long sales cycles as these enterprises make the initial outsourcing decision. As of December 31, 2018, we had 48 sales-related employees. We believe the

depth, knowledge, and experience of our sales team differentiates us from other data center companies, and we are not as dependent on brokers to identify and acquire customers as some other companies in the industry. To complement our direct sales efforts, we have developed a robust network of partners, including value added resellers, systems integrators and hosting providers.

Business and Growth Strategies

Our objective is to grow our revenue and earnings, and maximize stockholder returns and cash flow, by continuing to expand our data center infrastructure outsourcing business.

Increasing Revenue from Existing Customers and Properties. We have historically generated a significant portion of our revenue growth from our existing customers. We will continue to target our existing customers because we believe that many have significant data center infrastructure needs that have not yet been outsourced, and many will require additional data center space and power to support their growth and their increasing reliance on technology infrastructure in their operations. To address new demand, as of December 31, 2018, we have approximately 1,362,726 NRSF currently available for lease. We also have approximately 1,492,091 NRSF under development, as well as 1,670,000 NRSF of additional powered shell space under roof available for future development and approximately 470 acres of land that are available for future data center facility development.

Attracting and Retaining New Customers. Increasingly, enterprises are beginning to recognize the complexities of managing data center infrastructure in the midst of rapid technological development and innovation. We believe that these complexities, brought about by the rapidly increasing levels of Internet traffic and data, private and public cloud adoption, obsolete existing corporate data center infrastructure, increased power and cooling requirements and increased regulatory requirements, are all driving the need for companies to outsource their data center facility requirements. Consequently, this will significantly increase the percentage of companies that use third-party data center colocation services over the next several years. We believe that our high-quality assets and reputation for serving cloud providers and large enterprises have been, and will be, key differentiators for us in attracting customers that are outsourcing their data center infrastructure needs.

We acquire customers through a variety of channels. We have historically managed our sales process through a direct-to-the-customer model but also utilize third-party leasing agents and indirect leasing channels to expand our universe of potential new customers. Over the past few years, we have developed a robust network of partners in our indirect leasing channels, including value added resellers, systems integrators and hosting providers. These channels, in combination with our marketing strategies, have enabled us to build both a strong brand and outreach program to new customers. Throughout the life cycle of a customer's lease with us, we maintain a disciplined approach to monitoring their experience, with the goal of providing the highest level of customer service. This personal attention fosters a strong relationship and trust with our customers, which leads to future growth and leasing renewals.

Expanding into New Markets. Our expansion strategy focuses on acquiring and developing new data centers, both domestically and internationally, in markets where our customers are located and in markets with a strong presence of and high demand by Fortune 1000 customers and providers of cloud services. We conduct extensive analysis to ensure an identified market displays strong data center fundamentals, independent of the demand presented by any particular customer. In addition, we consider markets where our existing customers want us to be located. We regularly meet with our customers to understand their business strategies and potential data center needs. We believe that this approach, combined with our Massively Modular[®] construction design, reduces the risk associated with expansion into new markets because it provides strong visibility into our leasing opportunities and helps to ensure targeted returns on new developments. When considering a new market, we take a disciplined approach in evaluating potential business, property and site acquisitions, including a site's geographic attributes, availability of telecommunications and connectivity providers, access to power, and expected costs for development.

Growing Interconnection Business. In April 2013, we launched the National IX Platform, delivering interconnection across states and between metro-enabled sites within the CyrusOne facility footprint and beyond. The platform enables high-performance, low-cost data transfer and accessibility for customers seeking to connect between CyrusOne facilities, from CyrusOne to their own private data center facility, or with one another via private peering, cross connects and/or public switching environments. Interconnection within a facility or on the National IX Platform allows our customers to share information and conduct commerce in a highly efficient manner not requiring a third-party intermediary, and at a fraction of the cost normally required to establish such a connection between two

enterprises. The demand for interconnection creates additional rental and revenue growth opportunities for us, and we believe that customer interconnections increase our likelihood of customer retention by providing an environment not easily replicated by competitors. We act as a trusted neutral party that enterprises, carriers and content companies utilize to connect to each other. In 2014, we became the first colocation provider in North America to receive multi-site certification from the Open-IX Association, a non-profit industry group formed to promote better standards for data center interconnection and Internet Exchanges in North America.

Our Portfolio

We own and operate 48 data centers and two recovery centers totaling 6.7 million NRSF, 88% of the CSF is leased and includes 703 megawatts ("MW") of power capacity. This includes 12 buildings where the Company leases such facilities. We are lessee of

approximately 5.0% of our total operating NRSF as of December 31, 2018. Also included in our total NRSF, CSF and MW are pre-stabilized assets (which include data halls that have been in service for less than 24 months and are less than 85% leased) that have approximately 416,886 NRSF, 33% of the CSF is leased with capacity of 34 MW of power.

In addition, we have properties under development comprising approximately 1.5 million NRSF and 126 MW of power capacity. The estimated total costs to develop these properties is between \$613 million and \$714 million. The final cost to develop could change depending on the capital improvements required based on the lease contracts executed on such properties. We also have 470 acres of land available for future data center development. The following tables provide an overview of our operating and development properties as of December 31, 2018.

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CyrusOne Inc.
Data Center Portfolio
As of December 31, 2018
(unaudited)

Stabilized Properties ^(b)	Metro Area	Annualized Rent ^(c) (\$000)	Operating Net Rentable Square Feet (NRSF) ^(a)							Supporting Infrastructure ^(d) (000)	Powered Shell Available Development ^(k) (NRSF) ^(k) (000)	Critical Capacity (MW) ^(l) (000)
			Colocation Space (CSF) (000)	CSF Occupied ^(e) (%)	CSF Leased ^(e) (%)	Office & Other Occupied ^(h) (000)	Office & Other Occupied ^(h) (%)	Other Occupied ^(h) (000)	Other Occupied ^(h) (%)				Total^{(f)} (000)
Dallas - Carrollton	Dallas	\$75,701	305	88	% 89	% 82	44	% 111	498	—	44	
Northern Virginia - Sterling V	Northern Virginia	42,039	383	83	% 92	% 11	100	% 138	532	64	57	
Houston - Houston West I	Houston	41,911	112	97	% 97	% 11	100	% 37	161	3	28	
Northern Virginia - Sterling II	Northern Virginia	35,853	159	100	% 100	% 9	100	% 55	223	—	30	
Cincinnati - 7th Street***	Cincinnati	33,493	197	91	% 92	% 6	61	% 175	378	46	16	
San Antonio III	San Antonio	30,781	132	100	% 100	% 9	100	% 43	184	—	24	
Somerset I	New York Metro	29,786	97	85	% 92	% 27	89	% 89	213	203	13	
Chicago - Aurora I	Chicago	27,797	113	98	% 98	% 34	100	% 223	371	27	71	
Dallas - Lewisville*	Dallas	27,050	114	76	% 83	% 11	84	% 54	180	—	21	
Totowa - Madison**	New York Metro	26,469	51	89	% 92	% 22	100	% 59	133	—	6	
Cincinnati - North Cincinnati	Cincinnati	24,322	65	99	% 100	% 45	79	% 53	163	65	14	
Wappingers Falls I**	New York Metro	23,705	37	92	% 92	% 20	99	% 15	72	—	3	
Frankfurt I	Frankfurt	21,973	53	97	% 97	% 8	91	% 57	118	—	18	
San Antonio I	San Antonio	21,586	44	100	% 100	% 6	83	% 46	96	11	12	
Phoenix - Chandler VI	Phoenix	21,190	148	99	% 99	% 6	100	% 32	186	10	24	
Houston - Houston West II	Houston	20,822	80	77	% 77	% 4	79	% 55	139	11	12	
Phoenix - Chandler II	Phoenix	20,501	74	100	% 100	% 6	38	% 26	105	—	12	
Northern Virginia - Sterling I	Northern Virginia	19,878	78	100	% 100	% 6	81	% 49	132	—	12	
Phoenix - Chandler I	Phoenix	19,456	74	100	% 100	% 35	12	% 39	147	31	16	
Phoenix - Chandler III	Phoenix	18,548	68	100	% 100	% 2	—	% 30	101	—	14	
Raleigh-Durham I	Raleigh-Durham	18,522	76	92	% 97	% 13	100	% 82	171	246	12	
Northern Virginia - Sterling III	Northern Virginia	18,172	79	100	% 100	% 7	100	% 34	120	—	15	
Austin III	Austin	16,427	62	67	% 69	% 15	98	% 21	98	67	6	
Houston - Galleria	Houston	16,021	63	59	% 59	% 23	49	% 25	112	—	14	
Austin II	Austin	14,860	44	95	% 95	% 2	100	% 22	68	—	5	
San Antonio II	San Antonio	14,106	64	100	% 100	% 11	100	% 41	117	—	12	
Florence	Cincinnati	13,518	53	99	% 99	% 47	87	% 40	140	—	9	
Northern Virginia - Sterling VI	Northern Virginia	12,384	101	68	% 100	% —	—	% —	101	—	21	
	Phoenix	11,285	73	100	% 100	% 3	100	% 27	103	—	12	

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Phoenix - Chandler IV												
Phoenix - Chandler V	Phoenix	11,162	72	100	% 100	% 1	95	% 16	89	94	12	
Cincinnati - Hamilton*	Cincinnati	10,803	47	74	% 74	% 1	100	% 35	83	—	10	
Northern Virginia - Sterling IV	Northern Virginia	10,349	81	100	% 100	% 7	100	% 34	122	—	15	
San Antonio IV	San Antonio	10,271	60	100	% 100	% 12	100	% 27	99	—	12	
London I**	London	8,527	25	100	% 100	% 12	56	% 58	95	9	10	
London II**	London	8,304	49	100	% 100	% 10	100	% 93	151	4	15	
London - Great Bridgewater**	London	6,274	10	94	% 94	% —	—	% 1	11	—	1	
Houston - Houston West III	Houston	5,569	53	34	% 34	% 10	100	% 32	95	209	6	
Cincinnati - Mason	Cincinnati	5,374	34	100	% 100	% 26	98	% 17	78	—	4	
Stamford - Riverbend**	New York Metro	5,340	20	23	% 23	% —	—	% 8	28	—	2	
Norwalk I**	New York Metro	4,378	13	99	% 99	% 4	61	% 41	58	87	2	
Chicago - Lombard	Chicago	2,427	14	62	% 62	% 4	100	% 12	30	29	3	
Stamford - Omega**	New York Metro	1,242	—	—	% —	% 19	84	% 4	22	—	—	
Frankfurt II	Frankfurt	1,185	45	100	% 100	% 7	100	% 72	123	10	25	
Cincinnati - Blue Ash*	Cincinnati	657	6	36	% 36	% 7	100	% 2	15	—	1	
South Bend - Crescent*	Chicago	567	3	41	% 41	% —	—	% 5	9	11	1	
Totowa - Commerce**	New York Metro	567	—	—	% —	% 20	38	% 6	26	—	—	
Singapore - Inter Business Park**	Singapore	379	3	22	% 22	% —	—	% —	3	—	1	
South Bend - Monroe	Chicago	123	6	23	% 23	% —	—	% 6	13	4	1	
Stabilized Properties - Total		\$811,653	3,540	90	% 92	% 62	177	% 2,148	6,309	1,241	669	

CyrusOne Inc.
Data Center Portfolio
As of December 31, 2018
(Unaudited)

Metro Area	Annualized Rent ^(c) (\$000)	Operating Net Rentable Square Feet (NRSF) ^(a)							Total ^(j) (000)	Powered Shell Available Development ^(k) (NRSF) ^(k) (000)	Critical Load Capacity ^(l) (MW) ^(l) (000)
		Colocation Space ^(e) (CSF) (000)	CSF Occupied ^(e) (000)	CSF Leased ^(e) (000)	Office & Other ^(g) (000)	Office & Other Occupied ^(g) (000)	Supporting Infrastructure ^(h) (000)	Supporting Infrastructure Occupied ^(h) (000)			
Stabilized Properties - Total	\$ 811,653	3,540	90 %	92 %	621	77 %	2,148	6,309	1,241	669	
Pre-Stabilized Properties ^(b)											
Dallas - Carrollton (DH #6)	Dallas 7,346	75	76 %	76 %	—	— %	21	96	—	6	
Chicago - Aurora II (DH #1)	Chicago 2,107	77	29 %	34 %	45	— %	14	136	272	16	
Dallas - Carrollton (DH #7)	Dallas 868	48	21 %	21 %	—	— %	—	48	—	6	
Dallas - Allen (DH #1)	Dallas —	79	— %	— %	—	— %	58	137	158	6	
All Properties - Total	\$ 821,975	3,819	85 %	88 %	666	72 %	2,241	6,726	1,670	703	

* Indicates properties in which we hold a leasehold interest in the building shell and land. All data center infrastructure has been constructed by us and is owned by us.

** Indicates properties in which we hold a leasehold interest in the building shell, land, and all data center infrastructure.

*** The information provided for the Cincinnati - 7th Street property includes data for two facilities, one of which we lease and one of which we own.

(a) Represents the total square feet of a building under lease or available for lease based on engineers' drawings and estimates but does not include space held for development or space used by CyrusOne.

Stabilized properties include data halls that have been in service for at least 24 months or are at least 85% leased.

(b) Pre-stabilized properties include data halls that have been in service for less than 24 months and are less than 85% leased.

Represents monthly contractual rent (defined as cash rent including customer reimbursements for metered power) under existing customer leases as of December 31, 2018, multiplied by 12. For the month of December 2018, customer reimbursements were \$112.0 million annualized and consisted of reimbursements by customers across all facilities with separately metered power. Customer reimbursements under leases with separately metered power vary from month-to-month based on factors such as our customers' utilization of power and the suppliers' pricing of

(c) power. From January 1, 2017 through December 31, 2018, customer reimbursements under leases with separately metered power constituted between 10.2% and 15.1% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of December 31, 2018 was \$829.6 million. Our annualized effective rent was greater than our annualized rent as of December 31, 2018 because our positive straight-line and other adjustments and amortization of deferred revenue exceeded our negative straight-line adjustments due to factors such as the timing of contractual rent escalations and customer prepayments for services.

(d)

CSF represents the NRSF at an operating facility that is currently leased or readily available for lease as colocation space, where customers locate their servers and other IT equipment.

Percent occupied is determined based on CSF billed to customers under signed leases as of December 31, 2018 (e)divided by total CSF. Leases signed but that have not commenced billing as of December 31, 2018 are not included.

(f) Percent leased is calculated by dividing CSF under signed leases for colocation space (whether or not the lease has commenced billing) by total CSF.

(g) Represents the NRSF at an operating facility that is currently leased or readily available for lease as space other than CSF, which is typically office and other space.

(h) Percent occupied is determined based on Office & Other space being billed to customers under signed leases as of December 31, 2018 divided by total Office & Other space. Leases signed but not commenced as of December 31, 2018 are not included.

(i) Represents infrastructure support space, including mechanical, telecommunications and utility rooms, as well as building common areas.

(j) Represents the NRSF at an operating facility that is currently leased or readily available for lease. This excludes existing vacant space held for development.

(k) Represents space that is under roof that could be developed in the future for operating NRSF, rounded to the nearest 1,000.

(l) Critical load capacity represents the aggregate power available for lease and exclusive use by customers expressed in terms of megawatts. The capacity reported is for non-redundant megawatts, as we can develop flexible solutions to our customers at multiple resiliency levels. Does not sum to total due to rounding.

CyrusOne Inc.
NRSF Under Development
As of December 31, 2018
(Dollars in millions)
(unaudited)

Facilities	Metropolitan Area	Estimated Completion Date	NRSF Under Development ^(a)				Under Development Costs ^(b)				
			Colocation (CSF) (000)	Office & Other (000)	Supported Infrastructure ^(c) (000)	Powered Total (000)	Critical Load MW Capacity ^(d)	Actual to Date ^(e)	Estimated Costs to Completion ^(f)	Total	
Dallas - Allen	Dallas	1Q'19	—	25	21	—	46	—	\$—	\$ 7-9	\$ 7-9
Northern Virginia - Sterling V	Northern Virginia	1Q'19	—	—	7	—	7	6.0	—	25-28	25-28
Phoenix - Chandler VII	Phoenix	1Q'19	—	—	—	269	269	—	15	44-50	59-65
Raleigh-Durham I	Raleigh-Durham	1Q'19	7	—	—	—	7	3.0	1	6-8	7-9
Dallas - Carrollton	Dallas	2Q'19	—	—	—	—	—	6.0	2	17-18	19-20
Northern Virginia - Sterling VI	Northern Virginia	2Q'19	171	35	52	—	258	36.0	43	95-119	138-162
Somerset II	New York Metro	2Q'19	9	—	—	—	9	—	—	4-6	4-6
London I	London	2Q'19	13	—	—	—	13	5.0	—	12-14	12-14
Northern Virginia - Sterling VII	Northern Virginia	3Q'19	—	—	—	93	93	—	—	33-37	33-37
Northern Virginia - Sterling VIII	Northern Virginia	3Q'19	122	4	25	—	151	30.0	24	142-159	166-183
Austin III	Austin	3Q'19	—	—	—	—	—	3.0	—	17-19	17-19
London II	London	3Q'19	32	—	—	—	32	13.0	—	30-34	30-34
Frankfurt II	Frankfurt	3Q'19	45	3	—	—	48	18.0	—	50-60	50-60
Amsterdam I	Amsterdam	4Q'19	39	28	40	194	301	6.0	1	65-76	66-77
Frankfurt III	Frankfurt	2Q'20	—	—	—	258	258	—	—	66-77	66-77
Total			439	96	144	814	1,492	126.0	\$ 86	\$ 613-714	\$ 699-800

Represents NRSF at a facility for which activities have commenced or are expected to commence in the next 2 (a) quarters to prepare the space for its intended use. Estimates and timing are subject to change. May not sum to total due to rounding.

London development costs are GBP-denominated and shown as USD-equivalent using exchange rate of 1.27.

(b) Frankfurt and Amsterdam development costs are EUR-denominated and shown as USD-equivalent using exchange rate of 1.14.

(c) Represents NRSF under construction that, upon completion, will be powered shell available for future development into operating NRSF.

(d) Critical load capacity represents the aggregate power available for lease and exclusive use by customers expressed in terms of megawatts. The capacity reported is for non-redundant megawatts, as we can develop flexible solutions to our customers at multiple resiliency levels.

(e) Actual to date is the cash investment as of December 31, 2018. There may be accruals above this amount for work completed, for which cash has not yet been paid.

(f) Represents management's estimate of the total costs required to complete the current NRSF under development. There may be an increase in costs if customers require greater power density.

Customer Diversification

Our portfolio is currently leased to approximately 1,000 customers, many of which are leading global companies. The following table sets forth information regarding the 20 largest customers, including their affiliates, in our portfolio based on annualized rent as of December 31, 2018:

CyrusOne Inc.

Customer Sector Diversification^(a)

As of December 31, 2018

(unaudited)

Principal Customer Industry	Number of Locations	Annualized Rent ^(b) (000)	Percentage of Portfolio Annualized Rent ^(c)	Weighted Average Remaining Lease Term in Months ^(d)
1 Information Technology ^(e)	11	\$ 156,064	19.0 %	95.8
2 Information Technology	5	52,716	6.4 %	67.6
3 Information Technology	10	44,325	5.4 %	39.4
4 Information Technology	7	29,937	3.6 %	32.8
5 Financial Services	1	19,097	2.3 %	147.0
6 Research and Consulting Services	3	15,791	1.9 %	25.1
7 Information Technology	4	15,585	1.9 %	44.0
8 Healthcare	2	15,099	1.8 %	108.0
9 Telecommunication Services	2	13,513	1.6 %	31.0
10 Energy	1	12,610	1.5 %	19.7
11 Information Technology	6	12,004	1.5 %	23.0
12 Industrials	5	11,400	1.4 %	9.5
13 Telecommunication Services	7	9,950	1.2 %	22.1
14 Financial Services	2	9,506	1.2 %	56.6
15 Consumer Staples	3	9,162	1.1 %	25.7
16 Information Technology	2	7,994	1.0 %	66.2
17 Telecommunication Services	1	7,823	1.0 %	106.6
18 Information Technology	3	7,819	1.0 %	109.8
19 Information Technology	2	7,187	0.9 %	11.3
20 Financial Services	1	6,600	0.8 %	17.0
		\$ 464,182	56.5 %	67.2

(a) Customers and their affiliates are consolidated.

