

CyrusOne Inc.
Form 10-K
February 26, 2016
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, 2015

.. 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
(I.R.S. Employer
Identification No.)

(State or other jurisdiction of
incorporation or organization)
1649 West Frankford Road, Carrollton, TX 75007
(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
Common Stock, \$.01 par value
Securities registered pursuant to Section 12 (g) of the Act: None.

Name of Each Exchange on Which Registered
NASDAQ

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 (Section 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 or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes No

The registrant completed the initial public offering of its Common Stock on January 24, 2013. The aggregate market value of the voting Common Stock owned by non-affiliates on June 30, 2015, was \$1.9 billion, computed by reference to the closing sale price of the Common Stock on the NASDAQ Global Select Market on such date.

There were 72,270,518 shares of Common Stock outstanding as of January 29, 2016.

Portions of the definitive proxy statement relating to the Company's 2016 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. 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 holds substantially all the assets of the Company.

CyrusOne LP conducts the operations of the business 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 by the Company's business through CyrusOne LP's operations and by CyrusOne LP's incurrence of indebtedness.

As of December 31, 2015, the total number of outstanding shares of common stock was 72.6 million and our former parent, Cincinnati Bell Inc. (CBI) owned approximately 9.5% of CyrusOne through its interest in the outstanding shares of common stock of CyrusOne Inc. On December 31, 2015, CyrusOne Inc. completed an exchange of all the operating partnership units owned directly or indirectly by CBI for an equal number of shares of common stock of CyrusOne Inc. As a result, 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.

CyrusOne Inc. was formed on July 31, 2012, and prior to its initial public offering (which was completed on January 24, 2013) (the IPO), it had minimal activity, consisting solely of deferred offering costs. The consolidated and combined financial statements included in this Annual Report of CyrusOne Inc. and its subsidiaries referred to, collectively, as “CyrusOne” the “Company” “we” and “Predecessor” reflect the historical financial position, results of operations and cash flows of the data center activities and holdings of CBI for all periods presented. The Predecessor's historical financial statements have been prepared on a “carve-out” basis from CBI's consolidated financial statements using the historical results of operations, cash flows, assets and liabilities attributable to the data center business and include allocations of income, expenses, assets and liabilities from CBI. These allocations reflect significant assumptions, and the consolidated and combined financial statements do not fully reflect what the Predecessor's financial position, results of operations and cash flows would have been had the Predecessor been a stand-alone company during the periods presented. As a result, the Predecessor's historical financial information is not necessarily indicative of CyrusOne Inc.'s future results of operations, financial position and cash flows.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make statements in this Annual Report on Form 10-K that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain 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 the 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. 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;
- 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;
- 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 acquired properties;
- 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 may drive potential investors to seek higher dividend yields and reduce demand for our common stock; and
- market price and volume of stock could be volatile.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors of new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section entitled “Risk Factors.”

ITEM 1. BUSINESS

The Company

We are an owner, operator and developer of enterprise-class, carrier-neutral, multi-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 interconnectivity 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 930 customers in 32 data centers and 2 recovery centers in 12 distinct markets (10 cities in the U.S., London and Singapore). We provide twenty-four-hours-a-day, seven-days-a-week security guard monitoring with customizable security features.

Formation of Our Company

Our business is comprised of the historical data center activities and holdings of CBI. CBI operated various data centers and acquired various data center businesses prior to our formation including Cyrus Networks, LLC (Cyrus Networks). On various dates throughout 2012, CBI created CyrusOne Inc., CyrusOne GP and CyrusOne LP (the operating partnership) and, on November 20, 2012, certain subsidiaries of CBI contributed certain assets and operations to CyrusOne LP in exchange for the issuance of operating partnership units. We refer to these transactions as the "formation transactions."

Recent Developments

On April 7, 2015, CyrusOne Inc. completed a public offering of approximately 14.3 million shares of its common stock at a price to the public of \$31.12 per share, or \$426.0 million, net of underwriting costs of \$17.8 million. CyrusOne Inc. used the proceeds to acquire approximately 14.3 million common units of limited partnership interests in the operating partnership from two subsidiaries of CBI.

On June 22, 2015, CyrusOne LP entered into an amendment to the credit agreement governing its revolving credit facility and term loan facility (the Credit Agreement), which increased the size of the Credit Agreement's accordion feature from \$300 million to \$600 million. Immediately after entering into the amendment, the operating partnership exercised \$350 million of this accordion feature and obtained commitments to increase the total commitment under the Credit Agreement from \$600 million to \$950 million, comprised of \$650 million of commitments under the revolving credit facility and \$300 million under the term loan.

On June 26, 2015, CyrusOne Inc. completed a public offering of approximately 13.0 million shares of its common stock, at a price to the public of \$30.00 per share, or \$373.3 million, net of underwriting costs of \$16.6 million. On July 1, 2015, CyrusOne Inc. used \$170.3 million of the proceeds to acquire approximately 6.0 million common units of limited partnership interests in the operating partnership from a subsidiary of CBI. The balance of the proceeds was used to finance CyrusOne LP's acquisition of Cervalis Holdings LLC (Cervalis), to pay fees and expenses related to the acquisition of Cervalis (the Cervalis Acquisition) and for general corporate purposes.

On July 1, 2015, CyrusOne LP and CyrusOne Finance Corp (the Issuers) closed a private offering of \$100 million aggregate principal amount of the 6.375% senior notes due 2022. The proceeds of the notes offering were used to finance the Cervalis Acquisition, to pay fees and expenses related to the Cervalis Acquisition and for general corporate purposes.