(b) Represents monthly contractual rent (defined as cash rent including customer reimbursements for metered power) under existing customer leases as of December 31, 2018, multiplied by 12. For the month of December 2018, customer reimbursements were \$112.0 million annualized and consisted of reimbursements by customers across all facilities with separately metered power. Customer reimbursements under leases with separately metered power vary from month-to-month based on factors such as our customers' utilization of power and the suppliers' pricing of power. From January 1, 2017 through December 31, 2018, customer reimbursements under leases with separately metered power constituted between 10.2% and 15.1% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of December 31, 2018 was \$829.6 million. Our annualized effective rent was greater than our annualized rent as of December 31, 2018 because our positive straight-line and other adjustments and amortization of deferred revenue exceeded our negative straight-line

adjustments due to factors such as the timing of contractual rent escalations and customer prepayments for services.

(c) Represents the customer's total annualized rent divided by the total annualized rent in the portfolio as of December 31, 2018, which was approximately \$822.0 million.

Weighted average based on customer's percentage of total annualized rent expiring and is as of December 31, 2018, assuming that customers exercise no renewal options and exercise all early termination rights that require payment of less than 50% of the remaining rents. Early termination rights that require payment of 50% or more of the remaining lease payments are not assumed to be exercised because such payments approximate the profitability margin of leasing that space to the customer, such that we do not consider early termination to be economically detrimental to us.

(e) The customer represents 19% of our annualized rent and 18% of our consolidated revenue.

Lease Distribution

The following table sets forth information relating to the distribution of customer leases in the properties in our portfolio, based on NRSF under lease as of December 31, 2018:

CyrusOne Inc.

Lease Distribution

As of December 31, 2018

(unaudited)

NRSF Under Lease ^(a)	Number of Customers ^(b)	Percentage of All Customers	Total Leased NRSF ^(c) (000)	Percentage of Portfolio Leased	Percentage of Annualized Rent ^(d)	Annualized Rent ^(d) (000)	Percentage of Annualized Rent
0-999	672	68 %	127	2 %	\$ 71,531	9 %	
1,000-2,499	119	12 %	187	4 %	43,709	5 %	
2,500-4,999	74	7 %	264	5 %	44,912	6 %	
5,000-9,999	45	5 %	319	6 %	52,946	6 %	
10,000+	82	8 %	4,466	83 %	608,877	74 %	
Total	992	100 %	5,363	100 %	\$ 821,975	100 %	

(a) Represents all leases in our portfolio, including colocation, office and other leases.

(b) Represents the number of customers occupying data center, office and other space as of December 31, 2018. This may vary from total customer count as some customers may be under contract, but have yet to occupy space.

(c) Represents the total square feet at a facility under lease and that has commenced billing, excluding space held for development or space used by CyrusOne. A customer's leased NRSF is estimated based on such customer's direct CSF or office and light-industrial space plus management's estimate of infrastructure support space, including mechanical, telecommunications and utility rooms, as well as building common areas.

(d) Represents monthly contractual rent (defined as cash rent including customer reimbursements for metered power) under existing customer leases as of December 31, 2018, multiplied by 12. For the month of December 2018, customer reimbursements were \$112.0 million annualized and consisted of reimbursements by customers across all facilities with separately metered power. Customer reimbursements under leases with separately metered power vary from month-to-month based on factors such as our customers' utilization of power and the suppliers' pricing of power. From January 1, 2017 through December 31, 2018, customer reimbursements under leases with separately metered power constituted between 10.2% and 15.1% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of December 31, 2018 was \$829.6 million. Our annualized effective rent was greater than our annualized rent as of December 31, 2018 because our positive straight-line and other adjustments and amortization of deferred revenue exceeded our negative straight-line adjustments due to factors such as the timing of contractual rent escalations and customer prepayments for services.

Lease Expiration

The following table sets forth a summary schedule of the customer lease expirations for leases in place as of December 31, 2018, plus available space, for each of the 10 full calendar years beginning January 1, 2019, at the properties in our portfolio.

CyrusOne Inc.

Lease Expirations

As of December 31, 2018

(unaudited)

Year ^(a)	Number of Leases Expiring ^(b)	Total Operating NRSF (000)	Percentage of Total NRSF	Annualized Rent ^(c) (000)	Percentage of Annualized Rent	Annualized Rent at Expiration ^(d) (000)	Percentage of Annualized Rent at Expiration
Available		1,363	20 %				
Month-to-Month	759	100	1 %	\$ 32,002	4 %	\$ 34,396	4 %
2019	2,250	574	9 %	107,469	13 %	108,352	12 %
2020	1,686	594	9 %	104,107	13 %	106,016	11 %
2021	1,851	722	11 %	127,330	15 %	136,913	15 %
2022	337	539	8 %	77,359	9 %	83,552	9 %
2023	266	720	11 %	86,821	11 %	119,285	13 %
2024	60	266	4 %	39,767	5 %	48,527	5 %
2025	46	186	3 %	29,672	4 %	34,024	4 %
2026	31	590	9 %	86,809	10 %	92,627	10 %
2027	19	438	6 %	66,807	8 %	86,233	9 %
2028	16	265	4 %	29,576	4 %	34,941	4 %
2029 - Thereafter	13	369	5 %	34,256	4 %	41,324	4 %
Total	7,334	6,726	100 %	\$ 821,975	100 %	\$ 926,190	100 %

Leases that were auto-renewed prior to December 31, 2018 are shown in the calendar year in which their current auto-renewed term expires. Unless otherwise stated in the footnotes, the information set forth in the table assumes (a) that customers exercise no renewal options and exercise all early termination rights that require payment of less than 50% of the remaining rents. Early termination rights that require payment of 50% or more of the remaining lease payments are not assumed to be exercised.

(b) Number of leases represents each agreement with a customer. A lease agreement could include multiple spaces and a customer could have multiple leases.

Represents monthly contractual rent (defined as cash rent including customer reimbursements for metered power) under existing customer leases as of December 31, 2018, multiplied by 12. For the month of December 2018, customer reimbursements were \$112.0 million annualized and consisted of reimbursements by customers across all facilities with separately metered power. Customer reimbursements under leases with separately metered power vary from month-to-month based on factors such as our customers' utilization of power and the suppliers' pricing of (c) power. From January 1, 2017 through December 31, 2018, customer reimbursements under leases with separately metered power constituted between 10.2% and 15.1% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of December 31, 2018 was \$829.6 million. Our annualized effective rent was greater than our annualized rent as of December 31, 2018 because our positive straight-line and other adjustments and amortization of deferred revenue exceeded our negative straight-line adjustments due to factors such as the timing of contractual rent escalations and customer prepayments for services.

(d) Represents the final monthly contractual rent under existing customer leases that had commenced as of December 31, 2018, multiplied by 12.

Regulation

General

Properties in our markets are subject to various laws, ordinances and regulations, including regulations relating to common areas. In addition to the regulations described below, we are subject to various federal, state and local regulations, such as state and local fire and life safety regulations. We believe that each of our properties has, or is expected to have when required, the necessary permits and approvals for us to operate our business.

Americans With Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act of 1990, or the ADA, to the extent that such properties are “public accommodations” as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

Environmental Matters

We are subject to laws and regulations relating to the protection of the environment, the storage, management and disposal of hazardous materials, emissions to air and discharges to water, the cleanup of contaminated sites and health and safety matters. These include various regulations promulgated by the Environmental Protection Agency and other federal, state, and local regulatory agencies and legislative bodies relating to our operations, including those involving power generators, batteries, and fuel storage to support co-location infrastructure. While we believe that our operations are in substantial compliance with environmental, health, and human safety laws and regulations, as an owner or operator of property and in connection with the current and historical use of hazardous materials and other operations at its sites, we could incur significant costs, including fines, penalties and other sanctions, cleanup costs and third-party claims for property damages or personal injuries, as a result of violations of or liabilities under environmental laws and regulations. Fuel storage tanks are present at many of our properties, and if releases were to occur, we may be liable for the costs of cleaning up resulting contamination. Some of our sites also have a history of previous commercial operations, including past underground storage tanks.

Some of the properties may contain asbestos-containing building materials. Environmental laws require that asbestos-containing building materials be properly managed and maintained and may impose fines and penalties on building owners or operators for failure to comply with these requirements.

Environmental consultants have conducted Phase I or similar non-intrusive environmental site assessments on recently acquired properties and, if appropriate, additional environmental inquiries and assessments. Nonetheless, we may acquire or develop sites in the future with unknown environmental conditions from historical operations. Although we are not aware of any sites at which we currently have material remedial obligations, the imposition of remedial obligations as a result of spill or the discovery of contaminants in the future could result in significant additional costs to us.

Our operations also require us to obtain permits and/or other governmental approvals and to develop response plans in connection with the use of our generators or other operations. These requirements could restrict our operations or delay the development of data centers in the future. In addition, from time to time, federal, state or local government regulators enact new or revise existing legislation or regulations that could affect us, either beneficially or adversely. As a result, we could incur significant costs in complying with environmental laws or regulations that are promulgated in the future.

Insurance

We carry comprehensive liability, fire, extended coverage, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket policy. In the opinion of our management, our policy specifications, limits and insurance carriers are appropriate given the relative risk of loss, the cost of coverage and industry

practice. We cannot provide any assurance that the business interruption or property insurance we have will cover all losses that we may experience, that the insurance carrier will be solvent, that rates will remain commercially reasonable, that insurance carriers will not cancel our policies, or that the insurance carriers will pay all claims made by us. Certain circumstances, such as acts of war, are generally uninsurable under our policies. See also "Risk Factors-Risks Related to Our Business and Operations." Any losses to our properties that are not covered by insurance, or that exceed our policy coverage limits, could adversely affect our business, financial condition and results of operations.

Competition

We compete with numerous developers, owners and operators of technology-related real estate, many of which own properties similar to ours in the same markets in which our properties are located. If our competitors offer space at rental rates below current market rates or below the rental rates we currently charge our customers, or if our competitors offer space that tenants perceive to be superior to ours (based on factors such as available power, security considerations, location or connectivity), we may lose potential customers and we may be pressured to reduce our rental rates below those we currently charge in order to retain customers when our customers' leases expire or incur costs to improve our properties. In addition, our customers have the option of building their own data center space which can also place pressure on our rental rates.

As a developer of data center space and provider of interconnection services, we also compete for the services of key third-party providers of services, including engineers and contractors with expertise in the development of data centers. There is competition for the services of specialized contractors and other third-party providers required for the development of data centers, increasing the cost of engaging such providers and the risk of delays in completing our development projects.

In addition, we face competition from real estate developers in our sector and in other industries for the acquisition of additional properties suitable for the development of data centers. Such competition may reduce the number of properties available for acquisition, increase the price of these properties and reduce the demand for data center space in the markets we seek to serve.

Employees

As of December 31, 2018, we employ approximately 448 persons, including 44 international employees. None of these employees are represented by a labor union.

Financial Information

For financial information related to our operations, please refer to the financial statements including the notes thereto, included in this Form 10-K.

How to Obtain Our SEC Filings

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (SEC). All reports we file with the SEC will be available free of charge via EDGAR through the SEC website at <http://www.sec.gov>. We make available our reports on Forms 10-K, 10-Q, and 8-K (as well as all amendments to these reports), and other information, free of charge, at the "Investors" section of our website at <http://www.cyrusone.com>. The information found on, or otherwise accessible through, our website is not incorporated by reference into, nor does it form a part of, this report or any other document that we file with the SEC.

ITEM 1A. RISK FACTORS

You should carefully consider all the risks described below, as well as the other information contained in this document when evaluating your investment in our securities. Any of the following risks could materially and adversely affect our business, results of operations or financial condition. The risks and uncertainties described below are those that we currently believe may materially affect our Company. Additional risks and uncertainties of which we are unaware or that we currently deem immaterial also may become important factors that affect our Company. The occurrence of any of the following risks might cause you to lose all or a part of your investment. Some statements in this Form 10-K, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled “Special Note Regarding Forward-Looking Statements.”

Risks Related to Our Business and Operations

A small number of customers account for a significant portion of our revenue. The loss or significant reduction in business from one or more of our large customers could significantly harm our business, financial condition and results of operations, and impact the amount of cash available for distribution to our stockholders.

We currently depend, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our revenue. Our top 10 customers collectively accounted for approximately 46% of our total annualized rent as of December 31, 2018. We have one customer which accounted for approximately 18% of our revenue as of December 31, 2018. As a result of this customer concentration, our business, financial condition and results of operations, including the amount of cash available for distribution to our stockholders, could be adversely affected if we lose one or more of our larger customers, if one or more of such customers significantly reduce their business with us or if we choose not to enforce, or to enforce less vigorously, any rights that we may have now or in the future against these significant customers because of our desire to maintain our relationship with them.

A significant percentage of our customer base is also concentrated in two industry sectors: information technology and financial services. Enterprises in the information technology and financial services sectors comprised approximately 51% and 17% respectively, of our annualized rent as of December 31, 2018. A downturn in one of these industries could negatively impact the financial condition of one or more of our information technology, financial services or energy customers, including several of our larger customers. In addition, instability in financial markets and economies generally may adversely affect our customers’ ability to replace or renew maturing liabilities on a timely basis, access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on our customers’ financial condition and results of operations. As a result of these factors, customers could default on their obligations to us, delay the purchase of new services from us or decline to renew expiring leases, any of which could have an adverse effect on our business, financial condition and results of operations.

Additionally, if any customer becomes a debtor in a case under the U.S. Bankruptcy Code, applicable bankruptcy laws may limit our ability to terminate our contract with such customer solely because of the bankruptcy or recover any amounts owed to us under our agreements with such customer. In addition, applicable bankruptcy laws could allow the customer to reject and terminate its agreement with us, with limited ability for us to collect the full amount of our damages. Our business, including our revenue and cash available for distribution to our stockholders, could be adversely affected if any of our significant customers were to become bankrupt or insolvent.

A significant percentage of our customer leases expire each year or are on a month-to-month basis, and many of our leases contain early termination provisions. If leases with our customers are not renewed on the same or more favorable terms or are terminated early by our customers, our business, financial condition and results of operations could be substantially harmed.

Our customers may not renew their leases upon expiration. This risk is increased by the significant percentage of our customer leases that expire every year. As of December 31, 2018, leases representing 13%, 13% and 15% of the annualized rent for our portfolio will expire during 2019, 2020 and 2021, respectively, and an additional 4% of the 2018 annualized rent for our portfolio was from month-to-month leases. While historically we have retained a significant number of our customers, including those leasing from us on a month-to-month basis, upon expiration our customers may elect not to renew their leases or renew their leases at lower rates, for less space, for fewer services or for shorter terms. If we are unable to successfully renew or continue our customer leases on the same or more favorable terms or subsequently re-lease available data center space when such leases expire, our business, financial condition and results of operations could be adversely affected.

In addition, many of our leases contain early termination provisions that allow our customers to reduce the term of their leases subject to payment of an early termination charge that is often a specified portion of the remaining rent payable on such leases. The exercise by customers of early termination options could have an adverse effect on our business, financial condition and results of operations.

We generate a substantial portion of our revenue from a small number of metropolitan markets, which makes us more susceptible to regional economic downturns.

Our properties are located in 13 distinct markets (10 in the U.S., London, U.K., Singapore and Frankfurt, Germany). Cincinnati, Dallas, Houston, New York Metro, Northern Virginia, Phoenix and San Antonio accounted for approximately 84% of our annualized rent as of December 31, 2018. As such, we are potentially susceptible to local economic conditions and the supply of, and demand for, data center space in these markets. If there is a downturn in the economy, a natural disaster or an oversupply of, or decrease in demand for, data centers in these markets, our business could be adversely affected to a greater extent than if we owned a real estate portfolio that was more diversified in terms of both geography and industry focus.

Even if we have additional space available for lease at any one of our data centers, our ability to meet existing customer requirements or lease this space to existing or new customers could be constrained by our ability to provide sufficient electrical power and cooling capacity.

Customers are increasing their deployment of high-density IT equipment in our data centers, which has increased the demand for power and cooling capacity. As current and future customers increase their power footprint in our facilities over time, we may be required to upgrade or add to our existing infrastructure or add additional infrastructure to meet customer requirements. Power and cooling systems are difficult and expensive to upgrade, and such changes may be required at a time or on a timeline during which we lack the financial or operational ability to make such changes. Our failure to timely upgrade or add additional infrastructure could result in a failure to meet the requirements of our existing customers, or limit our ability to increase occupancy rates or density within our existing facilities, whether for new or existing customers. Similarly, even when successful in implementing such changes, we may not be able to pass on any additional costs to our customers.

We do not own all of the buildings in which our data centers are located. Instead, we lease or sublease certain of our data center spaces and the ability to retain these leases or subleases could be a significant risk to our ongoing operations.

We do not own 12 buildings that account for approximately 639,720 NRSF, or approximately 5% of our total operating NRSF. These leased buildings accounted for 6% of our total annualized rent as of December 31, 2018. In addition, future companies that we acquire, particularly outside of the U. S., may lease facilities instead of owning them. Our business could be harmed if we are unable to renew the leases for these data centers on favorable terms or at all. Additionally, in several of our smaller facilities we sublease our space, and our rights under these subleases are dependent on our sublandlord retaining its rights under the prime lease. When the primary terms of our existing leases and subleases expire, we generally have the right to extend the terms of our leases and subleases for one or more renewal periods, subject to, in the case of several of our subleases, our sublandlord renewing its term under the prime lease. For four of these leases and subleases, the renewal rent will be determined based on the fair market value of rental rates for the property, and the then prevailing rental rates may be higher than the current rental rates under the applicable lease. The rent for the remaining leases and subleases will be based on a fixed percentage increase over the base rent during the year immediately prior to expiration. Several of our data centers are leased or subleased from other data center companies, which may increase our risk of non-renewal or renewal on less than favorable terms. If renewal rates are less favorable than those we currently have, we may be required to increase revenues within existing data centers to offset such increase in lease payments. Failure to increase revenues to sufficiently offset these projected higher costs would adversely impact our operating income. Upon the end of our renewal options, we would have to renegotiate our lease terms with the applicable landlords.

Additionally, if we are unable to renew the lease at any of our data centers, we could lose customers due to the disruptions in their operations caused by the relocation. We could also lose those customers that choose our data centers based on their locations. In addition, it is not typical for us to relocate data center infrastructure equipment, such as generators, power distribution units and cooling units, from their initial installation. The costs of relocating such equipment to different data centers could be prohibitive and, as such, we could lose the value of this equipment. For these reasons, any lease that cannot be renewed could adversely affect our business, financial condition and results of operations.

Any losses to our properties that are not covered by insurance, or that exceed our coverage limits, could adversely affect our business, financial condition and results of operations.

The properties in our portfolio are subject to risks, including from causes related to riots, war, terrorism or acts of God. For example, our properties located in Texas are generally subject to risks related to tropical storms, tornadoes, hurricanes, floods and other severe weather or natural events and our properties located in the Midwest are generally subject to risks related to earthquakes, tornadoes and other severe weather. All our properties could have unknown title defects or encumbrances. While we carry commercial property insurance including business interruption, flood and earth movement covering all of the properties in our portfolio, and title insurance on a substantial number of our properties, the amount of insurance coverage may not be sufficient to fully cover losses we may incur.

If we experience a loss that is uninsured or exceeds our policy coverage limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties were subject to recourse indebtedness, we could continue to be liable for the indebtedness even if these properties were irreparably damaged or subject of a loss.

In addition, even if a title defect or damage to our properties is covered by insurance, a disruption of our business caused by a casualty event may result in the loss of business or customers. The business interruption insurance we carry may not fully compensate us for the loss of business or customers due to an interruption caused by a title defect or casualty event.

A failure of an insurance company to make payments to us upon an event of loss covered by an insurance policy could adversely affect our business, financial condition and results of operations. We monitor our insurance carrier's financial strength rating and financial size category by only placing insurance with carriers who have an A.M. Best Rating of A- XII or better. However, it can be difficult to evaluate the stability and net assets or capitalization of insurance companies, and any insurance company's ability to meet its claim payment obligations.

Any failure of our physical infrastructure or services could lead to significant costs and disruptions that could reduce our revenues and harm our brand and reputation.

Our business depends on providing customers with a highly reliable data center environment. We may fail to provide such service as a result of numerous factors, including:

- human error;
- failure to timely deploy adequate infrastructure to meet customer requirements;
- unexpected equipment failure;
- power loss or telecommunications failures;
- improper building maintenance by us, our vendors, or by our landlords in the buildings that we lease;
- physical or electronic security breaches;
- fire, tropical storm, hurricane, tornado, flood, earthquake and other natural disasters;
- water damage;
- war, terrorism and any related conflicts or similar events worldwide; and
- sabotage and vandalism.

Problems at one or more of our data centers, whether or not within our control, could result in service interruptions or equipment damage. Substantially all of our leases with our customers include terms requiring us to meet certain service level commitments primarily in terms of electrical output to, and maintenance of environmental conditions in, the data center raised floor space leased by such customers. Any failure to meet these commitments or any equipment damage in our data centers, including as a result of mechanical failure, power outage, human error on our part or other reasons, could subject us to liability under our lease terms, including service level credits against customer rent payments, or, in certain cases of repeated failures, the right by the customer to terminate the lease. For example, although our data center facilities are engineered to reliably power and cool our customers' computing equipment, it is possible that an outage could adversely affect a facility's power and cooling capabilities, and, in the past, certain of our facilities have experienced minor outages. Depending on the frequency and duration of these outages, the affected customers may have the right to terminate their lease, which could have a negative impact on our business. We may also be required to expend significant financial resources to upgrade or add to existing infrastructure to meet customer requirements for power and cooling, and we may not be financially or operationally able to do so in a timely manner. We may be vulnerable to security breaches or cyber-attacks which could disrupt our operations and have a material adverse effect on our financial performance and operating results.

Security breaches, cyber-attacks, or disruption, of our or our customers' physical or information technology infrastructure, networks and related management systems could result in, among other things, unauthorized access to our facilities, a breach of our and our customers' networks and information technology infrastructure, the misappropriation of our or our customers' or their customers' proprietary or confidential information, interruptions or malfunctions in our or our customers' operations, delays or interruptions to our ability to meet customer needs, breach of our legal, regulatory or contractual obligations, inability to access or rely upon critical business records or other disruptions in our operations. Numerous sources can cause these types of incidents, including: physical or electronic security breaches viruses, ransomware or other malware hardware vulnerabilities such as Meltdown and Spectre

accident or human error by our own personnel or third parties criminal activity or malfeasance (including by our own personnel) fraud or impersonation scams perpetrated against us or our partners or customers or security events impacting our third-party service providers or our partners or customers. Our exposure to cybersecurity threats and negative consequences of cybersecurity breaches will likely increase as we store increasing amounts of customer data. Additionally, as we increasingly market the security features in our data centers, our data centers may be targeted by computer hackers seeking to compromise data security.

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We recognize the increasing volume of cyber-attacks and employ commercially practical efforts to provide reasonable assurance such attacks are appropriately mitigated. Each year, we evaluate the threat profile of our industry to stay abreast of trends and to provide reasonable assurance our existing countermeasures will address any new threats identified. We may be required to expend significant financial resources to protect against or respond to such breaches. Cyber criminals are increasingly using powerful new tactics including evasive applications, proxies, tunneling, encryption techniques, vulnerability exploits, buffer overflows, distributed denial of service attacks, or distributed denial-of-service or DDoS attacks, botnets and port scans. Techniques used to breach security change frequently, and are generally not recognized until launched against a target, so we may not be able to promptly detect that a security breach or unauthorized access has occurred. We also may not be able to implement security measures in a timely manner or, if and when implemented, we may not be able to determine the extent to which these measures could be circumvented. As we provide assurances to our customers that we provide a high level of security, if an actual or perceived security breach occurs, the market's perception of our security measures could be harmed and we could lose sales and current and potential customers, and such a breach could be particularly harmful to our brand and reputation. Any breaches that may occur could also expose us to increased risk of lawsuits, material monetary damages, potential violations of applicable privacy and other laws, penalties and fines, loss of existing or potential customers, harm to our reputation and increases in our security and insurance costs, which could have a material adverse effect on our business, financial condition and results of operations. In the event of a breach resulting in loss of data, such as personally identifiable information or other such data protected by data privacy or other laws, we may be liable for damages, fines and penalties for such losses under applicable regulatory frameworks despite not handling the data. Furthermore, if a high profile security breach or cyber-attack occurs with respect to another provider of mission-critical data center facilities, our customers and potential customers may lose trust in the security of these business models generally, which could harm our ability to retain existing customers or attract new ones. We cannot guarantee that any backup systems, regular data backups, security protocols, network protection mechanisms and other procedures currently in place, or that may be in place in the future, will be adequate to prevent network and service interruption, system failure, damage to one or more of our systems or data loss in the event of a security breach or attack on our facilities.

In addition, the regulatory framework around data custody, data privacy and breaches varies by jurisdiction and is an evolving area of law with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S. and elsewhere. We may not be able to limit our liability or damages in the event of such a loss. For example, the European Union recently adopted the General Data Protection Regulation (the "GDPR"). The GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. Data protection legislation is also becoming increasingly common in the United States at both the federal and state level and may require us to further modify our data processing practices and policies. For example, the state of California, where we recently acquired property for the first time in Santa Clara and expect to build our first Silicon Valley data center, recently adopted the California Consumer Privacy Act of 2018, which is currently set to take effect on January 1, 2020 and expected to provide California residents with increased privacy rights and protections with respect to their personal information. Compliance with existing, proposed and recently enacted laws and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against the Company by governmental entities or others, fines and penalties, damage to our reputation and credibility and could have a negative impact on our business and results of operations.

Our growth depends on the development of our properties and our ability to successfully lease those properties, and any delays or unexpected costs associated with such projects or the ability to lease such properties may harm our growth prospects, future business, financial condition and results of operations.

Our growth depends in part upon successfully developing properties into operating data center space. Current and future development projects will involve substantial planning, allocation of significant company resources and certain risks, including risks related to zoning, regulatory approvals, construction costs and delays, as well as our ability to raise capital, including both debt and equity, to finance such projects. These projects will also require us to carefully

select and rely on the experience of one or more general contractors and associated subcontractors during the construction process. Should a general contractor or significant subcontractor experience financial or other problems during the construction process, we could experience significant delays, increased costs to complete the project and other negative impacts to our expected returns, as well as reputational risk. Site selection is also a critical factor in our expansion plans, and there may not be suitable properties available in our markets at a location that is attractive to our customers and has the necessary combination of access to multiple network providers, a significant supply of electrical power, high ceilings and the ability to sustain heavy floor loading. Furthermore, while we may prefer to locate new data centers adjacent to our existing data centers, we may be limited by the inventory and location of suitable properties.

In addition, in developing new properties, we will be required to secure an adequate supply of power from local utilities, which may include unanticipated costs. For example, we could incur increased costs to develop utility substations on our properties in order to accommodate our power needs. Any inability to secure an appropriate power supply on a timely basis or on acceptable financial terms could adversely affect our ability to develop the property on an economically feasible basis, or at all.

We regularly monitor commodity and labor pricing trends related to our data center development capital expenditures, where a large proportion of our current development project costs are under firm price commitments. Should the proportion of such project costs that are firm price commitments decline, there could be corresponding price increases in certain selective materials, including due to recent international trade negotiations, which could significantly increase our overall development costs.

These and other risks could result in delays or increased costs or prevent the completion of our development projects and growth of our business, which could adversely affect our business, financial condition and results of operations.

In addition, we have in the past undertaken development projects prior to obtaining commitments from customers to lease the related data center space. We will likely choose to undertake future development projects under similar terms. Such development involves the risk that we will be unable to attract customers to the relevant properties on a timely basis or at all. If we are unable to attract customers and our properties remain vacant or underutilized for a significant amount of time, our business, financial condition and results of operations could be adversely affected.

We are dependent upon third-party suppliers for power and certain other services, and we are vulnerable to service failures of our third-party suppliers and to price increases by such suppliers.

We rely on third-party local utilities to provide power to our data centers. We are therefore subject to an inherent risk that such local utilities may fail to deliver such power in adequate quantities or on a consistent basis, and our recourse against the utility and ability to control such failures may be limited. If power delivered from the local utility is insufficient or interrupted, we would be required to provide power through the operation of our on-site generators, generally at a significantly higher operating cost than we would pay for an equivalent amount of power from the local utility. We may not be able to pass on the higher cost to our customers. In addition, if the generator power were to fail, we would generally be subject to paying service level credits to our customers, who may in certain instances also have the right to terminate their leases. Furthermore, any sustained loss of power could reduce the confidence of our customers in our services thereby impairing our ability to attract and retain customers, which would adversely affect both our ability to generate revenues and our results of operations.

In addition, even when power supplies are adequate, we may be subject to pricing risks and unanticipated costs associated with obtaining power from various utility companies. While we actively seek to lock-in utility rates, many factors beyond our control may increase the rate charged by the local utility. For instance, municipal utilities in areas experiencing financial distress may increase rates to compensate for financial shortfalls unrelated to either the cost of production or the demand for electricity. Utilities may be dependent on, and be sensitive to price increases for, a particular type of fuel, such as coal, oil or natural gas. In addition, the price of these fuels and the electricity generated from them could increase as a result of proposed legislative measures related to climate change or efforts to regulate carbon emissions. In any of these cases, increases in the cost of power at any of our data centers could put those locations at a competitive disadvantage relative to data centers served by utilities that can provide less expensive power. These pricing risks are particularly acute with respect to our customer leases that are structured on a full-service gross basis, where the customer pays a fixed amount for both colocation rental and power. Our business, financial condition and results of operations could be adversely affected in the event of an increase in utility rates under these leases, which, as of December 31, 2018, accounted for approximately 16% of our leased NRSF, because we may be limited in our ability to pass on such costs to these customers.

We depend on third parties to provide network connectivity to the customers in our data centers, and any delays or disruptions in connectivity may adversely affect our business, financial condition and results of operations.

Our customers require internet connectivity and connectivity to the fiber networks of multiple third-party telecommunications carriers. In order for us to attract and retain customers, our data centers need to provide sufficient access for customers to connect to those carriers. While we provide space and facilities in our data centers for carriers to locate their equipment and connect customers to their networks, any carrier may elect not to offer its services within our data centers or may elect to discontinue its service. Furthermore, carriers may periodically experience business difficulties which could affect their ability to provide telecommunications services, or the service provided by a carrier may be inadequate or of poor quality. If carriers were to terminate connectivity within our data centers or if connectivity were to be degraded or interrupted, it could put that data center at a competitive disadvantage versus a competitor's data center that does provide adequate connectivity. A material loss of adequate third-party connectivity could have an adverse effect on the businesses of our customers and, in turn, our own results of operations and cash

flow.

Furthermore, each new data center that we develop requires significant amounts of capital to be expended by third-party telecommunications carriers for the construction and operation of a sophisticated redundant fiber network. The construction required to connect multiple carrier facilities to our data centers is complex and involves factors outside of our control, including regulatory requirements, the availability of construction resources and the sufficiency of such third-party telecommunications carriers' financial resources to fund the construction. Additionally, hardware or fiber failures could cause significant loss of connectivity. If we are unable to establish highly diverse network connectivity to our data centers, or if such network connectivity is materially

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delayed, is discontinued or is subject to failure, our ability to attract new customers or retain existing customers may be negatively affected and, as a result our results of operations and cash flows may be adversely affected.

The loss of access to key third-party technical service providers and suppliers could adversely affect our current and any future development projects.

Our success depends, to a significant degree, on having timely access to certain key third-party technical personnel who are in limited supply and great demand, such as engineering firms and construction contractors capable of developing our properties, and to key suppliers of electrical and mechanical equipment that complement the design of our data center facilities. For any future development projects, we will continue to rely on these personnel and suppliers to develop and equip our data centers. Competition for such technical expertise is intense, and there are a limited number of electrical and mechanical equipment suppliers that design and produce the equipment that we require. We may not always have or retain access to such key service providers and equipment suppliers, which could adversely affect our current and any future development projects.

The long sales cycle for data center services may adversely affect our business, financial condition and results of operations.

A customer's decision to lease space in one of our data centers and to purchase additional services from us typically involves a significant commitment of resources, significant contract negotiations regarding the service level commitments, and significant due diligence on the part of the customer regarding the adequacy of our facilities, including the adequacy of carrier connections. As a result, the sale of data center space has a long sales cycle. Furthermore, we may expend significant time and resources in pursuing a particular sale or customer that may not result in revenue. Our inability to adequately manage the risks associated with the data center sales cycle may adversely affect our business, financial condition and results of operations.

Our international activities are subject to special risks different from those faced by us in the United States, and we may not be able to effectively manage our international business.

Our activities are primarily based in the United States with a more limited presence in Europe and Southeast Asia and, through our strategic partnership with GDS Holdings Limited ("GDS"), the People's Republic of China (PRC). Most recently, in August 2018 we increased our presence in Europe as a result of the Zenium acquisition. Expanding our international activities involves risks not generally associated with activities or investments in the United States, including:

- our limited knowledge of and relationships with sellers, customers, contractors, suppliers or other parties in these markets;
- complexity and costs associated with staffing and managing international development and operations;
- difficulty in hiring qualified management, sales and construction personnel and service providers in a timely fashion;
- problems securing and maintaining the necessary physical and telecommunications infrastructure;
- multiple, conflicting and changing legal, regulatory, entitlement and permitting, and tax and treaty environments with which we have limited familiarity;
- exposure to increased taxation, confiscation or expropriation;
- fluctuations in foreign currency exchange rates, currency transfer restrictions and limitations on our ability to distribute cash earned in foreign jurisdictions to the United States;
- longer payment cycles and problems collecting accounts receivable;
- laws and regulations on content distributed over the Internet that are more restrictive than those in the United States;
- evolving and uncertain local laws, regulations and licenses, including the implementation and enforcement thereof, particularly in the PRC;
- difficulty in enforcing agreements in non-U.S. jurisdictions, including those entered into in connection with our acquisitions, or with our investment in and strategic partnership with GDS, or in the event of a default by one or more of our customers, suppliers or contractors;
- political and economic instability, including sovereign credit risk, in certain geographic regions;
- the uncertain impact of the United Kingdom's vote to leave the European Union (commonly known as "Brexit") and the uncertainty around the British Parliament's approval of the agreement with the European Union regarding its withdrawal from the European Union as discussed in "The uncertainty surrounding the United Kingdom's decision to

withdraw from the European Union and around the British Parliament's approval of the agreement with the European Union regarding the United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business, which could adversely affect our results of operations"

below; and

- exposure to restrictive foreign labor law practices.

Our inability to overcome these risks could adversely affect our foreign operations, partnerships and growth prospects and could harm our business, financial condition and results of operations.

We may be unable to identify and complete acquisitions and successfully operate acquired properties.

We continually evaluate the market for available properties and may acquire data centers or properties suited for data center development when opportunities exist. Our ability to complete acquisitions on favorable terms and to successfully develop and operate acquired properties involves significant risks, including:

- we may be unable to acquire a desired property because of competition from other data center companies or real estate investors;
- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price of such property;
- we may be unable to realize the intended benefits from acquisitions or achieve anticipated operating or financial results;
- we may be unable to finance the acquisition on favorable terms or at all;
- we may underestimate the costs to make necessary improvements to acquired properties;
- we may be unable to quickly and efficiently integrate new acquisitions into our existing operations resulting in disruptions to our operations or the diversion of our management's attention;
- acquired properties may be subject to reassessment, which may result in higher than expected tax payments;
- we may not be able to access sufficient power on favorable terms or at all;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates;
- we may incur impairment losses or other charges related to acquired assets or properties;
- we may face challenges in retaining the customers of acquired properties; and
- we may incur significant costs associated with unrealized transactions.

Many of these risks will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenue, and diversion of our management's time and energy, which could adversely affect our business, financial condition and results of operations. In addition, even if we successfully operate acquired properties, we may not realize the full benefits of the acquisition, including the synergies, operating efficiencies, or sales or growth opportunities that are expected. If we are unable to successfully acquire, develop and operate data center properties, our ability to grow our business and compete will be significantly impaired, which could adversely affect our business, financial condition and results of operations.

We face risks with our international acquisitions associated with investing in unfamiliar metropolitan areas.

We have acquired and may continue to acquire properties on a strategic and selective basis in international metropolitan areas that are new to us. For example, in August 2018, we completed the Zenium acquisition which resulted in our ownership of two facilities in Frankfurt, a new market to us. When we acquire properties located in new markets, we may face risks associated with a lack of market knowledge or understanding of the local economy and culture, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. In addition, due diligence, transaction and structuring costs may be higher than those we may face in the United States. We work to mitigate such risks through extensive diligence and research and associations with experienced partners; however, we cannot assure you that all such risks will be eliminated.

Any failure to comply with anti-corruption laws and regulations could have adverse effects on our business.

We are subject to laws concerning our business operations, sales and marketing activities in foreign countries where we conduct business. For example, we are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, which generally prohibits companies and any individuals or entities acting on their behalf from offering or making improper payments or providing benefits to foreign officials for the purpose of obtaining or keeping business. We are also subject to various other anti-bribery, anti-corruption and international trade laws in the U.S. and certain foreign countries, such as the U.K. Bribery Act. Our strategic partnership with GDS is subject to PRC laws and regulations related to anti-corruption, which prohibit bribery of government agencies, state or government owned or controlled enterprises or entities, of government officials or officials that work for state or government owned enterprises or entities, as well as bribery of non-government entities or individuals. There is a risk that our employees, business partners and other third parties could violate these laws, and we could be sanctioned or held liable for actions taken by our employees, business partners and other third parties with respect to our business. We could incur significant expenses in investigating any potential violation and could incur severe criminal or civil sanctions and/or fines as a result of violations or settlements regarding such laws. In addition, any allegations, settlements or violations could

materially and adversely impact our reputation and our relationships with current and future customers, suppliers, employees and business partners.

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If the PRC government deems that the contractual arrangements in relation to the consolidated variable interest entities of GDS do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could fail to realize any benefits from our investment in and relationship with GDS.

The PRC government regulates telecommunications-related businesses through strict business licensing requirements and other government regulations. These laws and regulations also include limitations on foreign ownership of PRC companies that engage in telecommunications-related businesses. Because GDS is a Cayman Islands company, GDS is classified as a foreign enterprise under PRC laws and regulations, and its wholly owned PRC subsidiaries are foreign-invested enterprises, or FIEs. GDS conducts its business in China through contractual arrangements with its consolidated variable interest entities, or VIEs, and their shareholders. These contractual arrangements are intended to provide GDS with effective control over its consolidated VIEs and enables GDS to receive substantially all of the economic benefits of its consolidated VIEs in consideration for the services provided by its wholly-owned PRC subsidiaries.

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, and there can be no assurance that the PRC government, such as the Ministry of Industry and Information Technology, or the MIIT, or the Ministry of Commerce, or the MOFCOM, or other authorities that regulate providers of data center service and other participants in the telecommunications industry would agree that the corporate structure of GDS or any of the above contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

If the corporate and contractual structure of GDS is deemed by the MOFCOM or MIIT or other regulators having competent authority to be illegal, either in whole or in part, GDS may lose control of its consolidated VIEs and have to modify such structure to comply with regulatory requirements. However, there can be no assurance that GDS could achieve this without material disruption to its business. Further, if its corporate and contractual structure is found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations. Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to the corporate structure and contractual arrangements of GDS. Occurrence of any of these events could materially and adversely affect the business, financial condition and results of operations of GDS and, as a result, could materially limit key anticipated benefits from our investment in and relationship with GDS.

The uncertainty surrounding the United Kingdom's decision to withdraw from the European Union and around the British Parliament's approval of the agreement with the European Union regarding the United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business, which could adversely affect our results of operations.

As a result of the Zenium acquisition, we acquired four data centers located in London, U.K. and Frankfurt, Germany and expanded our presence in Europe. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. Although the referendum was advisory, the British government subsequently negotiated the terms of an agreement with the European Union regarding the United Kingdom's relationship with the European Union following its exit from the European Union. On January 15, 2019, the British Parliament, however, rejected the proposed agreement for the United Kingdom's withdrawal from the European Union. As a result, there remains considerable uncertainty around the withdrawal of the United Kingdom from the European Union. Failure to obtain parliamentary approval of a negotiated withdrawal agreement would mean that the United Kingdom would leave the European Union on March 29, 2019, possibly with no agreement (commonly referred to as a "no deal Brexit").