On July 1, 2015, CyrusOne LP acquired 100% of Cervalis, a privately-held owner and operator of data centers for approximately \$398.4 million, excluding transaction-related expenses. As a result of the Cervalis Acquisition, we acquired four data center facilities and two work recovery facilities serving the New York metropolitan area. The Cervalis Acquisition was funded with a portion of the proceeds from the June 2015 equity offering and the July 2015 notes offering, and borrowings under the Company's amended term loan.

On December 14, 2015, CyrusOne Inc. completed a public secondary offering of 1,350,000 shares of common stock held by a subsidiary of CBI. On December 31, 2015, CyrusOne Inc. completed an issuance of approximately 6.3 million newly issued shares of common stock in exchange for an equal number of operating partnership units in CyrusOne LP, held by a subsidiary of CBI. As a result, CBI owns approximately 9.5% of the common stock of

CyrusOne Inc. and all of the operating units of CyrusOne LP are owned directly or indirectly by the Company.

The following diagram depicts our ownership structure as of December 31, 2015:

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Our Business

We provide mission-critical data center facilities that protect and ensure the continued operation of IT infrastructure for our customers. Our goal is to be the preferred global data center provider to the Fortune 1000. As of December 31, 2015, our customers included 9 of the Fortune 20 and 173 of the Fortune 1000 or private or foreign enterprises of equivalent size. These 173 customers provided 62% of our annualized rent as of December 31, 2015.

Data centers are highly specialized and secure facilities 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 as well as an increased demand for outsourcing. The market for third-party data center facilities includes, among other companies, 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 challenges. 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 attracting customers that have not historically outsourced their data center needs and providing 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. We provide twenty-four-hours-a-day, seven-days-a-week security guard monitoring with customizable security features. The CyrusOne National IX Platform (the National IX Platform) delivers interconnection across states and between metro-enabled sites within the CyrusOne footprint and beyond. The platform enables high-performance, low-cost data transfer and accessibility for customers by uniting our data centers.

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 will 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 to build a quality customer base. We currently have 930 customers from a broad spectrum of industries, including 9 of the Fortune 20 and 173 of the Fortune 1000 or private or foreign enterprises of equivalent size. Our revenue is generated by a stable enterprise customer base, as evidenced by the fact that as of December 31, 2015, 62% of our annualized rent comes from the Fortune 1000 or private or foreign enterprises of equivalent size. We serve a diversity of industries, including information technology, energy, financial services, industrials, telecommunication services, healthcare and others.

As of December 31, 2015, no single customer represented more than 4.0% of our annualized rent, and our top 10 customers represented 30% of our annualized rent.

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 top 10 largest U.S. cities by population (Chicago, Dallas, Houston, New York, Phoenix and San Antonio), according to the U.S. Census Bureau, and five of the top 10 cities for Fortune 500 headquarters (Chicago, Cincinnati, Dallas, Houston and New York), according to Forbes. Through the Cervalis Acquisition we have acquired four data center facilities and two work recovery facilities serving the New York metropolitan area, which supports our strategy of growing our Fortune 1000 customer base by growing our presence on the East Coast and enhancing the geographic diversity of our portfolio. 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 CIOs are dividing their application stacks into groups as some applications require 100% availability while others may require significant power to support complex computing or robust connectivity. Our construction 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 provides access to hundreds of telecommunication and Internet carriers.

Massively Modular[®] Construction Methods. Our Massively Modular[®] 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. The powered shell can be acquired or constructed for a relatively inexpensive capital cost. 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 receipt 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 provides us with embedded future growth from our customer base. During 2015, we signed new leases representing \$88.6 million in annualized revenue, with previously existing customers accounting for approximately 73% of this amount. Since December 31, 2014, we have increased our colocation space square feet (CSF) by approximately 349,000 square feet or 28%, while maintaining a high percentage of CSF utilized of 86% as of December 31, 2015.

Significant, Attractive Expansion Opportunities. As of December 31, 2015, we had 574,000 NRSF of powered shell available for future development and approximately 183 acres of land that are available for future data center facility development. The powered shell available for future development allows us to nearly double our footprint in locations that are part of our domestic portfolio, and consists of approximately 257,000 NRSF in the Southwest (Texas and Phoenix) and 317,000 NRSF in the Northeast and Midwest. 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. 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, telecommunications and mission-critical infrastructure industries.

Balance Sheet Positioned to Fund Continued Growth. As of December 31, 2015, we had \$422.2 million in available liquidity, including \$407.9 million in borrowing capacity under our unsecured revolving credit facility. The Credit Agreement also includes an accordion feature that allows us to increase the aggregate commitment by up to \$250 million. 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, which can require extensive consultation and drive long sales cycles as these enterprises make the initial outsourcing decision. As of December 31, 2015, we had 35 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 more than 130 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, 2015, we have approximately 519,000 NRSF currently available for lease. We also have approximately 839,000 NRSF under development, as well as 574,000 NRSF of additional powered shell space under roof available for 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, obsolete existing corporate data center infrastructure, increased power and cooling requirements and

increased regulatory requirements, are 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 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 are now utilizing 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 award-winning internal marketing team, 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 developing new data centers in markets where our customers are located and in markets with a strong presence of and high demand by Fortune 1000 customers. 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. Our strategy of broadening our geographic footprint and expanding into markets with a strong presence of and high demand by Fortune 1000 customers is what led to our expansion into the Northern Virginia and New York metropolitan markets. 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. We believe that the reputation and industry relationships of our executive management team place us in an ongoing trusted provider role. 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 principal executive offices are located at 1649 West Frankford Road, Carrollton, TX 75007. Our telephone number is (972) 350-0060. We maintain a website, www.cyrusone.com. The information contained on, or accessible through, our website is not incorporated by reference into this Annual Report on Form 10-K.

Our Portfolio

As of December 31, 2015, our property portfolio included 32 data centers and 2 recovery centers in 12 distinct markets (10 cities in the U.S., London and Singapore) collectively providing approximately 2,954,000 net rentable square feet (NRSF), of which 82% was leased, and powered by approximately 227 MW of available critical load capacity. We own 18 of the buildings in which our data center facilities are located. We lease the remaining 16 buildings, which account for approximately 700,000 NRSF, or approximately 24% of our total operating NRSF. These

leased buildings accounted for 33% of our total annualized rent as of December 31, 2015. We also currently have 839,000 NRSF under development, as well as 574,000 NRSF of additional powered shell space under roof available for development. In addition, we have approximately 183 acres of land that are available for future data center shell development. Along with our primary product offering, leasing of colocation space, our customers are also interested in ancillary office and other space. We believe our existing operating portfolio and development pipeline will allow us to meet the evolving needs of our existing customers and continue to attract new customers. The following tables provide an overview of our operating and development properties as of December 31, 2015.

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CyrusOne Inc.
Data Center Portfolio
As of December 31, 2015
(unaudited)

Facilities	Metro Area	Annualized Rent ^(b)	Operating Net Rentable Square Feet (NRSF) ^(a)							Powered Shell Available for Future Development (NRSF) ^(j)	Available Capacity (MW) ^(k)
			Colocation Space (CSF) ^(c)	CSF Leased ^(d)	CSF Utilized ^(e)	Office & Other ^(f)	Office & Other Leased ^(g)	Supporting Infrastructure ^(h)	Total ⁽ⁱ⁾		
Westway Park Blvd., Houston, TX (Houston West 1)	Houston	49,228,557	112,133	96 %	96 %	10,563	98 %	37,062	159,758	3,000	28
W. Frankford, Carrollton, TX (Carrollton)	Dallas	39,175,328	226,604	83 %	84 %	33,009	96 %	90,314	349,927	196,000	24
S. State Highway 121 Business, Lewisville, TX (Lewisville)*	Dallas	38,111,032	108,687	96 %	100 %	11,374	97 %	59,345	179,406	—	18
West Seventh St., Cincinnati, OH (7th Street)***	Cincinnati	36,512,827	212,030	94 %	94 %	5,744	100 %	171,156	388,930	37,000	13
Madison Road (Totowa)**	New York	28,825,440	51,242	84 %	84 %	22,477	100 %	58,964	132,683	—	6
Myer Connors Rd (Wappingers Falls)**	New York	26,895,181	37,000	97 %	97 %	12,485	95 %	22,087	71,572	—	3
Southwest Fwy., Houston, TX (Galleria)	Houston	26,044,727	63,469	76 %	76 %	23,259	51 %	24,927	111,655	—	14
Kingsview Dr., Lebanon, OH (Lebanon)	Cincinnati	22,626,127	65,303	86 %	89 %	44,886	72 %	52,950	163,139	65,000	14
South Ellis Street Chandler, AZ (Phoenix 1)	Phoenix	20,747,156	77,504	100 %	100 %	34,501	11 %	39,137	151,142	31,000	16
Westover Hills Blvd, San Antonio, TX (San Antonio 1)	San Antonio	20,682,080	43,843	100 %	100 %	5,989	83 %	45,650	95,482	11,000	12
	Houston	18,549,027	79,492	83 %	87 %	3,355	62 %	55,023	137,870	12,000	12

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Westway Park Blvd., Houston, TX (Houston West 2) Industrial Rd., Florence, KY Cincinnati		14,770,442	52,698	100%	100%	46,848	87%	40,374	139,920	—	9
(Florence) Riverbend Drive South New York		12,713,173	20,000	92%	92%	—	—%	8,484	28,484	—	2
(Stamford)** Metropolis Dr., Austin, Austin		11,826,167	43,772	98%	100%	1,821	100%	22,433	68,026	—	5
TX (Austin 2) South Ellis Street Chandler, AZ Phoenix		11,475,572	72,116	100%	100%	5,618	38%	25,516	103,250	4,000	12
(Phoenix 2) Knightsbridge Dr., Hamilton, Cincinnati		9,431,835	46,565	79%	79%	1,077	100%	35,336	82,978	—	10
(Hamilton)* Ridgetop Circle, Sterling, VA Washington, D.C.		6,654,927	74,653	49%	73%	1,901	100%	52,605	129,159	3,000	12
(Northern Virginia) Parkway Dr., Mason, OH Cincinnati		5,682,831	34,072	100%	100%	26,458	98%	17,193	77,723	—	4
(Mason) Midway Rd., Carrollton, TX Dallas		5,622,862	8,390	100%	100%	—	—%	—	8,390	—	1
(Midway)** E. Ben White Blvd., Austin, Austin		5,418,954	16,223	87%	87%	21,476	100%	7,517	45,216	—	2
TX (Austin 1) Kestral Way (London)** London		4,661,313	10,000	99%	99%	—	—%	514	10,514	—	1
Norden Place (Norwalk)** New York		3,405,525	13,192	67%	67%	4,085	72%	40,610	57,887	87,000	2
Marsh Lane, Carrollton, TX Dallas		2,409,035	4,245	100%	100%	—	—%	—	4,245	—	1
(Marsh Ln)** Springer St., Lombard, IL Chicago		2,265,284	13,516	71%	72%	4,115	100%	12,230	29,861	29,000	3
(Lombard) Omega Drive (Stamford)** New York		1,481,005	—	—%	—%	18,552	87%	3,796	22,348	—	—
Bryan St., Dallas, TX Dallas		934,154	3,020	51%	51%	—	—%	—	3,020	—	1
(Bryan St)**											