The referendum and the uncertainty around the British Parliament's approval of the agreement with the European Union regarding the United Kingdom's withdrawal from the European Union has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and the original referendum has given rise to calls for the governments of other European Union member states to consider withdrawal. These developments,

or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates (primarily the British pound sterling and Euro) and credit ratings may be especially subject to increased market volatility. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal could depress economic activity and restrict our access to capital in the United Kingdom. If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other European Union member states pursue withdrawal, barrier-free access between the United Kingdom and other European Union member states or among the European economic area overall could be diminished or eliminated. Any of these factors may adversely affect our business, financial condition and results of operations.

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Our customers may choose to develop or relocate into new data centers or expand their own existing data centers, which could result in the loss of one or more key customers or reduce demand for our newly developed data centers. In the future, our customers may choose to develop or relocate to new data centers or expand or consolidate into their existing data centers that we do not own. In the event that any of our key customers were to do so, it could result in a loss of business to us or put pressure on our pricing. If we lose a customer, we cannot provide assurance that we would be able to replace that customer at a competitive rate or at all, which could adversely affect our business, financial condition and results of operations.

A decrease in the demand for data center space could adversely affect our business, financial condition and results of operations.

Our portfolio of properties consists primarily of data center space. The adverse effect on our business, financial condition and results of operations from a decreased demand for data center space would likely be greater than if we owned a portfolio with a more diversified customer base or less specialized use. Adverse developments in the outsourced data center space industry could lead to reduced corporate IT spending or reduced demand for outsourced data center space. Changes in industry practice or in technology, such as server virtualization technology, more efficient or miniaturization of computing or networking devices, or devices that require higher power densities than today's devices, could also reduce demand for the physical data center space we provide or make the customer improvements in our facilities obsolete or in need of significant upgrades to remain viable.

Our properties are not suitable for use other than as data centers, which could make it difficult to sell or reposition them if we are not able to lease available space.

Our data centers are designed solely to house and run computer servers and related information technology equipment and, therefore, contain extensive electrical and mechanical systems and infrastructure. As a result, they are not suited for use by customers as anything other than as data centers and major renovations and expenditures would be required in order for us to re-lease vacant space for more traditional uses, or for us to sell a property to a buyer for use other than as a data center, which could materially adversely affect our business, results of operations and financial condition.

We may have difficulty managing our growth.

We have significantly and rapidly expanded the size of our Company. For example, we increased our footprint by 18% from approximately 5,716,701 NRSF at the end of 2017 to approximately 6,725,700 NRSF by December 31, 2018. We have also expanded our presence in Europe as a result of the Zenium acquisition. Our growth may significantly strain our management, operational and financial resources and systems. An inability to manage our growth effectively or the increased strain on our management, our resources and systems could materially adversely affect our business, financial condition and results of operations.

To fund our growth strategy and refinance our indebtedness, we depend on external sources of capital, which may not be available to us on commercially reasonable terms or at all.

In order to maintain our qualification as a REIT, we are required under the Code, among other things, to distribute at least 90% of our REIT taxable income annually, determined without regard to the dividends paid deduction and excluding any net capital gains. Even if we maintain our qualification as a REIT, we will be subject to U.S. federal income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains, as well as U.S. federal income tax at regular corporate rates for income recognized by our taxable REIT subsidiaries (each, a TRS). Because of these distribution requirements, we will likely not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we intend to rely on third-party capital markets sources for debt or equity financing to fund our growth strategy. In addition, we may need third-party capital markets sources to refinance our indebtedness at maturity. Continued or increased turbulence in the U.S., European and other international financial markets and economies, tighter credit conditions and increasing interest rates may adversely affect our ability to replace or renew maturing liabilities on a timely basis, access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on our business, financial condition and results of operations. As such, we may not be able to obtain the debt or equity financing on favorable terms or at all. Our access to third-party sources of capital also depends, in part, on:

- the market's perception of our growth potential;

- our then-current debt levels;
- market demand for REIT assets;
- our historical and expected future earnings, cash flow and cash distributions;
- the market price per share of our common stock; and
- our lenders' ability to meet their financing commitments.

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In addition, our ability to access additional capital may be limited by the terms of our then-existing indebtedness which may restrict our incurrence of additional debt. If we cannot obtain capital when needed, we may not be able to acquire or develop properties when strategic opportunities arise or refinance our debt at maturity, and we may need to increase our liquidity by disposing of properties possibly on disadvantageous terms or renewing leases on less favorable terms than we otherwise would, which could adversely affect our business, financial condition and results of operations.

We have significant indebtedness that involves significant debt service obligations, limits our operational and financial flexibility, exposes us to interest rate fluctuations and exposes us to the risk of default under our debt obligations.

As of December 31, 2018, we had a total combined indebtedness, including capital lease obligations and lease financing arrangements, of approximately \$2,781.4 million. As of December 31, 2018, we have the ability to borrow up to an additional approximately \$1,549.0 million under our \$3.0 Billion Credit Facility, net of outstanding letters of credit of approximately \$8.0 million, subject to satisfying certain financial tests. Our \$3.0 Billion Credit Facility also contains an accordion feature that, as of December 31, 2018, allows the operating partnership to request an increase in the total commitment by up to \$1,000.0 million. There are no limits on the amount of indebtedness we may incur other than limits contained in the indentures governing our 2024 Notes and 2027 Notes (each as defined in Note 12, Debt to our audited consolidated financial statements), our \$3.0 Billion Credit Facility or future agreements that we may enter into or as may be set forth in any policy limiting the amount of indebtedness we may incur adopted by CyrusOne's board of directors. A substantial level of indebtedness could have adverse consequences for our business, financial condition and results of operations because it could, among other things:

- require us to dedicate a substantial portion of our cash flow from operations to make principal and interest payments on our indebtedness, thereby reducing our cash flow available to fund working capital, capital expenditures and other general corporate purposes, including to make distributions on our common stock as currently contemplated or as necessary to maintain our qualification as a REIT;
- require us to maintain certain debt coverage and other financial metrics at specified levels, thereby reducing our financial flexibility and, in the event of a failure to comply with such requirements, creating the risk of a material adverse effect on our ability to fulfill our obligations under our debt and on our business and prospects generally;
- make it more difficult for us to satisfy our financial obligations, including borrowings under the \$3.0 Billion Credit Facility;
- increase our vulnerability to general adverse economic and industry conditions;
- expose us to increases in interest rates for our variable rate debt;
- limit our ability to borrow additional funds on favorable terms or at all to expand our business or ease liquidity constraints;
- limit our ability to refinance all or a portion of our indebtedness on or before maturity on the same or more favorable terms or at all;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a competitive disadvantage relative to competitors that have less indebtedness;
- increase our risk of property losses as the result of foreclosure actions initiated by lenders in the event we should incur mortgage or other secured debt obligations; and
- require us to dispose of one or more of our properties at disadvantageous prices or raise equity that may dilute the value of our common stock in order to service our indebtedness or to raise funds to pay such indebtedness at maturity.

The agreements governing our indebtedness place significant operational and financial restrictions on us and our subsidiaries, reducing our operational flexibility and creating default risks.

The agreements governing our indebtedness contain covenants, and the terms of any future agreements may contain covenants, that place restrictions on us and our subsidiaries. These covenants restrict, among other things, our and our subsidiaries' ability to:

- merge, consolidate or transfer all, or substantially all, of our or our subsidiaries' assets;
- incur or guarantee additional debt or issue preferred stock;
- make certain investments or acquisitions;
- create liens on our or our subsidiaries' assets;
- sell assets;
- make capital expenditures;
- incur restrictions on the payment of dividends or other distributions from our restricted subsidiaries;
- make distributions on or repurchase our stock;
- enter into transactions with affiliates;
- issue or sell stock of our subsidiaries; and
- change the nature of our business.

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These covenants could impair our ability to grow our business, take advantage of attractive business opportunities or successfully compete. These covenants could also impair our ability to plan for or react to market conditions or meet capital needs, or our ability to finance our operations, strategic acquisitions, investments or alliances or other capital needs or to engage in other business activities that would be in our interest. In addition, the indentures governing our 2024 Notes and 2027 Notes and our \$3.0 Billion Credit Facility require us to maintain specified financial ratios and satisfy financial condition tests. The indentures governing our 2024 Notes and 2027 Notes also require our operating partnership and its subsidiaries to maintain total unencumbered assets of at least 150% of the aggregate principal amount of their outstanding unsecured debt on a consolidated basis. Our ability to comply with these metrics or tests may be affected by events beyond our control, including prevailing economic, financial and industry conditions. A breach of any of these covenants or covenants under any other agreements governing our indebtedness could result in an event of default. Cross-default provisions in our debt agreements could cause an event of default under one debt agreement to trigger an event of default under our other debt agreements. Upon the occurrence of an event of default under any of our debt agreements, the lenders or holders thereof could elect to declare all outstanding debt under such agreements to be immediately due and payable. If we were unable to repay or refinance the accelerated debt, the lenders or holders, as applicable, could proceed against any assets pledged to secure that debt, including foreclosing on or requiring the sale of our data centers, and our assets may not be sufficient to repay such debt in full.

We may become subject to litigation or threatened litigation which may divert management time and attention, require us to pay damages and expenses or restrict the operation of our business.

We may become subject to disputes with commercial parties with whom we maintain relationships or other parties with whom we do business, including as a result of any breach in our security systems or downtime in our critical electrical and cooling systems. Any such dispute could result in litigation between us and the other parties. Whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its resolution (through litigation, settlement or otherwise), which would detract from our management's ability to focus on our business. Any such resolution could involve the payment of damages or expenses by us, which may be significant. In addition, any such resolution could involve our agreement with terms that restrict the operation of our business.

We could incur significant costs related to environmental matters.

We are subject to laws and regulations relating to the protection of the environment, including those governing the management and disposal of hazardous materials, the cleanup of contaminated sites and health and safety matters. We could incur significant costs, including fines, penalties and other sanctions, cleanup costs and third-party claims for property damages or personal injuries, as a result of violations of or liabilities under environmental laws and regulations. Some environmental laws impose liability on current owners or operators of property regardless of fault or the lawfulness of past disposal activities. For example, many of our sites contain above ground fuel storage tanks and, in some cases, currently contain or formerly contained underground fuel storage tanks, for back-up generator use. Some of our sites also have a history of previous commercial operations. We also may acquire or develop sites in the future with unknown environmental conditions from historical operations. Although we are not aware of any sites at which we currently have material remedial obligations, the imposition of remedial obligations as a result of spills or the discovery of contaminants in the future could result in significant additional costs. We also could incur significant costs complying with current environmental laws or regulations or those that are promulgated in the future.

We may incur significant costs complying with the Americans with Disabilities Act, or ADA, and similar laws, which could materially adversely affect our financial condition and operating results.

Under the ADA, all places of public accommodation must meet federal requirements related to access and use by disabled persons. A number of additional federal, state and local laws may also require modifications to our properties. We have not conducted an audit or investigation of all of our properties to determine our compliance with the ADA. If one of our properties is not in compliance with the ADA, we would be required to incur additional costs to bring the property into compliance. Additional federal, state and local laws may require modifications to our properties, or restrict our ability to renovate our properties. We cannot predict the ultimate amount of the cost of compliance with the ADA or other legislation. If we incur substantial costs to comply with the ADA and any other similar legislation, our financial condition and results of operations could be materially adversely affected.

We may be adversely affected by regulations related to climate change.

If we, or other companies with which we do business, become subject to existing or future laws and regulations related to climate change, our business could be impacted adversely. For example, in the normal course of business, we enter into agreements with providers of electric power for our data centers, and the costs of electric power comprise a significant component of our operating expenses. Changes in regulations that affect electric power providers, such as regulations related to the control of greenhouse gas emissions or other climate change related matters, could adversely affect the costs of electric power and increase our operating costs and may adversely affect our business, financial condition and results of operations or those of our customers.

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We may incur significant costs complying with other regulations.

Our properties are subject to various federal, state and local regulations, such as state and local fire and life safety regulations, as well as similar foreign regulations. For instance, as discussed in “We may be vulnerable to security breaches or cyber-attacks which could disrupt our operations and have a material adverse effect on our financial performance and operating results” above, new regulations such as the GDPR may have significant impact on our operations. If we fail to comply with these various regulations, we may be required to pay fines or private damage awards. We do not know whether existing regulations will change or whether future regulations will require us to make significant unanticipated expenditures that may adversely affect our business, financial condition and results of operations. With respect to foreign regulations, we also face the risks described above in “We face risks with our international acquisitions associated with investing in unfamiliar metropolitan areas”.

We may be subject to unknown or contingent liabilities related to properties or businesses that we acquire for which we may have limited or no recourse against the sellers.

Assets and entities that we have acquired or may acquire in the future, including the properties contributed to us by Cincinnati Bell Inc. (CBI), our former parent, may be subject to unknown or contingent liabilities for which we may have limited or no recourse against the sellers. Unknown or contingent liabilities might include liabilities for clean-up or remediation of environmental conditions, claims of customers, vendors or other persons dealing with the acquired entities, tax liabilities and other liabilities whether incurred in the ordinary course of business or otherwise. In the future, we may enter into transactions with limited representations and warranties or with representations and warranties that do not survive the closing of the transactions, in which event we would have no or limited recourse against the sellers of such properties. While we usually require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification, if obtained, is often limited and subject to various materiality thresholds, a significant deductible, an aggregate cap on losses or a survival period.

As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that we may incur with respect to liabilities associated with acquired properties and entities may exceed our expectations, which may adversely affect our business, financial condition and results of operations. Finally, indemnification agreements between us and the sellers typically provide that the sellers will retain certain specified liabilities relating to the assets and entities acquired by us. While the sellers are generally contractually obligated to pay all losses and other expenses relating to such retained liabilities, there can be no guarantee that such arrangements will not require us to incur losses or other expenses as well.

The failure to successfully implement changes to our information technology system could adversely affect our business.

From time to time, we make changes to our information technology system to meet our business and financial reporting needs. Transitioning to new or upgraded systems can create difficulties, including potential disruption to our financial reporting data, security vulnerabilities and decreases in productivity until personnel become familiar with new systems. In addition, our management information systems will require modification and refinement as we grow and as our business needs change, which could prolong difficulties we experience with systems transitions, and we may not always employ the most effective systems for our purposes. If we experience difficulties in implementing new or upgraded information systems or experience significant system failures, or if we are unable to successfully modify our management information systems and respond to changes in our business needs, our operating results could be harmed or we may fail to meet our reporting obligations.

We face significant competition and may be unable to lease vacant space, renew existing leases or re-lease space as leases expire, which may adversely affect our business, financial condition and results of operations.

We compete with numerous developers, owners and operators of technology-related real estate and data centers, many of which own properties similar to ours in the same markets, as well as various other public and privately held companies that may provide data center colocation as part of a more expansive managed services offering, and local developers. In addition, we may face competition from new entrants into the data center market. Some of our competitors may have significant advantages over us, including greater name recognition, longer operating histories, lower operating costs, pre-existing relationships with current or potential customers, greater financial, marketing and other resources, access to less expensive power and access to attractive land for development. These advantages could

allow our competitors to respond more quickly to strategic opportunities or changes in our industries or markets. If our competitors offer data center space that our existing or potential customers perceive to be superior to ours based on numerous factors, including power, security considerations, location or network connectivity, or if they offer rental rates below our or current market rates, we may lose existing or potential customers, incur costs to improve our properties or be forced to reduce our rental rates.

Some of our competitors may adopt aggressive pricing policies, especially if they are not highly leveraged or have lower return thresholds than we do. As a result, we may suffer from pricing pressure that would adversely affect our ability to generate revenues. Some of these competitors may also provide our target customers with additional benefits, including bundled communication

services or cloud services, and may do so in a manner that is more attractive to our potential customers than obtaining space in our data centers. Competitors could also operate more successfully or form alliances to acquire significant market share.

Finally, as our customers evolve their IT strategies, we must remain flexible and evolve along with industry and market shifts. Ineffective planning and execution in our cloud strategy and product development lifecycle may cause difficulty in sustaining competitive advantage in our products and services.

Future joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial condition and disputes between us and our co-venturers.

We may in the future co-invest with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In these events, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic, tax or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Our future joint venture partners may take actions that are not within our control, which would require us to dispose of the joint venture asset or transfer it to a taxable REIT subsidiary in order for CyrusOne Inc. to maintain its status as a REIT. Such investments may also lead to impasses, for example, as to whether to sell a property, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and future partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our day-to-day business. Consequently, actions by or disputes with partners or co-venturers may subject properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of future third-party partners or co-venturers. Each of these factors may result in returns on these investments being less than we expect or in losses and our financial and operating results may be adversely affected.

The loss of any of our key personnel, including our executive officers or key sales associates, could adversely affect our business, financial condition and results of operations.

Our success will continue to depend to a significant extent on our executive officers and key sales associates. Each of our executive officers has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential customers and industry personnel. The loss of key sales associates could hinder our ability to continue to benefit from existing and potential customers. We cannot provide any assurance that we will be able to retain our current executive officers or key sales associates. The loss of any of these individuals could adversely affect our business, financial condition and results of operations.

Our data center infrastructure may become obsolete, and we may not be able to upgrade our power and cooling systems cost-effectively, or at all.

The markets for the data centers we own and operate, as well as the industries in which our customers operate, are characterized by rapidly changing technology, evolving industry standards, frequent new service introductions, shifting distribution channels and changing customer demands. Our data center infrastructure may become obsolete due to the development of new systems to deliver power to or eliminate heat from the servers that we house.

Additionally, our data center infrastructure could become obsolete as a result of the development of new server technology that does not require the levels of critical load and heat removal that our facilities are designed to provide and could be run less expensively on a different platform. In addition, our power and cooling systems are difficult and expensive to upgrade. Accordingly, we may not be able to efficiently upgrade or change these systems to meet new demands without incurring significant costs that we may not be able to pass on to our customers. The obsolescence of our power and cooling systems could have a material negative impact on our business, financial condition and results of operations. Furthermore, potential future regulations that apply to industries we serve may require customers in those industries to seek specific requirements from their data centers that we are unable to provide. These may include

physical security requirements applicable to the defense industry and government contractors and privacy and security regulations applicable to the financial services and health care industries. If such regulations were adopted, we could lose some customers or be unable to attract new customers in certain industries, which would have a material adverse effect on our results of operations.

Declining real estate valuations and impairment charges could adversely affect our earnings and financial condition. We review the carrying value of each of our properties when events or changes in circumstances indicate that the carrying amount of the property may not be recoverable. Examples of such indicators may include a significant decrease in market price, a significant adverse change in the extent to or manner in which the property is being used or in its physical condition, an accumulation of costs

significantly in excess of the amount originally expected for the acquisition or development, or a history of operating or cash flow losses. When such impairment indicators exist, we review an estimate of the future undiscounted net cash flows (excluding interest charges) expected to result from the real estate investment's use and eventual disposition and compare it to the carrying value of the property. We consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our future undiscounted net cash flow evaluation indicates that we are unable to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. For example, we recorded an impairment of \$58.0 million related primarily to two properties for the year ended December 31, 2017. These losses have a direct impact on our net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. A worsening real estate market may cause us to re-evaluate the assumptions used in our impairment analysis. Impairment charges could adversely affect our business, financial condition and results of operations.

Our contracts with our customers may adversely affect our earnings and financial condition.

In the ordinary course of business, we enter into agreements with our customers pursuant to which our customers lease or otherwise contract for the use of data center space from us. These contracts typically contain indemnification and liability provisions, in addition to service level commitments, which could potentially impose a significant cost on us in the event of losses arising out of certain breaches of such agreements, services to be provided by us or our subcontractors or from third-party claims. Customers increasingly are looking to pass through their regulatory obligations and other liabilities to their outsourced data center providers and we may not be able to limit our liability or damages in an event of loss suffered by such customers whether as a result of our breach of agreement or otherwise. Further, liabilities and standards for damages and enforcement actions, including the regulatory framework applicable to different types of losses, vary by jurisdiction, and we may be subject to greater liability for certain losses in certain jurisdictions. Additionally, in connection with our acquisitions, we have assumed and expect to assume existing agreements with customers that may subject us to greater liability for such an event of loss. If such an event of loss occurred, we could be liable for material monetary damages and could incur significant legal fees in defending against such an action, which could adversely affect our financial condition and results of operations.

Any failure of the National IX Platform could lead to significant costs and disruptions that could reduce our revenue and harm our business reputation and financial results.

As described in Part I, Item 1 "Business", we have deployed the National IX Platform throughout several of our properties, and expect that we will further deploy it throughout our portfolio to meet customer demand. The National IX Platform allows our customers to connect to third-party carriers and other customers. We may be required to incur substantial additional costs to operate and expand the National IX Platform. The National IX Platform is subject to failure resulting from numerous factors, including but not limited to:

- human error;
- equipment failure;
- physical, electronic, and cyber-security breaches;
- fire, earthquake, hurricane, flood, tornado and other natural disasters in our facilities;
- failure to properly connect to third-party carriers or other customers;
- fiber cuts;
- power loss;
- terrorist acts;
- sabotage and vandalism; and
- failure of business partners who provide components of the National IX Platform or third-party connectivity from the National IX Platform.

Problems with the National IX Platform, whether or not within our control, could result in service interruptions or significant equipment damage. We have service level commitment obligations to certain of our customers, including our significant customers. As a result, service interruptions in the National IX Platform could result in difficulty

maintaining service level commitments to these customers and in potential claims related to such failures. In addition, any loss of service, equipment damage or inability to meet our service level commitment obligations could reduce the confidence of our customers and could consequently impair our ability to obtain and retain customers, which would adversely affect both our ability to generate revenues and our operating results.

Violations of our prohibition on harassment, sexual or otherwise, could result in liabilities and/or litigation.

We prohibit harassment or discrimination in the workplace, whether sexual harassment or any other form. This policy applies to all aspects of employment. Notwithstanding our conducting training and taking disciplinary action against alleged violations, we

may encounter additional costs from claims made and/or legal proceedings brought against us. Any such claims or allegations, or even just stories or rumors about such misconduct at the Company, could also harm our reputation and therefore our business, including our ability to recruit future employees or secure contracts with new customers, even if such allegations do not result in any legal liability or direct financial losses.

The expansion of social media platforms presents new risks and challenges.

The inappropriate use of certain social media vehicles could cause brand damage or information leakage or could lead to legal implications from the improper collection and/or dissemination of personally identifiable information or the improper dissemination of material non-public information. In addition, negative posts or comments about us on any social networking web site could seriously damage our reputation. Further, the disclosure of non-public company sensitive information through external media channels could lead to information loss as there might not be structured processes in place to secure and protect information. If our non-public sensitive information is disclosed or if our reputation is seriously damaged through social media, it could have a material adverse effect on our business, financial condition, results of operations, cash flows, and/or ordinary share price.

Risks Related to the Real Estate Industry

Our performance and value are subject to risks associated with real estate assets and with the real estate industry.

Our ability to make expected distributions to our stockholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution to our stockholders and the value of our properties. These events include:

- local oversupply, increased competition or reduction in demand for technology-related space;
- inability to collect rent from customers;
- vacancies or our inability to rent space on favorable terms;
- inability to finance property development and acquisitions on favorable terms;
- increased operating costs to the extent not paid for by our customers;
- costs of complying with changes in governmental regulations;
- the relative illiquidity of real estate investments, especially the specialized real estate properties that we hold and seek to acquire and develop; and
- changing market demographics.

Illiquidity of real estate investments, particularly our data centers, could significantly impede our ability to respond to adverse changes in the performance of our properties, which could harm our financial condition.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties in our portfolio in response to adverse changes in the real estate market or in the performance of such properties may be limited, thus harming our financial condition. The real estate market is affected by many factors that are beyond our control, including:

- adverse changes in national and local economic and market conditions;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and costs of compliance therewith;
- the ongoing cost of capital improvements that are not passed on to our customers, particularly in older structures;
- changes in operating expenses; and
- civil unrest, acts of war, terrorism and natural disasters, including fires, earthquakes, tropical storms, hurricanes, and floods, which may result in uninsured and underinsured losses.

The risks associated with the illiquidity of real estate investments are even greater for our data center properties. Our data centers are highly specialized real estate assets containing extensive electrical and mechanical systems that are uniquely designed to house and maintain our customers' equipment, and, as such, have little, if any, traditional office space. As a result, most of our data centers are not suited for use by customers as anything other than as data centers and major renovations and expenditures would be required in order for us to re-lease data center space for more traditional commercial or industrial uses, or for us to sell a property to a buyer for use other than as a data center.

Further, we operate a branded platform-based business that would not easily be separated on an asset by asset basis.

Risks Related to Our Organizational Structure

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that a director has no liability in the capacity as a director if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in the company's best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. As permitted by the Maryland General Corporation Law (MGCL), our charter limits the liability of our directors and officers to the company and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter authorizes us to obligate the company, and our bylaws require us, to indemnify our directors and officers for actions taken by them in those capacities and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding to the maximum extent permitted by Maryland law, and we have entered into indemnification agreements with our directors and executive officers. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. Accordingly, in the event that any of our directors or officers are exculpated from, or indemnified against, liability but whose actions impede our performance, our stockholders' ability to recover damages from that director or officer will be limited.

Conflicts of interest exist or could arise in the future with our operating partnership or its partners.

Conflicts of interest exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their direction of the management of our company. At the same time, we, as trustee, have duties to CyrusOne GP, which, in turn, as general partner of our operating partnership, has duties to our operating partnership and to the limited partners under Maryland law in connection with the management of our operating partnership. Under Maryland law, the general partner of a Maryland limited partnership has fiduciary duties of care and loyalty, and an obligation of good faith, to the partnership and its partners. While these duties and obligations cannot be eliminated entirely in the limited partnership agreement, Maryland law permits the parties to a limited partnership agreement to specify certain types or categories of activities that do not violate the general partner's duty of loyalty and to modify the duty of care and obligation of good faith, so long as such modifications are not unreasonable. These duties as general partner of our operating partnership to the partnership and its partners may come into conflict with the interests of our company. Under the partnership agreement of our operating partnership, the limited partners of our operating partnership expressly agree that the general partner of our operating partnership is acting for the benefit of the operating partnership, the limited partners of our operating partnership and our stockholders, collectively. The general partner is under no obligation to give priority to the separate interests of the limited partners in deciding whether to cause our operating partnership to take or decline to take any actions. If there is a conflict between the interests of us or our stockholders, on the one hand, and the interests of the limited partners of our operating partnership, on the other, the partnership agreement of our operating partnership provides that any action or failure to act by the general partner that gives priority to the separate interests of us or our stockholders that does not result in a violation of the contractual rights of the limited partners of our operating partnership under the partnership agreement will not violate the duties that the general partner owes to our operating partnership and its partners.

Additionally, the partnership agreement of our operating partnership expressly limits our liability by providing that we and our directors, officers, agents and employees will not be liable or accountable to our operating partnership or its partners for money damages. In addition, our operating partnership is required to indemnify us, our directors, officers and employees, the general partner and its trustees, officers and employees, employees of our operating partnership and any other persons whom the general partner may designate from and against any and all claims arising from operations of our operating partnership in which any indemnitee may be involved, or is threatened to be involved, as a party or otherwise unless it is established by a final judgment that the act or omission of the indemnitee constituted fraud, intentional harm or gross negligence on the part of the indemnitee, the claim is brought by the indemnitee (other than to enforce the indemnitee's rights to indemnification or advance of expenses) or the indemnitee is found to be liable to our operating partnership, and then only with respect to each such claim.

No reported decision of a Maryland appellate court has interpreted provisions that are similar to the provisions of the partnership agreement of our operating partnership that modify the fiduciary duties of the general partner of our operating partnership, and we have not obtained an opinion of counsel regarding the enforceability of the provisions of the partnership agreement that purport to waive or modify the fiduciary duties and obligations of the general partner of our operating partnership.

Our charter and bylaws and the partnership agreement of our operating partnership contain provisions that may delay, defer or prevent an acquisition of our common stock or a change in control.

Our charter and bylaws contain a number of provisions, the exercise or existence of which could delay, defer or prevent a transaction or a change in control that might involve a premium price for our stockholders or otherwise be in their best interests, including the following:

Our Charter Contains Restrictions on the Ownership and Transfer of Our Stock. In order for us to qualify as a REIT, no more than 50% of the value of outstanding shares of our stock may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year other than the first year for which we elect to be taxed as a REIT. Subject to certain exceptions, our charter prohibits any stockholder from owning beneficially or constructively more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or 9.8% in value of the aggregate of the outstanding shares of all classes or series of our stock. We refer to these restrictions collectively as the “ownership limits.” The constructive ownership rules under the Code are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.8% of our outstanding common stock or the outstanding shares of all classes or series of our stock by an individual or entity could cause that individual or entity or another individual or entity to own constructively in excess of the relevant ownership limits. Our charter also prohibits any person from owning shares of our stock that would result in our being “closely held” under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT. Any attempt to own or transfer shares of our common stock or of any of our other capital stock in violation of these restrictions may result in the shares being automatically transferred to a charitable trust or may be void. These ownership limits may prevent a third-party from acquiring control of us if our board of directors does not grant an exemption from the ownership limits, even if our stockholders believe the change in control is in their best interests. Although it is under no continuing obligation to do so, our board of directors has granted some limited exemptions from the ownership limits applicable to other holders of our common stock, subject to certain initial and ongoing conditions designed to protect our status as a REIT, including, if deemed advisable, the receipt of an Internal Revenue Service (IRS) private letter ruling or an opinion of counsel.

Our Board of Directors Has the Power to Cause Us to Issue Additional Shares of Our Stock Without Stockholder Approval. Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our board of directors may, without stockholder approval, amend our charter to increase the aggregate number of our shares of stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board of directors may establish a series of shares of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our shares of common stock or otherwise be in the best interests of our stockholders.

Certain provisions of Maryland law may limit the ability of a third-party to acquire control of us.

Certain provisions of the MGCL may have the effect of inhibiting a third-party from acquiring us or of impeding a change of control under circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

“business combination” provisions that, subject to limitations, prohibit certain business combinations between an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding shares of voting stock or an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation) or an affiliate of any interested stockholder and us for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes two super-majority stockholder voting requirements on these combinations; and

“control share” provisions that provide that holders of “control shares” of our company (defined as voting shares of stock that, if aggregated with all other shares of stock owned or controlled by the acquirer, would entitle the acquirer to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of issued and outstanding “control shares”) have no voting rights except to

the extent approved by our stockholders by the affirmative vote of at least two-thirds of all of the votes entitled to be cast on the matter, excluding all interested shares.

Pursuant to the Maryland Business Combination Act, our board of directors has by resolution exempted from the provisions of the Maryland Business Combination Act business combinations between any other person and us, provided that such business combination is first approved by our board of directors (including a majority of our directors who are not affiliates or associates

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of such person). Our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of shares of our stock. There can be no assurance that these exemptions or resolutions will not be amended or eliminated at any time in the future.

Additionally, Title 3, Subtitle 8 of the MGCL permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, such as a classified board, some of which we do not have.

Our bylaws designate the Circuit Court for Baltimore City, Maryland, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to bring a claim in a judicial forum that the stockholders believe is a more favorable judicial forum for disputes with us or our directors, officers or other employees.

Our bylaws provide that, subject to limited exceptions, the Circuit Court for Baltimore City, Maryland, is the sole and exclusive

forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of any duty owed by any of our directors, officers or other employees to us or our stockholders, (c) any action asserting a claim against us or any of our directors, officers or other employees arising pursuant to any provision of the MGCL, our charter or our bylaws or (d) any action asserting a claim against us or any of our directors, officers or other employees that is governed by the internal affairs doctrine. This provision may limit a stockholder's ability to bring a claim in a judicial forum that it believes is more favorable for disputes against us or our directors, officers or employees, which may discourage such lawsuits against us and our directors, officers and other employees.

Risks Related to Status as a REIT

If we fail to remain qualified as a REIT, we will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to our stockholders.

CyrusOne Inc. has elected to be taxed as a REIT under the Code commencing with our initial taxable year ending December 31, 2013. We intend to continue to operate in a manner that will allow us to remain qualified as a REIT. Our qualification as a REIT depends on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we do not obtain independent appraisals.

We have received a private letter ruling from the IRS with respect to certain issues relevant to our qualification as a REIT. In general, the ruling provides, subject to the terms and conditions contained therein, that certain structural components of our properties (e.g., relating to the provision of electricity, heating, ventilation and air conditioning, regulation of humidity, security and fire protection, and telecommunications services) and intangible assets, and certain services that we may provide, directly or through subsidiaries, to our tenants, will not adversely affect our qualification as a REIT. Although we may generally rely upon the ruling, no assurance can be given that the IRS will not challenge our qualification as a REIT on the basis of other issues or facts outside the scope of the ruling.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal income tax, and could be subject to U.S. Federal income tax for any open taxable years beginning prior to January 1, 2019 including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and dividends paid to our stockholders would not be deductible by us in computing our taxable income. Any resulting corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of our common stock. Unless we were entitled to relief under certain Code provisions, we would also be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year in which we failed to qualify as a REIT.

Qualifying as a REIT involves highly technical and complex provisions of the Code.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In addition, our

ability to satisfy the requirements to qualify as a REIT may depend in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

Dividends payable by REITs generally do not qualify for the reduced tax rates available for some dividends, but certain stockholders may be entitled to deduct up to 20% of dividends payable by REITs.

"Qualified dividend income" payable to U.S. stockholders that are individuals, trusts or estates is generally subject to tax at preferential rates, but dividends payable by REITs generally do not constitute "qualified dividend income". For taxable years beginning after December 31, 2017 and before January 1, 2026, however, U.S. stockholders that are individuals, trusts or estates generally will be entitled to deduct up to 20% of "qualified REIT dividends". A "qualified REIT dividend" is any dividend from a REIT received during the taxable year that is not designated by the REIT as a "capital gain dividend" or as "qualified dividend income".

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, in order for us to qualify as a REIT (assuming that certain other requirements are also satisfied) so that U.S. federal corporate income tax does not apply to earnings that we distribute. To the extent that we satisfy this distribution requirement and qualify for taxation as a REIT but distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains, we will be subject to U.S. federal corporate income tax on our undistributed net taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

We intend to make distributions to our stockholders to comply with the REIT requirements of the Code.

From time to time, we may generate taxable income greater than our cash flow as a result of differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves or required debt or amortization payments. If we do not have other funds available in these situations, we could be required to borrow funds on unfavorable terms, sell assets at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the value of our common stock.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income and state or local income, property and transfer taxes. For example, in order to meet the REIT qualification requirements, we may hold some of our assets or conduct certain of our activities through one or more TRS or other subsidiary corporations that will be subject to federal, state, and local corporate-level income taxes as regular C corporations. In addition, we may incur a 100% excise tax on transactions with a TRS if they are not conducted on an arm's length basis. Any of these taxes would decrease cash available for distribution to our stockholders.

Complying with REIT requirements may cause us to forgo otherwise attractive opportunities.

To qualify as a REIT, we must ensure that, at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and "real estate assets" (as defined in the Code), including certain mortgage loans and securities. The remainder of our investments (other than government securities, qualified real estate assets and securities issued by a TRS) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our total assets (other than government securities, qualified real estate assets and securities issued by a TRS) can consist of the securities of any one issuer, and no more than 20% of the value of our total assets can be represented by securities of one or more TRS. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate or forgo otherwise attractive investments.

These actions could have the effect of reducing our income and amounts available for distribution to our stockholders. In addition to the asset tests set forth above, to continue to qualify as a REIT we must continually satisfy tests concerning, among other things, the sources of our income, the amounts we distribute to our stockholders and the

ownership of our stock. We may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities. The REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. Any income from a hedging transaction that we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute “gross income” for purposes of the 75% or 95% gross income tests that apply to REITs, provided that certain identification requirements are met. To the extent that we enter into other types of hedging transactions or fail to properly identify such transaction as a hedge, the income is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we may be required to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS may be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit, except that such losses may be carried forward to offset future taxable income of the TRS.

Changes to U.S. federal income tax laws could materially and adversely affect us and our stockholders.

The present U.S. federal income tax treatment of REITs and their shareholders may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in our shares. The U.S. federal income tax rules, including those dealing with REITs, are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations. On December 22, 2017, the President signed into law tax legislation, commonly known as the Tax Cuts and Jobs Act (“TCJA”), which makes substantial changes to the Code. Among those changes are a significant permanent reduction in the generally applicable corporate tax rate, a temporary reduction in the highest marginal income tax rate applicable to individuals subject to a “sunset” provision, the elimination or modification of various currently allowed deductions (including substantial limitations on the deductibility of interest), certain additional limitations on the deduction of net operating losses and preferential effective rates of taxation on most ordinary REIT dividends and certain business income derived by non-corporate taxpayers in comparison to other ordinary income recognized by such taxpayers. The effect of these, and the many other, changes made in the TCJA is highly uncertain, both in terms of their direct effect on the taxation of an investment in our common stock and their indirect effect on the value of our assets or shares of our common stock or market conditions generally. Furthermore, many of the provisions of the TCJA will require guidance through the issuance of Treasury regulations in order to assess their effect. There may be a substantial delay before such regulations are issued in final form, increasing the uncertainty as to the ultimate effect of the statutory amendments on us. There may also be technical corrections legislation proposed with respect to the TCJA, the effect and timing of which cannot be predicted and which may be adverse to us or our stockholders. See Note 21, Income Taxes to our audited consolidated financial statements for a further discussion of the TCJA.

Risks Related to our Debt and Equity Securities

Our cash available for distribution to stockholders may not be sufficient to make distributions at expected levels, and we may need to borrow in order to make such distributions; consequently, we may not be able to make such distributions in full.

If cash available for distribution generated by our assets is less than our estimate or if such cash available for distribution decreases in future periods from expected levels, our inability to make the expected distributions could result in a decrease in the market price of our common stock. Distributions made by us will be authorized and determined by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law and our capital requirements. We may not be able to make or sustain distributions in the future. To the extent that we decide to make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for U.S. federal income tax purposes to the extent of the holder’s adjusted tax basis in its shares. A return of capital is not taxable, but it has the effect of reducing the holder’s adjusted tax basis in its investment. To the extent that distributions exceed the adjusted tax basis of a holder’s shares, they will be treated as gain from the sale or exchange of such stock. If we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been.

Future offerings of debt, which would be senior to our common stock upon liquidation, and/or preferred equity securities, which may be senior to our common stock for purposes of distributions or upon liquidation, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or preferred equity securities, including medium-term notes, trust preferred securities, senior or subordinated notes and preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive distributions of our

available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on distribution payments that could limit our ability to make a distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us.

Increases in market interest rates may cause potential investors to seek higher dividend yields and therefore reduce demand for our common stock and result in a decline in our stock price.

One of the factors that may influence the price of our common stock is the dividend yield on our common stock (the amount of dividends as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our common stock to expect a higher dividend yield, which we may be unable or choose not to provide. Higher interest rates would likely increase our borrowing costs and potentially decrease the cash available for distribution. Thus, higher market interest rates could cause the market price of our common stock to decline.

The number of shares available for future sale could adversely affect the market price of our common stock.

We cannot predict whether future issuances of shares of our common stock or the availability of shares of our common stock for resale in the open market will decrease the market price per share of our common stock. Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, could adversely affect the market price of the shares of our common stock. For example, upon physical settlement of certain forward sale agreements in February 2017, we issued approximately 4.4 million shares of our common stock and upon physical settlement of a forward sale agreement in December 2018, we issued approximately 2.5 million shares of our common stock. Physical settlement of these forward sale agreements or other forward sale agreements in the future have resulted or will result in dilution to our earnings per share. In addition, we have registered shares of common stock that were reserved for issuance under our Restated 2012 Long Term Incentive Plan and under our 2014 Employee Stock Purchase Plan, and these shares can generally be freely sold in the public market, assuming any applicable restrictions and vesting requirements are satisfied. If any or all of these holders cause a large number of their shares to be sold in the public market, the sales could reduce the trading price of our common stock and could impede our ability to raise future capital on terms acceptable to us or at all.

The market price and trading volume of our common stock may be volatile.

The market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, a holder may be unable to resell shares at a profit or at all. We cannot provide any assurance that the market price of our common stock will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect the market price of our common stock or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly results of operations or distributions;
- changes in our funds from operations or earnings estimates;
- publication of research reports about us or the real estate, technology or data center industries;
- increases in market interest rates that may cause purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we may incur in the future;
- additions or departures of key personnel;
- actions by institutional stockholders;
- speculation in the press or investment community about our company or industry or the economy in general;
- the occurrence of any of the other risk factors presented in this Form 10-K; and
- general market and economic conditions.