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Metropolis Dr., Austin, TX (Austin 3)	Austin	704,297	61,838	2	%	6	%	15,055	—	%	20,629	97,522	67,000	3
Crescent Circle, South Bend, IN (Blackthorn)*	South Bend	541,644	3,432	41	%	41	%	—	—	%	5,125	8,557	11,000	1
McAuley Place, Blue Ash, OH (Blue Ash)*	Cincinnati	522,902	6,193	39	%	39	%	6,950	100%		2,166	15,309	—	1
Houston, TX (Houston West Houston 3)	Houston	411,504	—	—	%	—	%	8,564	100%		5,304	13,868	—	—
E. Monroe St., South Bend, IN (Monroe St.)	South Bend	396,366	6,350	22	%	22	%	—	—	%	6,478	12,828	4,000	1
Commerce Road (Totowa)**	New York	296,520	—	—	%	—	%	20,460	30	%	5,540	26,000	—	—
Jurong East (Singapore)**	Singapore	286,586	3,200	19	%	19	%	—	—	%	—	3,200	—	1
Goldcoast Dr., Cincinnati, OH (Goldcoast)	Cincinnati	95,701	2,728	—	%	—	%	5,280	100%		16,481	24,489	14,000	1
Total		\$429,406,081	1,573,510	84	%	86	%	395,902	74	%	984,946	2,954,358	574,000	227

* 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 West Seventh Street (7th St.) 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.
Represents monthly contractual rent (defined as cash rent including customer reimbursements for metered power) under existing customer leases as of December 31, 2015, multiplied by 12. For the month of December 2015, customer reimbursements were \$46.1 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, 2014 through December 31, 2015, customer reimbursements under leases with separately metered power constituted between 10.6% and 14.2% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of December 31, 2015 was \$431.1 million. Our annualized effective rent was greater than our annualized rent as of December 31, 2015 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.
- (b) 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.
- (c) Percent leased is determined based on CSF being billed to customers under signed leases as of December 31, 2015 divided by total CSF. Leases signed but not commenced as of December 31, 2015 are not included.
- (d) Utilization is calculated by dividing CSF under signed leases for colocation space (whether or not the lease has commenced billing) by total CSF.
- (e) 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.
Percent leased is determined based on Office & Other space being billed to customers under signed leases as of December 31, 2015 divided by total Office & Other space. Leases signed but not commenced as of December 31, 2015 are not included.
- (f) Represents infrastructure support space, including mechanical, telecommunications and utility rooms, as well as building common areas.
- (g) Represents the NRSF at an operating facility that is currently leased or readily available for lease. This excludes existing vacant space held for development.
- (h) Represents space that is under roof that could be developed in the future for operating NRSF, rounded to the nearest 1,000.
- (i) 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, 2015
(Dollars in millions)
(unaudited)

Facilities	Metropolitan Area	NRSF Under Development ^(a)				Total	Under Development Costs		
		Estimated Completion Date	Colocation Space (CSF)	Office & Other	Supporting Infrastructure ^(b)		Critical Load MW Capacity	Actual to Date ^(c)	Estimated Costs to Completion ^(e)

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W. Frankford (Carrollton)	Dallas	1Q'16	69,000	—	2,000	—	71,000	6.0	\$12	\$15-18	\$27-30
W. Frankford (Carrollton)	Dallas	2Q'16	4,000	—	1,000	—	5,000	2.0	—	6-7	6-7
S. State Highway 121 Business Lewisville, TX (Lewisville)	Dallas	2Q'16	4,000	—	—	—	4,000	3.0	—	12-15	12-15
Westover Hills Blvd. (San Antonio 2)	San Antonio	3Q'16	30,000	20,000	25,000	49,000	124,000	3.0	32	8-11	40-43
Westway Park Blvd. (Houston West 3)	Houston	1Q'16	53,000	—	32,000	213,000	298,000	6.0	55	1-2	56-57
Phoenix 3 Ridgetop Circle, Sterling, VA (Northern Virginia 2)	Phoenix	1Q'16	36,000	5,000	24,000	40,000	105,000	2.0	10	6-8	16-18
	Washington, D.C.	3Q'16	159,000	9,000	64,000	—	232,000	30.0	—	131-160	131-160
Total			355,000	34,000	148,000	302,000	839,000	52.0	\$109	\$179-221	\$288-330

- (a) Represents NRSF at a facility for which activities have commenced or are expected to commence in the next two quarters to prepare the space for its intended use. Estimates and timing are subject to change.
- (b) Represents NRSF under construction that, upon completion, will be powered shell available for future development into operating NRSF.
- (c) 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.
- (d) Actual to date is the cash investment as of December 31, 2015. There may be accruals above this amount for work completed, for which cash has not yet been paid.
- (e) 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 930 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, 2015:

CyrusOne Inc.
Customer Diversification^(a)
As of December 31, 2015
(unaudited)

Principal Customer Industry	Number of Locations	Annualized Rent ^(b)	Percentage of Portfolio Annualized Rent ^(c)	Weighted Average Remaining Lease Term in Months ^(d)
1 Information Technology	3	\$17,064,837	4.0%	30.2
2 Energy	1	15,253,223	3.6%	29.5
3 Telecommunication Services	2	14,811,414	3.4%	30.9
4 Research and Consulting Services	3	13,702,181	3.2%	24.1
5 Energy	5	12,892,884	3.0%	32.1
6 Information Technology	1	12,178,854	2.8%	39.0
7 Information Technology	2	11,474,720	2.7%	110.1
8 Telecommunications (CBI) ^(e)	7	10,999,444	2.6%	18.9
9 Industrials	4	10,899,077	2.5%	23.9
10 Information Technology	2	7,979,724	1.9%	19.7
11 Financial Services	1	6,600,225	1.5%	53.0
12 Financial Services	1	5,906,922	1.4%	71.0
13 Energy	3	5,633,730	1.3%	6.9
14 Financial Services	2	5,631,831	1.3%	27.0
15 Information Technology	3	5,630,677	1.3%	52.0
16 Financial Services	6	5,622,184	1.3%	53.8
17 Financial Services	3	5,578,562	1.3%	6.2
18 Energy	2	5,473,736	1.3%	23.1
19 Telecommunication Services	5	5,461,538	1.3%	40.0
20 Information Technology	1	4,853,505	1.1%	62.0
		\$183,649,268	42.8%	36.9

(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, 2015, multiplied by 12. For the month of December 2015, customer reimbursements were \$46.1 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, 2014 through December 31, 2015, customer reimbursements under leases with separately metered power constituted between 10.6% and 14.2% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of December 31, 2015 was \$431.1 million. Our annualized effective rent was greater than our annualized rent as of December 31, 2015 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, 2015, which was approximately \$429.4 million.

(d) Weighted average based on customer's percentage of total annualized rent expiring and is as of December 31, 2015, 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) Includes information for both Cincinnati Bell Technology Solutions (CBTS) and Cincinnati Bell Telephone and two customers that have contracts with CBTS. We expect the contracts for these two customers to be assigned to us, but the consents for such assignments have not yet been obtained. Excluding these customers, Cincinnati Bell Inc. and subsidiaries represented 2.0% of our annualized rent as of December 31, 2015.

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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, 2015:

CyrusOne Inc.

Lease Distribution

As of December 31, 2015

(unaudited)

NRSF Under Lease ^(a)	Number of Customers ^(b)	Percentage of All Customers	Total Leased NRSF ^(c)	Percentage of Portfolio Leased NRSF	Annualized Rent ^(d)	Percentage of Annualized Rent
0-999	705	76 %	143,041	6 %	\$73,351,096	17 %
1,000-2,499	84	9 %	130,335	5 %	29,297,831	7 %
2,500-4,999	53	6 %	188,856	8 %	34,469,402	8 %
5,000-9,999	30	3 %	211,828	9 %	42,989,884	10 %
10,000+	58	6 %	1,760,944	72 %	249,297,868	58 %
Total	930	100 %	2,435,004	100 %	\$429,406,081	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, 2015. 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, 2015, multiplied by 12. For the month of December 2015, customer reimbursements were \$46.1 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, 2014 through December 31, 2015, customer reimbursements under leases with separately metered power constituted between 10.6% and 14.2% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of December 31, 2015 was \$431.1 million. Our annualized effective rent was greater than our annualized rent as of December 31, 2015 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, 2015, plus available space, for each of the 10 full calendar years beginning January 1, 2016, at the properties in our portfolio.

CyrusOne Inc.

Lease Expirations

As of December 31, 2015

(unaudited)

Year ^(a)	Number of Leases Expiring ^(b)	Total Operating NRSF Expiring	Percentage of Total NRSF	Annualized Rent ^(c)	Percentage of Annualized Rent	Annualized Rent at Expiration ^(d)	Percentage of Annualized Rent at Expiration
Available		519,354	18 %				
Month-to-Month	217	19,555	1 %	\$4,853,988	1 %	\$ 4,853,988	1 %
2016	1,694	430,651	15 %	101,866,759	24 %	102,268,178	22 %
2017	1,090	401,208	14 %	68,340,467	16 %	69,431,760	15 %
2018	999	391,549	13 %	103,628,863	24 %	109,286,220	24 %
2019	308	368,610	12 %	51,446,320	12 %	55,728,792	12 %
2020	262	328,072	11 %	41,712,194	10 %	48,685,958	11 %
2021	211	108,357	4 %	22,862,754	5 %	24,845,073	5 %
2022	18	42,953	1 %	5,211,771	1 %	6,210,761	1 %
2023	50	59,986	2 %	6,437,736	1 %	8,869,188	2 %
2024	13	61,852	2 %	7,631,708	2 %	9,505,391	2 %
2025 - Thereafter	29	222,211	7 %	15,413,521	4 %	22,789,704	5 %
Total	4,891	2,954,358	100 %	\$429,406,081	100 %	\$ 462,475,013	100 %

Leases that were auto-renewed prior to December 31, 2015 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, 2015, multiplied by 12. For the month of December 2015, customer reimbursements were \$46.1 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, 2014 through December 31, 2015, customer reimbursements under leases with separately metered power constituted between 10.6% and 14.2% of annualized rent. After giving effect to abatements, free rent and other straight-line adjustments, our annualized effective rent as of December 31, 2015 was \$431.1 million. Our annualized effective rent was greater than our annualized rent as of December 31, 2015 because our positive straight-line adjustments and accretion 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, 2015, multiplied by 12.