Our earnings and cash distributions will affect the market price of shares of our common stock.

To the extent that the market value of a REIT's equity securities is based primarily upon market perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales, acquisitions, development or refinancing and is secondarily based upon the value of the underlying assets, shares of our common stock may trade at prices that are higher or lower than the net asset value per share. To the extent we retain operating cash flow for investment purposes, working

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capital reserves or other purposes rather than distributing the cash flow to stockholders, these retained funds, while increasing the value of our underlying assets, may negatively impact the market price of our common stock. Our failure to meet market expectations with regard to future earnings and cash distributions would likely adversely affect the market price of our common stock.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The information set forth under the caption “Our Portfolio” in Item 1 of this Annual Report on Form 10-K is incorporated by reference herein.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, from time to time, we are subject to claims and administrative proceedings. We do not believe any currently outstanding matters would have, individually or in the aggregate, a material effect on our business, financial condition and results of operations or liquidity and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASE OF EQUITY SECURITIES.

A)Market Information

Our common stock is listed on the NASDAQ Global Select Market under the symbol "CONE". The following table sets forth the high and low sales price of our common stock and the distributions we declared with respect to the periods indicated.

	Market Price		Dividend declared
	High	Low	
First Quarter 2017	\$51.91	\$44.66	\$ 0.42
Second Quarter 2017	59.35	50.56	0.42
Third Quarter 2017	65.73	53.75	0.42
Fourth Quarter 2017	64.62	57.02	0.42
First Quarter 2018	59.65	43.49	0.46
Second Quarter 2018	59.46	48.61	0.46
Third Quarter 2018	69.01	57.86	0.46
Fourth Quarter 2018	64.11	50.26	0.46

B)Holders

As of February 14, 2019, CyrusOne Inc. had 101 shareholders of record and 108,257,818 outstanding shares.

C)Distribution Policy

We have made distributions in the form of dividends each quarter since the completion of our initial public offering ("IPO") as shown in the table above. In order to comply with the REIT requirements of the Code, we are required to make quarterly distributions to our shareholders of at least 90% of our taxable income. Distributions made by the Company are determined by our board of directors in its sole discretion. If we have underestimated our cash available for distribution, we may need to increase our borrowings in order to fund our intended distributions. Notwithstanding the foregoing, our \$3.0 Billion Credit Facility and indentures restrict CyrusOne LP from making distributions to holders of its operating partnership units, or redeeming or otherwise repurchasing shares of its operating partnership units, after the occurrence and during the continuance of an event of default, except in limited circumstances including as necessary to enable CyrusOne Inc. to maintain its qualification as a REIT and to minimize the payment of income taxes.

D)Recent Sales of Unregistered Securities

Period	(a) Total Number of Shares of Common Stock Purchased ⁽¹⁾	(b) Average Price Paid per Common Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(c) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased
February 1, 2018 - February 28, 2018	86,232	\$ 51.45	N/A	N/A
March 1, 2018 - March 31, 2018	19	52.88	N/A	N/A
April 1, 2018 - April 30, 2018	2,266	53.02	N/A	N/A
May 1, 2018 - May 31, 2018	2,261	54.11	N/A	N/A
July 1, 2018 - July 31, 2018	6,232	61.92	N/A	N/A

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November 1, 2018 -				
November 30, 2018	3,472	54.63	N/A	N/A
	100,482	\$ 52.30	N/A	N/A

(1) - Represents the common stock surrendered by employees to CyrusOne to satisfy such employee's tax withholding obligations in connection with the vesting of restricted stock.

E) Stock Performance

The following graph compares the cumulative total stockholder return on CyrusOne Inc.'s common stock for the year ended December 31, 2018, with the cumulative total return on the S&P 500 Market Index and the MSCI US REIT Index (RMZ). The comparison assumes that \$100 was invested on December 31, 2013 in CyrusOne Inc.'s common stock and in each of these indices and assumes reinvestment of dividends, if any.

Pricing Date	CONE	S&P 500	MSCI US REIT
December 31, 2013	100.00	100.00	100.00
December 31, 2014	127.70	113.69	130.38
December 31, 2015	180.36	115.26	133.67
December 31, 2016	222.56	129.05	145.16
December 31, 2017	305.19	157.22	152.52
December 31, 2018	280.18	150.33	145.55

F) Issuer Purchases of Equity Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating data on a consolidated historical basis.

Our business was originally comprised of the historical data center activities and holdings of CBI. CBI operated a Cincinnati-based data center business for 10 years before acquiring Cyrus Networks LLC, a data center operator in Texas. In anticipation of our IPO, these businesses were combined under our operating partnership, CyrusOne LP, which was created as a Maryland limited partnership on July 31, 2012. CyrusOne Inc., a Maryland corporation, was also formed on July 31, 2012, and is the parent of the wholly-owned general partner of the operating partnership. Effective December 31, 2013, CyrusOne Inc. qualified as a real estate investment trust for federal income tax purposes. Certain activities are conducted through our taxable REIT subsidiaries, CyrusOne TRS Inc., a Delaware corporation, and CyrusOne Finance Corp., a Maryland corporation.

The financial information presented below as of December 31, 2018 and 2017, and results for the years ended December 31, 2018, 2017 and 2016, has been derived from our audited consolidated financial statements included elsewhere in the Form 10-K. The financial information for the years ended December 31, 2015 and 2014 have been derived from our audited consolidated financial statements not included in this Form 10-K.

The following selected financial data should be read in conjunction with our combined historical financial statements and the related notes and with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which are included in this Form 10-K.

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IN MILLIONS, except per share data

	2018	2017	2016	2015	2014
Statement of Operations Data:					
Revenue	\$821.4	\$672.0	\$529.1	\$399.3	\$330.9
Operating expenses:					
Property operating expenses	292.4	235.1	187.5	148.7	124.5
Sales and marketing	19.6	17.0	16.9	12.1	12.8
General and administrative	80.6	67.0	60.7	46.6	34.6
Depreciation and amortization	334.1	258.9	183.9	141.5	118.0
Transaction, acquisition, integration and other related expenses ^(a)	5.0	11.9	4.6	18.4	1.0
Impairment losses ^(b)	—	58.0	5.0	9.2	—
Operating income	89.7	24.1	70.5	22.8	40.0
Interest expense	(94.7)	)(68.1)	)(48.8)	)(41.2)	)(39.5)
Unrealized gain on marketable equity investment	9.9	—	—	—	—
Loss on early extinguishment of debt ^(c)	(3.1)	)(36.5)	)—	—	(13.6)
Income tax expense	(0.6)	)(3.0)	)(1.8)	)(1.8)	)(1.4)
Income (loss) from continuing operations	1.2	(83.5)	)19.9	(20.2)	)(14.5)
Noncontrolling interest in net loss	—	—	—	(4.8)	)(6.7)
Net income (loss) attributed to common shareholders	\$1.2	\$(83.5)	)\$19.9	\$(15.4)	)\$ (7.8)
Per share data:					
Basic weighted average common shares outstanding	99.8	88.9	78.3	54.3	29.2
Diluted weighted average common shares outstanding	100.4	88.9	79.0	54.3	29.2
Basic income (loss) per common share	\$—	\$(0.95)	)\$0.24	\$(0.30)	)\$ (0.30)
Diluted income (loss) per common share	\$—	\$(0.95)	)\$0.24	\$(0.30)	)\$ (0.30)
Dividends declared per share	\$1.84	\$1.68	\$1.52	\$1.26	\$0.84
Balance Sheet Data (at year end):					
Investment in real estate, net	\$4,293.0	\$3,058.4	\$2,023.1	\$1,392.0	\$1,051.4
Total assets	5,592.5	4,312.1	2,852.4	2,195.6	1,571.0
Debt ^(d)	2,624.7	2,089.4	1,240.1	996.5	644.3
Capital lease obligations and lease financing arrangements ^(e)	156.7	142.0	146.5	162.2	66.8
Noncontrolling interest/Parent net investment ^(f)	—	—	—	—	256.2
Other Financial Data:					
Capital expenditures	\$1,328.5	\$1,406.8	\$731.1	\$234.5	\$284.2

(a) Represents legal, accounting and consulting fees incurred in connection with completed and potential business combinations, integration of acquisitions, failed transactions and costs of secondary offerings.

(b) See Item 7 for discussion of costs incurred in 2017 and 2016. The 2015 amount represents the exit of Austin 1, a leased facility.

(c) See Item 7 for discussion of costs incurred in 2018 and 2017. The 2014 amount represents a loss of \$13.6 million associated with the repurchase of 6.375% senior notes and the write-off of deferred financing costs.

(d) See Note 12, Debt to our audited consolidated financial statements included elsewhere in this Form 10-K for details of debt as of December 31, 2018 and 2017. As of December 31, 2016, 2015 and 2014, debt consisted of our \$525 million 6.375% senior notes due 2022, revolving credit facility and term loan facility.

(e) Lease financing arrangements represent leases of real estate where we were involved in the construction of structural improvements to develop buildings into data centers. When we bear substantially all the construction period risk, such as managing or funding construction, we are deemed to be the accounting owner of the leased property. These transactions generally do not qualify for sale-leaseback accounting due to our continued involvement in these data center operations. For these transactions, at the lease inception date, we recognize the fair value of the leased building as an asset in investment in real estate and as a liability in lease financing

arrangements. See Note 13, Capital Lease Obligations and Lease Financing Arrangements to our audited consolidated financial statements.

- (f) Parent's net investment represents CBI's net investment in CyrusOne Inc., CyrusOne GP, CyrusOne LP and its subsidiaries. Prior to November 20, 2012, these entities were not separate legal entities.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our results of operations, financial condition and liquidity in conjunction with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K ("Form 10-K"). Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategies for our business, statements regarding the industry outlook, our expectations regarding the future performance of our business and the other non-historical statements contained herein are forward-looking statements. See "Special Note Regarding Forward-Looking Statements." You should also review the "Risk Factors" section of this report for a discussion of important factors that could cause actual results to differ materially from the results described herein or implied by such forward-looking statements.

The consolidated financial statements included in this Form 10-K reflect the historical financial position, results of operations and cash flows of CyrusOne for all periods presented.

Overview

Our Company. We are a fully integrated, self-managed data center real estate investment trust ("REIT") that owns, operates and develops enterprise-class, carrier-neutral, multi-tenant and single-tenant data center properties. Our data centers are generally purpose-built facilities with redundant power and cooling. They are not network specific and enable customer connectivity to a range of telecommunication carriers. We provide mission-critical data center facilities that protect and ensure the continued operation of information technology ("IT") infrastructure for approximately 1,000 customers in 48 data centers and two recovery centers in 13 markets (10 cities in the U.S., London, U.K., Singapore and Frankfurt, Germany).

For the year ended December 31, 2018, revenues by primary revenue source were as follows (in millions).

	Year Ended December 31, 2018
Colocation rent	\$ 644.6
Metered power reimbursements	104.0
Interconnection revenue	40.0
Equipment sales	11.9
Other revenue	20.9
Revenue	\$ 821.4

Our Portfolio

We own and operate 48 data centers and two recovery centers totaling 6.7 million Net Rentable Square Feet ("NRSF"), 88% of the Colocation Square Feet ("CSF") is leased and has 703 megawatts ("MW") of power capacity. This includes 12 buildings where the Company leases such facilities. We are lessee of approximately 5% of our total operating NRSF as of December 31, 2018. Also included in our total NRSF, CSF and MW are pre-stabilized assets (which include data halls that have been in service for less than 24 months and are less than 85% leased) that have approximately 416,886 NRSF, 33% of the CSF is leased with capacity of 34 MW of power.

In addition, we have properties under development comprising approximately 1.5 million NRSF and 126 MW of power capacity. The estimated remaining total costs to develop these properties is between \$613 million and \$714 million. The final costs to develop could change depending on the capital improvements required based on the lease contracts executed on such properties. We also have 470 acres of land available for future data center development.

Operational Overview

The following discussion provides an overview of the Company's capital and financing activity, operations and transactions for the year ended December 31, 2018 and should be read in conjunction with the full discussion of the Company's operating results, liquidity, capital resources and risk factors included or incorporated by reference elsewhere in this Form 10-K.

Outlook

We seek to maximize long-term earnings growth and shareholder value primarily through increasing cash flow at existing properties, and developing high-quality data center assets and campuses at attractive cash yields with long-term, stable operating income. In

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addition, the Company will, from time to time, acquire existing properties which meet our strategic criteria, offer in-place cash flow and have strong growth prospects.

Fundamentals for data center real estate remain strong, supported by trends that particularly favor data center assets, including the exponential growth in global data, the growth of e-commerce and demand for outsourcing of data storage and cloud-based applications. We expect continued economic growth in the markets we operate in 2019, which we expect to result in ongoing positive demand for data center space as companies expand and upgrade information system platforms.

New data center development, including speculative development, is present in most domestic and international metropolitan markets in response to strong tenant demand. However, construction remains rational in relation to net absorption in most markets. We expect that the operating environment will continue to be favorable for lessors given our favorable outlook for market demand for data center real estate.

In terms of capital investment, we will continue to pursue selective development of new buildings and the opportunistic acquisition of buildings in markets where we perceive demand and market rental rates will provide attractive financial returns.

We may, from time to time, selectively dispose of non-strategic assets in an effort to enhance long-term growth in earnings and cash flows, as well as to improve the overall quality of our portfolio.

We anticipate having sufficient liquidity to fund our capital and operating expenses, including costs to maintain our properties and distributions, though we may finance investments, including acquisitions and developments, with the issuance of new shares of our common stock, proceeds from asset sales or through additional borrowings. Please see “Liquidity and Capital Resources” for additional discussion.

Inflation

The U.S. economy has experienced low inflation over the last several years, as a result, inflation has not had a significant impact on our business. Our customer leases generally do not provide for annual increases in rent based on inflation. As a result, we bear the risk of increases in the costs of operating and maintaining our data center facilities. Some of our leases have annual rent escalators, typically ranging from 1-3%; as a result we bear the risk of increases in operating costs. Some of our leases are structured to pass-through the cost of sub-metered utilities. In the future, we expect more of our leases to pass-through utility costs. In addition, more than 70% of our leases expire within six years which enables us to replace existing leases with new leases at then existing rates.

Summary of Significant Transactions and Activities for the Year Ended December 31, 2018

Real Estate Acquisitions, Development and Other Activities

During the year ended December 31, 2018, we had cash capital expenditures of \$865.7 million, of which \$855.2 million related to the construction of data centers. The expansion and development of additional power capacity and building square feet contributed to our year-over-year revenue increase in 2018. As of December 31, 2018, the remaining cost to development is \$613.0 million to \$714.0 million and are expected to add 126 MWs and 438,514 CSF. In addition, during the year ended December 31, 2018, we acquired 182 acres of land for future development for \$182.3 million.

On August 24, 2018, the Company completed its previously announced acquisition of Zenium Topco Ltd. and certain other affiliated entities. Zenium is a hyperscale data center provider in Europe with four operating data centers in London and Frankfurt, and land sites available for development in London and Frankfurt. In connection with the acquisition, and after giving effect to a post-closing working capital adjustment, the Company paid aggregate cash consideration of approximately \$462.8 million, net of approximately \$12.7 million of cash acquired, and assumed outstanding indebtedness of approximately \$86.3 million. In the fourth quarter of 2018, the Company paid

approximately \$1.0 million related to the post-closing working capital adjustment which is included above in the aggregate cash consideration. The Company financed the acquisition with proceeds from the \$300.0 million delayed draw term loan included in the 2023 Term Loan and \$174.5 million of borrowings under the \$1.7 Billion Revolving Credit Facility (each as defined below). As a result of the acquisition, the Company recognized a \$72.7 million deferred tax liability associated with temporary differences between the book basis and tax basis of the assets acquired in the transaction.

Capital and Financing Activity

In March 2018, the Company entered into a new senior unsecured credit agreement (the "\$3.0 Billion Credit Facility"). The new agreement includes a \$1.7 billion revolving credit facility (the "\$1.7 Billion Revolving Credit Facility") with a maturity of March

2022 that includes a one-year extension option exercisable by the Company, subject to certain conditions. The agreement includes a 5-year term loan with commitments totaling \$1.0 billion (the "2023 Term Loan") and a \$300.0 million 7-year term loan (the "2025 Term Loan"). The 2023 Term Loan includes a delayed draw feature which allowed the Company to draw \$300.0 million in up to three tranches over a six-month period in multiple currencies. The \$1.7 Billion Revolving Credit Facility has the option to borrow in non-USD currencies. The \$3.0 Billion Credit Facility also includes an accordion feature providing for an aggregate increase in the revolving and term components to \$4.0 billion, subject to certain conditions. As of December 31, 2018, the Company had \$1.0 billion, \$300.0 million and \$143.0 million outstanding under the 2023 Term Loan, the 2025 Term Loan and the \$1.7 Billion Revolving Credit Facility, respectively. The Company also assumed a \$86.3 million construction facility as part of the Zenium acquisition which was subsequently paid off during 2018 using borrowings under our credit facility.

On March 29, 2018, the Company used the proceeds of the \$1.0 billion of borrowings under the \$3.0 Billion Credit Facility to repay in full the Company's prior credit facility in an amount of \$900.0 million and expects to use a portion of the remaining liquidity, along with cash, for further build out of existing data centers and the development of new data centers.

During the year ended December 31, 2018, the Company sold approximately 3.0 million shares of its common stock through its At-The-Market ("ATM") stock offering programs, 6.7 million shares through a public offering and 2.5 million through a forward sale agreement. The sales generated net proceeds of approximately \$697.5 million, net of sales commissions, underwriting discounts and estimated expenses of \$26.0 million. As of December 31, 2018, there was approximately \$750.0 million in remaining capacity of the \$750.0 million authorized under the New 2018 ATM Stock Offering Program (as defined in Item 7 under "Liquidity and Capital Resources").

Concentration of revenue

We define our annualized backlog as the twelve-month recurring generally accepted accounting principles in the U.S. ("GAAP") revenue for executed lease contracts achieved upon full occupancy which have not commenced as of the end of a period. Our backlog as of December 31, 2018 and 2017 was approximately \$54.0 million and approximately \$20.0 million, respectively. Approximately half of our backlog as of December 31, 2018 relates to one significant customer (where the Company recognized revenue in excess of 10% of our consolidated revenue for the year ended December 31, 2018). During 2018, one customer represented 18% of our revenue. We expect these backlog lease contracts to primarily commence through the first half of 2019. Similar to our revenue growth noted above, our increase in backlog is primarily due to the robust demand across the cloud and enterprise companies and larger lease contracts. Because GAAP revenue for any period is generally a function of straight line revenue recognized from lease contracts in existence at the beginning of a period, as well as lease contract renewals and new customer lease contracts commencing during the period, backlog as of any period is not necessarily indicative of near-term performance. Our presentation of backlog may differ from other companies in our industry.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different or different assumptions were made, it is possible that different accounting policies would have been applied, resulting in different financial results or a different presentation of our financial statements. Estimates, judgments and assumptions are based on historical experiences that we believe to be reasonable under the circumstances. From time to time we re-evaluate those estimates and assumptions. Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. Our management evaluates these estimates on an ongoing basis, based upon information currently available and on various assumptions management believes are reasonable as of the date of the financial statements.

Our actual results may differ from these estimates. We have provided a summary of our significant accounting policies in Note 3, Summary of Significant Accounting Policies to our audited consolidated financial statements included in this Form 10-K.

Revenue Recognition

The revenues from colocation rent revenue, metered power reimbursements and interconnection revenue are recognized under the lease accounting standard and revenues from managed services, equipment sales, installations and other services (generally revenue from contracts with customers) are recognized under the revenue accounting standard. An allowance for doubtful accounts is recognized when the collection of trade receivables is deemed to be unlikely. We adopted the new revenue recognition standard effective January 1, 2018. The information in this section describes our current revenue recognition policies. See Note 4, “Recently Adopted Accounting Pronouncements” to our audited consolidated financial statements included in this Form 10-K for additional information related to the adoption.