Regulation

General

Properties in our markets are subject to various laws, ordinances and regulations, including regulations relating to common areas. We believe that each of our properties has 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, as appropriate, Phase I or similar non-intrusive environmental site assessments on recently acquired properties and if appropriate, additional environmental inquiries and assessments on recently acquired properties. 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

We employ approximately 400 persons. 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 Annual Report on Form 10-K.

How to Obtain Our SEC Filings

Effective January 24, 2013, we became subject to the informational requirements of the Securities Exchange Act of 1934, as amended (Exchange Act) and consequently 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>. In addition, the public may read and copy materials we file with the SEC at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Information about the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. 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 30% of our total annualized rent as of December 31, 2015. 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 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 industry sectors that may from time to time experience volatility, including the energy and technology sectors. Enterprises in the information technology, financial services and energy industries comprised approximately 29%, 21% and 20%, respectively, of our annualized rent as of December 31, 2015. A downturn in one of these industries could negatively impact the financial condition of one or more of our energy or technology 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. A diverse customer base may minimize exposure to economic fluctuations in any one industry, business sector or customer type, or any particular customer. Our relative mix of customers may change over time, as may the industries represented by our customers, the concentration of customers within specified industries and the economic value and risks associated with each customer, and there is no assurance that we will be able to maintain a diverse customer base, which could have a material 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 following expiration. This risk is increased by the significant percentage of our customer leases that expire every year. As of December 31, 2015, leases representing 24%, 16% and 24% of the annualized rent for our portfolio will expire during 2016, 2017 and 2018, respectively, and an additional 1% of the 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 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.

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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 portfolio of properties consists primarily of data centers geographically concentrated in the metropolitan areas of Houston, Cincinnati, Dallas and New York. These markets comprised 22%, 21%, 20%, and 17%, respectively, of our annualized rent as of December 31, 2015. As such, we are 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 16 buildings that account for approximately 700,000 NRSF, or approximately 24% of our total operating NRSF. These leased buildings accounted for 33% of our total annualized rent as of December 31, 2015. 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 expire, we generally have the right to extend the terms of our leases 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

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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 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 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 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. 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 which could lead to significant costs and disrupt our operations.

We may be required to expend significant financial resources to protect against physical or cyber security breaches that could result in the misappropriation of our proprietary information or the information of our customers. We may not be able to implement security measures in a timely manner or, if and when implemented, these measures might be circumvented. Service interruptions, equipment failures or security breaches may also expose us to additional legal liability and damage our brand and reputation, and could cause our customers to terminate or not renew their leases. In addition, we may be unable to attract new customers if we have a reputation for significant or frequent service

disruptions, equipment failures or physical or cyber security breaches in our data centers. Any such failures could adversely affect our business, financial condition 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.

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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 financing, zoning, regulatory approvals, construction costs and delays. 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.

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.

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, 2015, accounted for approximately 30% 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

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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 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 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 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 operations are primarily based in the United States with a more limited presence in the United Kingdom and Southeast Asia. Expanding our international operations involves risks not generally associated with 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;
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difficulty in enforcing agreements in non-U.S. jurisdictions, including those entered into in connection with our acquisitions 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; and
- exposure to restrictive foreign labor law practices.

Our inability to overcome these risks could adversely affect our foreign operations 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 acquire properties on favorable terms and 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 with more capital;
- 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; and
- we may face challenges in retaining the customers of acquired properties.

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.

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.

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 32% from approximately 2,235,000 NRSF at the end of 2014 to approximately 2,954,000 NRSF by December 31, 2015. 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 (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 and tighter credit conditions 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 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;
- 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.

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.

Level of indebtedness and debt service obligations could have adverse effects on our business.

As of December 31, 2015, we had a total combined indebtedness, including capital lease obligations, of approximately \$1,008.7 million and lease financing arrangements of \$150.0 million. We also currently have the ability to borrow up to an additional \$407.9 million under our revolving credit facility, subject to satisfying certain financial tests. Our Credit Agreement contains an accordion feature that allows the operating partnership to increase the aggregate commitment by up to \$250.0 million. There are no limits on the amount of indebtedness we may incur other than limits contained in the 6.375% senior notes indenture, our revolving credit facility, or future agreements that we may enter into. 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 and coverage and other financial ratios at specified levels, thereby reducing our financial flexibility;

•make it more difficult for us to satisfy our financial obligations, including borrowings under our revolving 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 restrictions on us and our subsidiaries, reducing operational flexibility and creating default risks.

The agreements governing our indebtedness 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 additional debt or issue preferred stock;
- make certain investments or acquisitions;
- create liens on our or our subsidiaries' assets;
- sell assets;
- make capital expenditures;

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- 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.

These covenants could impair our ability to grow our business, take advantage of attractive business opportunities or successfully compete. In addition, our revolving credit facility requires us to maintain specified financial ratios and satisfy financial condition tests. The indenture governing our 6.375% senior notes also requires our operating partnership and its subsidiaries to maintain total unencumbered assets of at least 150% of their unsecured debt on a consolidated basis. Our ability to comply with these ratios 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

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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.

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 CBI, 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 is often limited and subject to various materiality thresholds, a significant deductible, an aggregate cap on losses or a survival period. For example, under the terms of the agreement governing the Cervalis Acquisition, the sellers agreed to indemnify us with respect to breaches of representations and warranties subject to various survival periods, materiality thresholds, a deductible of \$2.0 million and an aggregate cap on losses, with minimal exceptions, of \$4.0 million.

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.

We have limited operating history as a REIT and as an independent public company, and our inexperience may impede our ability to successfully manage our business or implement effective internal controls.

We have limited operating history as a REIT and as a public company. While we formerly operated as a subsidiary of a public company, and key members of our management team have served in leadership roles of other REITS and other public companies, we have limited operating history as a REIT and as an independent public company. We cannot assure you that our past experience will be sufficient to successfully operate our company as a REIT or an independent public company. We are required to maintain substantial control systems and procedures in order to continue to qualify as a REIT, satisfy our periodic and current reporting requirements under applicable SEC regulations and comply with the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and NASDAQ Global Select Market listing standards. As a result, our management and other personnel need to devote a substantial amount of time to comply with these rules and regulations and establish and maintain the corporate infrastructure and controls demanded of a publicly traded REIT. An inability to maintain effective disclosure controls and procedures and internal control over financial reporting or to remediate deficiencies could cause us to fail to meet our reporting obligations under the Securities Exchange Act of 1934, as amended (Exchange Act), or result in material weaknesses, material misstatements or omissions in our Exchange Act reports, any of which could cause investors to lose confidence in our Company and could adversely affect our business, financial condition and results of operations.

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. For example, in 2014 we upgraded our information technology system as part of our efforts to improve our financial reporting. Transitioning to new or upgraded systems can create difficulties. We may experience difficulties in transitioning to new or upgraded systems, including loss of data 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, and access to less expensive power. 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.

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.

We have experienced a number of changes in our senior management team in the past year. We appointed a new Chief Financial Officer in October 2015, a new General Counsel in August 2015 and a new Chief Accounting Officer in July 2015. Changes in senior management are inherently disruptive and may have a materially adverse impact on our business, financial condition and results of operations. We may experience operational disruptions and inefficiencies during the transition.

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 each of our properties for indicators that its carrying amount 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. 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.

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.

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.

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.

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 expect to do so with certain of our 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 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.

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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 the receipt of an Internal Revenue Service (IRS) private letter ruling or an opinion of counsel from a nationally recognized law firm that the exercise of any such exemption should not cause any rent payable by CBI to jeopardize our REIT status.

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

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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 (i) between CBI or its affiliates and us and (ii) 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 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.

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 or CBI 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, 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 do not qualify for the reduced tax rates available for some dividends.

Income from “qualified dividends” payable to U.S. stockholders that are individuals, trusts and estates is generally subject to tax at preferential rates. Dividends payable by REITs, however, generally are not eligible for the preferential rates. Although these rules do not adversely affect the taxation of REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay

dividends, which could adversely affect the value of the stock of REITs, including our common stock. 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

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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 liquidate or 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 25% 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 could theoretically be carried back or forward against past or future taxable income in the TRS.

Legislative or other actions affecting REITs could have a negative effect on us.

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The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury (Treasury). Changes to the tax laws or interpretations thereof, with or without retroactive application, could materially and adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the U.S. federal income tax consequences to our investors and us of such qualification.

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 their 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. Since 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. Pursuant to the Registration Rights Agreement executed in connection with the formation transactions, CBI has the right to require us to register with the

SEC the resale of its shares of our common stock. In addition, we registered shares of common stock that we have reserved for issuance under our 2012 Long Term Incentive Plan, and they 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, including CBI, 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.

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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 Annual Report on 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 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.

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." Our shares have only been publicly traded since January 18, 2013. 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 2014	\$23.44	\$20.21	\$0.21
Second Quarter 2014	25.00	19.52	0.21
Third Quarter 2014	26.88	23.64	0.21
Fourth Quarter 2014	28.37	23.59	0.21
First Quarter 2015	32.86	27.03	0.315
Second Quarter 2015	32.84	29.06	0.315
Third Quarter 2015	35.55	29.18	0.315
Fourth Quarter 2015	38.18	32.05	0.315

B)Holders

As of January 29, 2016, CyrusOne Inc. had 203 shareholders of record and 72,270,518 outstanding shares.

C)Distribution Policy

We have made distributions in the form of dividends each quarter since the completion of our IPO as shown in the chart above. In order to comply with the REIT requirements of the Code, we plan to continue to make quarterly distributions to our shareholders of at least 90% of our taxable income. Distributions made by us will be authorized and determined by our board of directors in its sole discretion out of funds legally available therefore and will be dependent upon a number of factors, including restrictions under applicable law and other factors. 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 revolving credit facility and indenture 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

On December 31, 2015, CyrusOne Inc. completed a private placement of 6,346,835 newly issued shares of its common stock, in exchange for an equal number of operating partnership units in CyrusOne LP held by a subsidiary of CBI. As a result, CBI owns approximately 9.5% of the Company's common stock, and all of the operating partnership units in the CyrusOne LP are owned, directly or indirectly, by the Company.

E) Stock Performance

The following graph compares the cumulative total stockholder return on CyrusOne Inc.'s common stock for the year ended December 31, 2015, 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 January 17, 2013 in CyrusOne, Inc.'s common stock and in each of these indices and assumes reinvestment of dividends, if any.

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Pricing Date	CONE	S&P 500	MSCI US REIT
January 17, 2013	\$100.0	\$100.0	\$100.0
March 31, 2013	121.5	106.0	104.1
June 30, 2013	111.2	108.5	101.5
September 30, 2013	102.7	113.5	97.6
December 31, 2013	121.6	124.8	95.8
March 31, 2014	114.6	126.4	104.3
June 30, 2014	138.1	132.4	110.6
September 30, 2014	134.5	133.2	106.1
December 31, 2014	155.3	139.0	120.0
March 31, 2015	170.5	139.6	124.7
June 30, 2015	163.1	139.3	110.6
September 30, 2015	182.6	129.6	111.8
December 31, 2015	211.2	138.0	116.4

F) Issuer Purchases of Equity Securities
None.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating data on a consolidated and combined 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 subsidiary, CyrusOne TRS Inc., a Delaware corporation.