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Leasing Revenue

Our leasing revenues primarily consists of colocation rent, metered power reimbursements and interconnection services. We generally are not entitled to reimbursements for rental expenses including real estate taxes, insurance or other common area operating expenses.

Colocation Rent Revenue and Metered Power Reimbursements Revenue

Colocation rent revenues are generally billed monthly in advance based on the contracted power or leased space. Some contracts may provide initial free rent periods and rents that escalate over the term of the contract. If rents escalate without the lessee gaining access to or control over additional leased power or space, at the beginning of the lease term, the rental payments are recognized as revenue on a straight-line basis over the term of the lease. If rents escalate because the lessee gains access to and control over additional power and or leased space, revenue is recognized in proportion to the additional power or space in the periods that the lessee has control over the use of the additional space or power. The excess of revenue recognized over amounts contractually due is recognized as a straight-line receivable, which is included in other assets in our consolidated balance sheet. When customers make an advance payment in connection with a lease period or contractual obligation, deferred revenue is recorded.

Some of our leases are structured on a full-service gross basis in which the customer pays a fixed amount for both colocation rent and power. The revenue for these types of leases is recorded in colocation lease revenue. Other leases provide that the customer is separately billed for power based upon actual or estimated metered usage. Metered power reimbursement revenue is generally billed one month in arrears, and an estimate of this revenue is accrued in the month that the associated power is provided and recorded in Metered power reimbursements on the Consolidated Statement of Operations.

Revenue from Contracts with Customers

Service Revenue

Managed services include the provisioning of a full-service managed data center, monitoring customer computer equipment, managing backups and storage, utilization reporting and other related ancillary information technology services. Management service contracts generally range from one to five years. Revenue is measured based on the consideration specified in the contract and recognized over time as we satisfy the performance obligation. Other services generally include installation of customer equipment, performing customer system re-boots, server cabinet and cage management, power monitoring, shipping and receiving, resolving technical issues, and other services requested by the customer. Installation services include mounting, wiring, and testing of customer owned equipment. The installation period is typically short term in duration, and accordingly, revenue from the installation of customer equipment is recognized at a point-in-time once the installation is complete and the performance obligation is satisfied. Revenue from other services is recognized over time as the Company performs the service as the customer is determined to consume the benefits of the service as the Company performs.

Acquisition of Properties

Investment in real estate consist of land, buildings, improvements and integral equipment utilized in our data center operations. We expect most acquisitions to be asset acquisitions rather than a business combination as our typical acquisitions consist of properties whereby substantially all the fair value of gross assets acquired is concentrated in a single asset set (land, building and in-place leases), which are treated as asset acquisitions. Asset acquisitions are recorded at the cumulative acquisition costs and allocated to the assets acquired and liabilities assumed on a relative fair value basis. The fair value of identifiable tangible assets such as land, building, building and land improvements, and tenant improvements is determined on an "as-if-vacant" basis. In estimating the fair value of each component acquired management considers appraisals, replacement cost, its own analysis of recently acquired and existing

comparable properties, market rental data and other related information.

Capitalization of Costs

As described in Note 3, Summary of Significant Accounting Policies to our audited consolidated financial statements, we capitalize costs such as personnel, office and other expenses based on an estimate of the time spent on projects that are directly related to capital projects and acquisition of leases. In February 2016, the Financial Accounting Standards Boards (“FASB”) issued an Accounting Standards Update (“ASU”) that modifies existing accounting standards for lease accounting whereby lessors may only capitalize incremental direct costs and as a result, upon adoption the Company will no longer capitalize internal indirect costs. The Company capitalized indirect leasing costs of \$1.7 million and \$0.9 million for the years ended December 31, 2018 and 2017, respectively. The ASU is effective for the Company on January 1, 2019.

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For all development projects, the Company uses its professional judgment in determining whether such costs meet the criteria for capitalization or must be expensed as incurred. The Company capitalizes interest, real estate taxes, insurance, payroll and costs associated with projects and individuals directly responsible for and who spend their time on development activities. Capitalization is ceased upon substantial completion of the project. These costs are recorded on the Consolidated Balance Sheets in construction in progress for each specific property.

Impairment

Management reviews the carrying value of long-lived assets, including intangible assets with finite lives, when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When such impairment indicators exist, we review an estimate of the undiscounted future cash flows expected to result from the use of an asset (or group of assets) and its eventual disposition and compare such amount to its carrying amount. To determine the cash flows we consider factors such as future operating income, leasing demand, rental rates, competition and other factors. The estimate of expected future cash flows is inherently uncertain and relies to a considerable extent on management estimates and assumptions, including current and future market conditions, projected growth in our CSF, projected recurring rent churn (as described below), lease renewal rates and our ability to generate new leases on favorable terms. If our undiscounted net cash flows indicate that we are unable to recover the carrying value of the asset, an impairment loss is recognized. An impairment loss is measured as the amount by which the asset's carrying value exceeds its estimated fair value. The estimates and assumptions used to determine undiscounted cash flows and fair value requires significant judgement by management.

For the year ended December 31, 2018, we recognized no impairment losses. For the year ended December 31, 2017, we recognized impairment losses of \$58.0 million which includes the impairment loss of \$54.4 million for our leased data center facilities in the Connecticut markets and \$3.6 million related to our leased facility in Singapore, which are included in impairment losses in our Consolidated Statement of Operations.

Key Operating Metrics

Annualized Rent. We calculate annualized rent as monthly contractual rent (defined as cash rent including customer reimbursements for metered power) under existing customer leases as of December 31, 2018, multiplied by 12. Monthly contractual rent is primarily for data center space, power and connectivity; however, it includes rent for office space and other ancillary services. For the month of December 2018, customer reimbursements were \$112.0 million annualized and consisted of reimbursements by customers across all facilities with separately metered power. Other companies may not define annualized rent in the same manner. Accordingly, our annualized rent may not be comparable to others. Management believes annualized rent provides a useful measure of our currently in place lease revenue.

Colocation Square Feet ("CSF"). We calculate CSF as the NRSF at an operating facility that is currently leased or readily available for lease as colocation space, where customers locate their servers and other IT equipment.

Leased Rate. We calculate leased rate by dividing CSF under signed leases for colocation space by total CSF. Occupied rate differs from Percent leased. Percent occupied is determined based on CSF billed to customers under signed leases divided by total CSF. Leases signed but that have not commenced billing are not included.

Recurring Rent Churn. We calculate recurring rent churn as any reduction in recurring rent due to customer terminations, service reductions or net pricing decreases as a percentage of rent at the beginning of the period, excluding any impact from metered power reimbursements or other usage-based billing.

Capital Expenditures. Expenditures that expand, improve or extend the life of real estate and non-real estate property are deemed capital expenditures. Management views its capital expenditures as comprised of acquisitions of real estate, development of real estate, recurring real estate expenditures and all other non-real estate capital expenditures. Purchases of land or buildings from third parties represent acquisitions of real estate. Discretionary capital spending that expands or improves our data centers is deemed development of real estate. Replacements of data center assets are considered recurring real estate expenditures. Purchases of software, computer equipment and furniture and

fixtures are included in all other non-real estate capital expenditures.

Factors That May Influence Future Results of Operations

Rental Income. Our revenue growth will depend on our ability to maintain our existing revenue base and to sell new capacity that becomes available as a result of our development activities. As of December 31, 2018, we have customer leases for approximately 88% of our CSF. Our ability to grow revenue will also be affected by our ability to maintain or increase rental rates at our properties. We believe the current rates charged to our customers generally reflect appropriate market rates. This is consistent with our relatively flat historical re-leasing spreads. As such, we do not anticipate significant rate increases or decreases in the aggregate as contracts

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renew. However, negative trends in one or more of these factors could adversely affect our revenue in future periods. Future economic downturns, regional downturns affecting our markets or oversupply of, or decrease in demand for, data center colocation services could impair our ability to attract new customers or renew existing customers' leases on favorable terms, and this could adversely affect our ability to maintain or increase revenues.

Leasing Arrangements. As of December 31, 2018, 16% of our leased NRSF was to customers on a full-service gross basis. Under a full-service gross model, the customer pays a fixed monthly rent amount, and we are responsible for all data center facility electricity, maintenance and repair costs, property taxes, insurance and other utilities associated with that customer's space. For leases under this model, fluctuations in our customers' monthly utilization of power and the prices our utility providers charge us impact our profitability. As of December 31, 2018, 84% of our leased NRSF was to customers with separately metered power. Under the metered power model, the customer pays us a fixed monthly rent amount, plus its actual costs of sub-metered electricity used to power its data center equipment, plus an estimate of costs for electricity used to power supporting infrastructure for the data center, expressed as a factor of the customer's actual electricity usage. We are responsible for all other costs listed in the description of the full-service gross model above. Fluctuations in a customer's utilization of power and the supplier pricing of power do not impact our profitability under the metered power model. In future periods, we expect more of our contracts to be structured to bill power on a metered power basis.

Growth and Expansion Activities. Our ability to grow our revenue and profitability will depend on our ability to acquire and develop data center space globally at an appropriate cost and to lease the data center space to customers on favorable terms. During the year ended December 31, 2018, we increased our operational NRSF by 18%, bringing our total operating NRSF to approximately 6,725,700 at December 31, 2018. Our portfolio, as of December 31, 2018, also included approximately 1,492,091 NRSF under development, as well as 1,670,000 NRSF of additional powered shell space under roof available for development. In addition, we have approximately 470 acres of land that are available for future data center shell development. We expect that the eventual construction of this future development space will enable us to accommodate a portion of the future demand of our existing and future customers and increase our future revenue, profitability and cash flows.

Scheduled Lease Expirations. Our ability to maintain low recurring rent churn and renew expiring customer leases on favorable terms will impact our results of operations. Our data center uncommitted capacity as of December 31, 2018, was approximately 1,362,726 NRSF. Excluding month-to-month leases, leases representing 9% and 9% of our total NRSF are scheduled to expire in 2019 and 2020, respectively. These leases represented approximately 13% and 13% of our annualized rent as of December 31, 2018. Month-to-month leases represented 4% of our annualized rent as of December 31, 2018. Recurring rent churn was 5.0% for the year ended December 31, 2018, as compared to 3.9% for the year ended December 31, 2017. Our recurring rent churn for each quarter in 2018 ranged from 0.5% to 2.6%, in comparison to a range of 0.6% to 1.4% in 2017.

Conditions in Significant Markets. Our properties are located in 13 distinct markets (10 cities in the U.S., plus London, U.K., Singapore and Frankfurt, Germany). Cincinnati, Dallas, Houston, New York Metro, Northern Virginia, Phoenix and San Antonio accounted for approximately 84% of our annualized rent as of December 31, 2018. Positive or negative conditions in these markets could impact our overall profitability.

Results of Operations
Comparison of Years Ended December 31, 2018 and 2017

IN MILLIONS, except per share data

For the Year Ended December 31,	2018	2017	\$ Change 2018 vs. 2017	% Change 2018 vs. 2017
Revenue:				
Colocation rent	\$644.6	\$539.8	\$ 104.8	19.4 %
Metered power reimbursements	104.0	70.2	33.8	48.1 %
Interconnection revenue	40.0	34.1	5.9	17.3 %
Equipment sales	11.9	7.3	4.6	63.0 %
Other revenue	20.9	20.6	0.3	1.5 %
Total revenue	821.4	672.0	149.4	22.2 %
Operating expenses:				
Property operating expenses	292.4	235.1	57.3	24.4 %
Sales and marketing	19.6	17.0	2.6	15.3 %
General and administrative	80.6	67.0	13.6	20.3 %
Depreciation and amortization	334.1	258.9	75.2	29.0 %
Transaction, acquisition, integration and other related expenses	5.0	11.9	(6.9)	(58.0) %
Impairment losses	—	58.0	(58.0)	n/m
Total operating expenses	731.7	647.9	83.8	12.9 %
Operating income	89.7	24.1	65.6	n/m
Interest expense	(94.7)	(68.1)	(26.6)	39.1 %
Unrealized gain (loss) on marketable equity investment	9.9	—	9.9	n/m
Loss on early extinguishment of debt	(3.1)	(36.5)	33.4	n/m
Net income (loss) before income taxes	1.8	(80.5)	82.3	n/m
Income tax expense	(0.6)	(3.0)	2.4	(80.0) %
Net income (loss)	\$1.2	\$(83.5)	\$ 84.7	n/m
Operating gross margin	10.9	%3.6	%	
Capital expenditures*:				
Asset acquisitions, primarily real estate, net of cash acquired	\$462.8	\$492.3	\$ (29.5)	(6.0) %
Investment in real estate	855.2	910.1	(54.9)	(6.0) %
Recurring maintenance capital	10.5	4.4	6.1	n/m
Total	\$1,328.5	\$1,406.8	\$ (78.3)	(5.6) %
Metrics information:				
CSF*	3,819,000	3,267,000	552,000	17 %
Leased rate*	88	%83	%	
Income (loss) per share - basic and diluted	\$—	\$(0.95))	
Dividends declared per share	\$1.84	\$1.68		

*See “Key Operating Metrics” above for a definition of capital expenditures, CSF and leased rate.

Operations

As of December 31, 2018, we had approximately 1,000 customers (not including customers that have signed leases but have not begun occupying space), many of which have signed leases for multiple sites and multiple services, amenities and/or features. We generate recurring revenues from leasing colocation space and nonrecurring revenues from the initial installation and set-up of customer equipment. We provide customers with data center services pursuant to leases with a customary initial term of three to ten years. As of December 31, 2018, the weighted average initial term of our leases was approximately 5.5 years and the weighted average remaining term was 4.4 years based upon annualized rent. Lease expirations through 2021, excluding month-to-month leases, represent 28% of our total NRSF, or 41% of our aggregate annualized rent as of December 31, 2018. At the end of the lease term, customers may sign a new lease or automatically renew pursuant to the terms of their lease. The automatic renewal period could be for varying lengths, depending on the terms of the contract, such as, for the original lease term, one year or month-to-month. As of December 31, 2018, 1% of the NRSF in our portfolio was subject to month-to-month leases.

Revenue

For the year ended December 31, 2018, revenue was \$821.4 million, an increase of \$149.4 million, or 22%, compared to \$672.0 million for the year ended December 31, 2017. Fluctuations in revenue are dependent upon our ability to maintain our existing revenue base, sell new capacity, and maintain or increase rental rates at our properties. Rent churn of 5.0% for the year ended December 31, 2018 increased by 1.1% as compared to the 3.9% for the year-ended December 31, 2017. Colocation square feet increased 17% for the year ended December 31, 2018 as compared to the year ended December 31, 2017. Leased CSF as of December 31, 2018 was 88%, a 5% increase as compared to 83% as of December 31, 2017. The occupancy percentage increase is primarily related to data centers in the lease-up stage that moved into stabilized properties (which include data halls that have been in service for at least 24 months or are at least 85% leased) during the year ended December 31, 2018. The properties are located in Austin, Houston, Northern Virginia, Phoenix and San Antonio.

The revenue increase of \$149.4 million in 2018, as compared to 2017 is primarily due to the following:

- \$144.2 million increase in revenue from existing and new customers including \$96.9 million in colocation rent revenue, \$28.3 million in metered power rent reimbursements and \$6.8 million in interconnection revenue,
- \$27.7 million increase as a result timing of acquisitions for the year ended December 31, 2018, as compared to the year ended December 31, 2017, as we benefited in 2018 from a full year of revenue related to the Sentinel acquisition completed in February 2017 and the acquisition of Zenium which closed in August 2018 (see Note 6, Acquisition and Purchase of Fixed Assets for further information regarding acquisitions), and
- offset in part by a \$23.1 million decrease as a result of the increase of 1.1 percent in churn.

Operating Expenses

Property operating expenses

For the year ended December 31, 2018, property operating expenses were \$292.4 million, an increase of \$57.3 million, or 24%, compared to \$235.1 million for the year ended December 31, 2017 primarily due to the following:

- \$9.9 million increase in property operating expenses as a result of the timing of acquisitions for the year ended December 31, 2018, as compared to the year ended December 31, 2017, due to the Sentinel acquisition completed in February 2017 and the acquisition of Zenium which closed in August 2018.

- \$41.8 million increase primarily due to electricity, repairs and maintenance, and security primarily due to our increased NRSF, higher utility rates, and power usage.
- \$2.6 million increase in equipment cost of sales for the year ended December 31, 2018,
- \$5.7 million increase in personnel, property taxes and other operating expenses, primarily related to personnel supporting our additional CSF deployed and
- offset in part by a \$2.7 million decrease in rental expense due to the expiration of two leased facilities in 2018.

Sales and marketing

For the year ended December 31, 2018, sales and marketing expenses were \$19.6 million, an increase of \$2.6 million, or 15%, compared to \$17.0 million for the year ended December 31, 2017 primarily related to transition costs of \$1.6 million related to increases in sales relocation costs for our new Seattle office and payroll-related costs of \$0.8 million.

General and administrative

For the year ended December 31, 2018, general and administrative expenses were \$80.6 million, an increase of \$13.6 million, or 20%, compared to \$67.0 million for the year ended December 31, 2017 primarily due to the following: \$2.9 million increase in 2018 compared to 2017 as a result of acquisitions of Sentinel and Zenium discussed previously, \$10.7 million increase in 2018 compared to 2017 due to increases of \$6.0 million in personnel expenses and \$2.3 million in legal and professional fees associated with implementing new accounting standards, new European privacy regulatory compliance and related system implementation costs, IT license support and legal fees.

Depreciation and amortization

For the year ended December 31, 2018, depreciation and amortization expense was \$334.1 million, an increase of \$75.2 million, or 29%, compared to \$258.9 million for the year ended December 31, 2017. The acquisition of Sentinel and Zenium resulted in an increase in depreciation and amortization expense of \$23.7 million for the year ended December 31, 2018. The remaining increase was primarily driven by assets that were placed in service in 2018. Since December 31, 2017, approximately \$829.7 million of new data center assets have been placed in service. Depreciation and amortization expense is expected to increase in future periods as we acquire and develop new properties and expand our existing data center facilities.

Transaction, acquisition, integration and other related expenses

For the year ended December 31, 2018, the Company incurred costs of \$5.0 million primarily related to diligence efforts on certain targeted acquisitions. For the year ended December 31, 2017, the Company incurred costs of \$11.9 million primarily related to diligence efforts on certain targeted acquisitions and costs incurred for integration of acquisitions.

Impairment losses

There were no impairment losses for the year ended December 31, 2018. For the year ended December 31, 2017, the Company recognized impairments of \$58.0 million which includes the impairment loss of \$54.4 million for our leased data center facilities in the Connecticut markets and \$3.6 million related to our leased facility in Singapore.

Non-Operating Income and Expenses

Interest expense

For the year ended December 31, 2018, interest expense was \$94.7 million, an increase of \$26.6 million, or 39%, as compared to \$68.1 million for the year ended December 31, 2017. The increase in interest expense was partially offset by an increase in our capitalized interest from the year ended December 31, 2017 of \$7.4 million due to increased development activity. The gross increase in interest expense was primarily a result of the increase in the average principal balances of senior notes outstanding of \$800.0 million for the year ended December 31, 2017, versus \$1.2 billion during the year ended December 31, 2018. We anticipate drawing on our \$1.7 Billion Revolving Credit Facility to fund, in part, capital investments in data centers, including acquisitions. Accordingly, we anticipate our interest expense to increase in future periods.

Unrealized gain on marketable equity investment

For the year ended December 31, 2018, the unrealized gain on our marketable equity investment in GDS was \$9.9 million, primarily as a result of an appreciation in GDS's share price since December 31, 2017.

Loss on early extinguishment of debt

For the year ended December 31, 2018, loss on early extinguishment of debt was \$3.1 million, primarily due to the Company's entering into the \$3.0 Billion Credit Facility and fully retiring the then-existing facility. For the year ended December 31, 2017, loss on early extinguishment of debt was \$36.5 million, primarily due to costs associated with the repurchase of the \$474.8 million in aggregate face value of our 2022 Notes (\$525.0 million of 6.375% senior notes due 2022 (the "2022 Notes")).

Income tax expense

For the year ended December 31, 2018, income tax expense was \$0.6 million, a decrease of \$2.4 million, as compared to \$3.0 million for the year ended December 31, 2017, primarily related to deferred tax benefits associated with our assets acquired in the Zenium acquisition.

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Results of Operations
Comparison of Years Ended December 31, 2017 and 2016

IN MILLIONS, except per share data

For the Year Ended December 31,	2017	2016	\$ Change 2017 vs. 2016	% Change 2017 vs. 2016
Revenue:				
Colocation rent	\$539.8	\$418.7	\$ 121.1	28.9 %
Metered power reimbursements	70.2	53.1	17.1	32.2 %
Interconnection revenue	34.1	29.0	5.1	17.6 %
Equipment sales	7.3	10.1	(2.8)	(27.7) %
Other revenue	20.6	18.2	2.4	13.2 %
Total revenue	672.0	529.1	142.9	27.0 %
Operating expenses:				
Property operating expenses	235.1	187.5	47.6	25.4 %
Sales and marketing	17.0	16.9	0.1	0.6 %
General and administrative	67.0	60.7	6.3	10.4 %
Depreciation and amortization	258.9	183.9	75.0	40.8 %
Transaction, acquisition, integration and other related expenses	11.9	4.6	7.3	n/m
Impairment losses	58.0	5.0	53.0	n/m
Total operating expenses	647.9	458.6	189.3	41.3 %
Operating income	24.1	70.5	(46.4)	(65.8) %
Interest expense	(68.1)	(48.8)	(19.3)	39.5 %
Loss on early extinguishment of debt	(36.5)	—	(36.5)	n/m
Net income (loss) before income taxes	(80.5)	21.7	(102.2)	n/m
Income tax expense	(3.0)	(1.8)	(1.2)	66.7 %
Net income (loss)	\$(83.5)	\$19.9	(103.4)	n/m
Operating gross margin	3.6	% 13.3	%	
Capital expenditures*:				
Asset acquisitions, primarily real estate, net of cash acquired	\$492.3	\$131.1	\$ 361.2	n/m
Investment in real estate	910.1	594.6	315.5	53.1 %
Recurring maintenance capital	4.4	5.4	(1.0)	(18.5) %
Total	\$1,406.8	\$731.1	\$ 675.7	92.4 %
Metrics information:				
CSF*	3,267,000	2,080,000	1,187,000	57 %
Leased rate*	83	% 85	%	
Income (loss) per share - basic and diluted	\$(0.95)	\$0.24		
Dividends declared per share	\$1.68	\$1.52		

* See "Key Operating Metrics" above for a definition of capital expenditures, CSF and leased rate.

Revenue

For the year ended December 31, 2017, revenue was \$672.0 million, an increase of \$142.9 million, or 27%, compared to \$529.1 million for the year ended December 31, 2016 primarily due to the following:

\$47.4 million increase in revenue due to the purchase of CME Group's Chicago-Aurora I data center (the "Aurora Properties") in Aurora, Illinois on March 31, 2016 and the acquisition of Sentinel Properties on February 28, 2017 (together, the "2016 and 2017 Acquisitions") in the year ended December 31, 2017,

\$17.1 million increase in metered power reimbursements, which includes \$4.9 million from the 2016 and 2017 Acquisitions,

\$2.4 million decrease in equipment sales for the year ended December 31, 2017 to \$12.3 million compared to \$14.7 million for the corresponding period in 2016 and

\$85.7 million increase in revenue related to new customers and growth from existing customers, net of churn and items mentioned above for the year ended December 31, 2017.

As of December 31, 2017, we had approximately 5,717,000 NRSF, an increase of approximately 1,813,000 NRSF from December 31, 2016. As of December 31, 2017, we had 197 Fortune 1000 customers, or other companies of equivalent size, compared to 181 as of December 31, 2016. As of December 31, 2017, we had a total of approximately 1,000 customers.

Our capacity at December 31, 2017 was approximately 3,267,000 CSF, which is an increase of 57% from December 31, 2016. The utilization rate of our data center facilities was 83% as of December 31, 2017, compared to 85% as of December 31, 2016. We had a few data centers in the lease-up stage that had not stabilized as of December 31, 2017, and we refer to these as pre-stabilized properties. Excluding these properties, the utilization rate for our stabilized portfolio was 93% as of December 31, 2017, as compared to 92% as of December 31, 2016. Prior to fiscal year 2018, utilization rate was a key operating metric. We calculated utilization rate by dividing CSF under signed leases for available space (whether or not the customer has occupied the space) by total CSF.

Recurring rent churn was 3.9% for the year ended December 31, 2017, as compared to 10.8%, which included company initiated churn of approximately 2.6%, for the year ended December 31, 2016.

Operating Expenses

Property operating expenses

For the year ended December 31, 2017, property operating expenses were \$235.1 million, an increase of \$47.6 million, or 25%, compared to \$187.5 million for the year ended December 31, 2016. The 2016 and 2017 Acquisitions resulted in an increase to property operating expenses of \$14.3 million. Equipment cost of sales increased \$0.4 million for the year ended December 31, 2017. Excluding the impact of the 2016 and 2017 Acquisitions and equipment cost of sales, property operating expenses increased by \$32.9 million including increases in electricity costs of \$15.8 million, property taxes increased \$8.9 million and contract services, personnel and other costs increased \$8.2 million, primarily to support our additional CSF deployed.

Sales and marketing

For the year ended December 31, 2017, sales and marketing expenses were \$17.0 million, an increase of \$0.1 million, or 1%, compared to \$16.9 million for the year ended December 31, 2016. The 2016 and 2017 Acquisitions resulted in an increase to sales and marketing expenses of \$0.2 million, increase in employee-related costs of \$1.1 million, and severance-related costs of \$0.5 million as a result of a reduction-in-force for the marketing department, offset by a decrease in advertising and other expenses of \$1.7 million.

General and administrative

For the year ended December 31, 2017, general and administrative expenses were \$67.0 million, an increase of \$6.3 million, compared to \$60.7 million for the year ended December 31, 2016. The 2016 and 2017 Acquisitions resulted in an increase to general and administrative expenses of \$0.5 million. Employee-related costs increased by \$5.9 million due to higher payroll and related costs to support the growth in the business. The Company incurred \$2.4 million related to implementing new accounting standards and investing in system implementations. This increase was offset by a decrease in professional fees and other of \$2.5 million.

Depreciation and amortization

For the year ended December 31, 2017, depreciation and amortization expense was \$258.9 million, an increase of \$75.0 million, or 41%, compared to \$183.9 million for the year ended December 31, 2016. The 2016 and 2017 Acquisitions resulted in an increase in depreciation and amortization expense of \$32.7 million for the year ended December 31, 2017. The remainder of the increase was driven by assets that were placed in service after the fourth quarter of 2016. Depreciation and amortization expense is expected to increase in future periods as we acquire and develop new properties, and expand our existing data center facilities.

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Transaction, acquisition, integration and other related expenses

For the year ended December 31, 2017, the Company incurred costs of \$11.9 million primarily related to diligence efforts on certain targeted acquisitions including unrealized acquisitions and costs incurred for the integration of Sentinel Properties. For the year ended December 31, 2016, the Company incurred costs of \$4.6 million associated with diligence efforts on certain targeted acquisitions, including unrealized acquisitions.

Impairment losses

For the year ended December 31, 2017, we recognized impairment losses of \$58.0 million, which includes the impairment loss of \$54.4 million for our Norwalk I, Stamford - Riverbend and Stamford - Omega facilities. Additionally, during the year ended December 31, 2017, we recognized an impairment loss of \$3.6 million related to our leased facility in Singapore. For the year ended December 31, 2016, we recognized impairment losses of \$5.0 million which related primarily to two properties, South Bend - Crescent, a leased facility, and Cincinnati - Goldcoast, an owned facility.

Non-Operating Income and Expenses**Interest expense**

For the year ended December 31, 2017, interest expense was \$68.1 million, an increase of \$19.3 million, or 40%, as compared to \$48.8 million for the year ended December 31, 2016. The increase was primarily a result of additional average borrowings under our previous revolving credit facility, the issuance of the 2024 Notes and 2027 Notes in March 2017 (each as defined in Note 12, Debt to our audited consolidated financial statements) and November 2017 and the redemption of the 2022 Notes, partially offset by \$6.3 million due to an increase in capitalized interest.

Loss on early extinguishment of debt

For the year ended December 31, 2017, loss on early extinguishment of debt was \$36.5 million, primarily due to costs associated with the repurchase of the \$474.8 million in aggregate face value of our 2022 Notes for total consideration of \$515.1 million, including accrued and unpaid interest of \$10.3 million. Deferred financing costs, bond premium and legal fees related to the 2022 Notes of \$6.2 million were written off. In addition, \$0.3 million related to our previous \$2.0 billion credit facility were written off due to the exit of certain lenders from the credit facility.

Income tax expense

For the year ended December 31, 2017, income tax expense was \$3.0 million, an increase of \$1.2 million, as compared to \$1.8 million for the year ended December 31, 2016.

Significant Balance Sheet Fluctuations

The table below relates to significant fluctuations in certain line items of our condensed consolidated balance sheets from December 31, 2017 to December 31, 2018 (in millions):

	December 31, 2018	December 31, 2017	Difference
Total investment in real estate, net	\$ 4,293.0	\$ 3,058.4	\$ 1,234.6
Equity investments	198.1	175.6	22.5
Debt, net	2,624.7	2,089.4	535.3
Additional paid in capital	2,837.4	2,125.6	711.8

The increase in total investment in real estate, net was primarily due to the acquisition of Zenium and the continued development of data centers in Chicago, Dallas, Northern Virginia and Phoenix, less depreciation expense of \$293.1 million.

The increase in equity investment was primarily due to the fair value increase in our GDS investment and resulting unrealized gain, and our investment in ODATA Brasil S.A. and ODATA Colombia S.A.S. (collectively "ODATA"). We did not receive any distributions related to our equity investments during 2018 or 2017. With respect to GDS, because the unrealized gain (loss) on investment is based on the fair value of our marketable equity investment in GDS, our unrealized gain (loss) on investment has and may continue to fluctuate materially in future results in the Consolidated Statements of Operations. These fluctuations may cause certain of our financial results to fluctuate

materially from quarter-to-quarter. A \$1.00 change in the trading price of the American depositary shares of GDS would result in our unrealized gain (loss) on marketable equity investment changing by \$8.0 million.

The increase in debt, net was primarily due to proceeds from the Company's \$3.0 Billion Credit Facility which were in excess of funds used to retire the prior credit facility. Also, the Company used its \$300.0 million term loan delayed draw feature of the 2023 Term Loan to fund the Zenium acquisition and assumed a €100.0 million construction facility, which was paid off in December 2018.

The increase in additional paid in capital was primarily due to proceeds from the Company's September 2018 public equity offering, full settlement of the Company's forward agreement sale in December 2018 and ATM stock offering programs.

Investing Activities

For the year ended December 31, 2018, capital expenditures were \$1,328.5 million. Our capital expenditures for 2018 included the acquisition of Zenium for \$462.8 million. In addition, 2018 capital expenditures included \$865.7 million related primarily to the continued development in key markets, primarily Chicago, Dallas, Northern Virginia and Somerset. We also made an equity investment in ODATA for \$12.6 million.

For the year ended December 31, 2017, capital expenditures were \$1,406.8 million, including the purchase price of the Sentinel Properties on February 28, 2017 for \$492.3 million. Other capital expenditures for the year ended December 31, 2017 related primarily to development projects underway in Chicago, Cincinnati, Dallas, Northern Virginia, Phoenix and San Antonio; and the purchase of land parcels in Allen, Texas, Atlanta, Georgia and Quincy, Washington for future development for approximately \$20.2 million.

For the year ended December 31, 2016, capital expenditures were \$731.1 million, including the purchase price of the Chicago-Aurora I data center in Aurora, Illinois for \$131.1 million. Other capital expenditures for the year ended December 31, 2016 related primarily to development projects in our Chicago, Dallas, Houston, Northern Virginia, Phoenix and San Antonio markets. Also, during the year ended December 31, 2016, the Company purchased four land parcels for development for approximately \$54.5 million.

Key Performance Indicators - Non-GAAP Financial Measures

In addition to amounts presented in accordance with GAAP, we also present certain supplemental non-GAAP financial measures related to the Company's performance. These non-GAAP financial measures should not be construed as being more important than comparable GAAP financial measures. In compliance with Securities and Exchange Commission ("SEC") requirements, our non-GAAP financial measures presented herein are reconciled to net income (loss), the most directly comparable GAAP financial measure. Neither the SEC nor any regulatory body has passed judgment on these non-GAAP measurements.

Funds from Operations and Normalized Funds from Operations

We use funds from operations ("FFO") and normalized funds from operations ("Normalized FFO"), which are non-GAAP financial measures commonly used in the REIT industry, as supplemental performance measures. We use FFO and Normalized FFO as supplemental performance measures because, when compared period over period, they capture trends in occupancy rates, rental rates and operating costs. We also believe that, as widely recognized measures of the performance of REITs, FFO and Normalized FFO are used by investors as a basis to evaluate REITs.

We calculate FFO as net income (loss) computed in accordance with GAAP before real estate depreciation and amortization and asset impairments and loss on disposal. While it is consistent with the definition of FFO promulgated by the National Association of Real Estate Investment Trusts ("NAREIT"), our computation of FFO may differ from the methodology for calculating FFO used by other REITs. Accordingly, our FFO may not be comparable to others.

We calculate Normalized FFO as FFO plus loss on early extinguishment of debt; unrealized (gain) loss on marketable equity investment; new accounting standards and regulatory compliance and the related system implementation costs; amortization of trade names; transaction, acquisition and other integration expenses; severance and management transition costs; legal claim costs and other special items as appropriate. The Company believes its Normalized FFO

calculation provides a comparable measure between different periods. Other REITs may not calculate Normalized FFO in the same manner. Accordingly, our Normalized FFO may not be comparable to others.

In addition, because FFO and Normalized FFO exclude real estate depreciation and amortization and real estate impairments, and capture neither the changes in the value of our properties that result from use or from market conditions, nor the level of capital expenditures and 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 FFO and Normalized FFO as measures of our performance is limited. Therefore, FFO and Normalized FFO should be considered only as supplements to net income (loss)

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presented in accordance with GAAP as measures of our performance. FFO and Normalized FFO should not be used as measures of our liquidity or as indicative of funds available to fund our cash needs, including our ability to make distributions. FFO and Normalized FFO also should not be used as supplements to or substitutes for cash flow from operating activities computed in accordance with GAAP.

On January 1, 2018, we adopted the new accounting standard with respect to revenue recognition, see Note 3, Summary of Significant Accounting Policies and Note 5, Revenue Recognition to our audited consolidated financial statements for additional information. We have adopted the new standard using the modified retrospective transition method, where financial statement presentations prior to the date of adoption are not adjusted. Accordingly, all information related to periods prior to 2018 have not been adjusted, including non-GAAP measurements.

The following table reflects the reconciliation to GAAP net income to FFO and Normalized FFO for the years ended December 31, 2018, 2017 and 2016:

	Year Ended		
	December 31,		
	2018	2017	2016
Net income (loss)	\$1.2	\$(83.5)	\$19.9
Real estate depreciation and amortization ⁽¹⁾	325.5	250.6	176.5
Impairment losses ⁽¹⁾	—	58.0	5.0
Funds from Operations ("FFO") - NAREIT defined	\$326.7	\$225.1	\$201.4
Loss on early extinguishment of debt	3.1	36.5	—
Unrealized (gain) loss on marketable equity investment	(9.9)	—	—
New accounting standards and regulatory compliance and the related system implementation costs	3.0	2.4	—
Amortization of tradenames ⁽¹⁾	1.7	1.4	1.3
Transaction, acquisition, integration and other related expenses ⁽¹⁾	4.8	11.9	4.6
Severance and management transition costs	2.3	0.5	1.9
Legal claim costs	0.6	1.1	1.0
Normalized Funds from Operations ("Normalized FFO")	\$332.3	\$278.9	\$210.2

(1) Reflects certain reclassifications of previously reported amortization of customer intangibles and transaction costs to conform with the current presentation.

Net Operating Income

We use Net Operating Income ("NOI"), which is a non-GAAP financial measure commonly used in the REIT industry, as a supplemental performance measure. We use NOI as a supplemental performance measure because, when compared period over period, it captures trends in occupancy rates, rental rates and operating expenses. We also believe that, as a widely recognized measure of the performance of REITs, NOI is used by investors as a basis to evaluate REITs.

We calculate NOI as revenue less property operating expenses, each of which are presented in the accompanying consolidated statements of operations and/or net income (loss), which is presented in the accompanying consolidated statements of operations, adjusted for sales and marketing expenses, general and administrative expenses, depreciation and amortization expenses, transaction, acquisition, integration and other related expenses, impairment losses, interest expense, unrealized (gain) loss on marketable equity securities, loss on early extinguishment of debt, income tax expense and other special items as appropriate. Amortization of deferred leasing costs is presented in depreciation and amortization expenses, which is excluded from NOI. Sales and marketing expenses are not property-specific, rather these expenses support our entire portfolio. As a result, we have excluded these sales and marketing expenses from our NOI calculation, consistent with the treatment of general and administrative expenses, which also support our

entire portfolio. Because the calculation of NOI excludes various expenses, the utility of NOI as a measure of our performance is limited. Other REITs may not calculate NOI in the same manner. Accordingly, our NOI may not be comparable to others. Therefore, NOI should be considered only as a supplement to revenue and to net income (loss) presented in accordance with GAAP as a measure of our performance. NOI should not be used as a measure of our liquidity or as indicative of funds available to fund our cash needs, including our ability to make distributions. NOI also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.

The following table reflects the reconciliation of Net Income (Loss) to NOI for the years ended December 31, 2018, 2017 and 2016:

	Year Ended		
	December 31,		
	2018	2017	2016
Net Income (Loss)	\$1.2	\$(83.5)	\$19.9
Sales and marketing expenses	19.6	17.0	16.9
General and administrative expenses	80.6	67.0	60.7
Depreciation and amortization expenses	334.1	258.9	183.9
Transaction, acquisition, integration and other related expenses	5.0	11.9	4.6
Impairment losses	—	58.0	5.0
Interest expense	94.7	68.1	48.8
Unrealized (gain) loss on marketable equity investment	(9.9)	—	—
Loss on early extinguishment of debt	3.1	36.5	—
Income tax expense	0.6	3.0	1.8
Net Operating Income	\$529.0	\$436.9	\$341.6

Financial Condition, Liquidity and Capital Resources and Material Terms of Our Indebtedness Liquidity and Capital Resources

We are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, to our stockholders on an annual basis in order to maintain our status as a REIT for federal income tax purposes. Accordingly, we intend to make, but are not contractually bound to make, regular quarterly distributions to common stockholders from cash flows from operating activities. All such distributions are at the discretion of our board of directors.

We have an effective shelf registration statement that allows us to offer for sale unspecified amounts of various classes of equity and debt securities and warrants. As circumstances arise, we may issue debt, equity and/or warrants from time to time on an opportunistic basis, dependent upon market conditions and available pricing.

During the first quarter of 2018, the Board authorized the Company to enter into sales agreements pursuant to which the Company may issue and sell from time to time shares of its common stock having an aggregate sales price of up to \$500 million (the "2018 ATM Stock Offering Program"). The 2018 ATM Stock Offering Program replaced a prior ATM stock offering program. During the fourth quarter of 2018, the Board authorized the Company to enter into sales agreements pursuant to which the Company may issue and sell from time to time shares of its common stock having an aggregate sales price of up to \$750 million (the "New 2018 ATM Stock Offering Program"). The New 2018 ATM Stock Offering Program replaced the 2018 ATM Stock Offering Program. For the year ended December 31, 2018, the Company sold approximately 3.0 million shares of its common stock under its ATM stock offering programs, generating net proceeds of approximately \$152.0 million after giving effect to sales agent commissions of \$1.9 million. As of December 31, 2018, there was \$750.0 million under the New 2018 ATM Stock Offering Program available for future offerings.

On September 28, 2018, CyrusOne Inc. completed a public offering of 6.7 million shares of its common stock for \$397.3 million, net of underwriting discounts and expenses of approximately \$18.1 million. In connection with this offering, on September 25, 2018, CyrusOne Inc. entered into a forward sale agreement with Morgan Stanley & Co. LLC with respect to an additional 2.5 million shares of its common stock. On December 28, 2018, the Company effected a full physical settlement of the previously announced forward sale agreement entered into with Morgan Stanley & Co. LLC. Upon settlement, the Company issued all such shares to Morgan Stanley & Co. LLC in its capacity as forward purchaser, in exchange for net proceeds of approximately