The financial information presented below as of December 31, 2015 and 2014, for the years ended December 31, 2015, and December 31, 2014, and for the periods ended January 23, 2013 (January 1, 2013, to January 23, 2013) and December 31, 2013 (January 24, 2013 to December 31, 2013) has been derived from our audited consolidated and combined financial statements included elsewhere in this Form 10-K. The historical financial information as of December 31, 2013, 2012 and 2011, and for the years ended December 31, 2012 and December 31, 2011, has been derived from the Predecessor's combined financial statements not included in this Form 10-K.

You should read the following selected financial data 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 elsewhere in this Form 10-K.

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IN MILLIONS, except per share data

	Successor		January 24, 2013 to December 31, 2013	Predecessor			
	2015	2014		January 1, 2013 to January 23, 2013	2012	2011	
Statement of Operations Data:							
Revenue	\$399.3	\$330.9	\$248.4	\$15.1	\$220.8	\$181.7	
Costs and expenses:							
Property operating expenses	148.7	124.5	88.4	4.8	76.0	58.2	
Sales and marketing	12.1	12.8	9.9	0.7	9.7	9.1	
General and administrative	46.6	34.6	26.5	1.5	20.7	12.5	
Depreciation and amortization	141.5	118.0	89.9	5.3	73.4	55.5	
Restructuring costs ^(a)	—	—	0.7	—	—	—	
Transaction and acquisition integration costs ^(b)	14.1	1.0	1.3	0.1	5.7	2.6	
Transaction-related compensation	—	—	—	20.0	—	—	
Management fees charged by CBI ^(c)	—	—	—	—	2.5	2.3	
Loss on sale of receivables to affiliate ^(d)	—	—	—	—	3.2	3.5	
Asset impairments and loss on disposal ^(e)	13.5	—	2.8	—	13.3	—	
Operating (loss) income	22.8	40.0	28.9	(17.3	) 16.3	38.0
Interest expense	41.2	39.5	41.2	2.5	41.8	32.9	
Other income	—	—	(0.1) —	—	—	
Loss on extinguishment of debt ^(f)	—	13.6	1.3	—	—	1.4	
Income tax (expense) benefit	(1.8) (1.4) (1.9) (0.4) 5.1	(2.2)
(Loss) income from continuing operations	(20.2	) (14.5	) (15.4	) (20.2	) (20.4	) 1.5
(Loss) gain on sale of real estate improvements ^(g)	—	—	(0.2	) —	0.1	—
Net (loss) income from continuing operations	(20.2	) (14.5	) (15.6	) \$(20.2	) \$(20.3	) \$1.5
Noncontrolling interest in net loss	(4.8	) (6.7	) (10.3)			
Net loss attributed to common shareholders	\$(15.4	) \$(7.8	) \$(5.3)			
Per share data:							
Basic weighted average common shares outstanding	54.3	29.2	20.9				
Diluted weighted average common shares outstanding	54.3	29.2	20.9				
Basic and diluted loss per common share	\$(0.30	) \$(0.30	) \$(0.28)			
Dividends declared per share	\$1.26	\$0.84	\$0.64				
Balance Sheet Data (at year end):							
Investment in real estate, net	\$1,392.0	\$1,051.4	\$883.8		\$706.9	\$529.0	
Total assets ^(h)	2,195.6	1,571.0	1,506.8		1,210.9	954.7	
Debt ^{(h)(i)}	1,008.7	657.7	541.7		557.2	523.1	
Lease financing arrangements ^(j)	150.0	53.4	56.3		60.8	48.2	
Noncontrolling interest/Parent net investment ^(k)	—	256.2	455.6		500.1	311.5	
Other Financial Data:							
Capital expenditures	\$234.5	\$284.2	\$220.9	\$7.7	\$228.3	\$117.5	

(a) Represents a restructuring charge recognized in 2013 as a result of moving certain administrative functions to the Company's corporate office.

Represents legal, accounting and consulting fees incurred in connection with the formation transactions, our (b) qualification as a REIT and completed and potential business combinations, integration of acquisitions, failed transactions and costs of secondary offerings.

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- (c) Represents management fees charged by CBI for services it provided to the Predecessor including executive management, legal, treasury, human resources, accounting, tax, internal audit and IT services.
Represents the sale by the Predecessor of most of its trade and other accounts receivable to Cincinnati Bell Funding
- (d) LLC (CBF), a bankruptcy-remote subsidiary of CBI, at a 2.5% discount to the receivables' face value. Effective October 1, 2012, we terminated our participation in this program.
See Item 7 for discussion of costs incurred in 2015. In 2013, amount recognized represents asset impairments
- (e) recognized on real estate related equipment. In 2012, amount recognized represents impairments for customer relationship intangible and property and equipment primarily related to our GramTel acquisition.
Represents a loss of \$13.6 million associated with the repurchase of 6.375% senior notes and the write-off of
- (f) deferred financing costs in 2014. The 2013 and 2011 amounts represent the termination of the financing obligations for two of our facilities by purchasing the properties from the former lessors. Losses of \$1.3 million and \$1.4 million were recognized in 2013 and 2011, respectively, upon the termination of these obligations.
- (g) Represents the (loss) gain that was recognized on the sale of equipment in connection with upgrading of the equipment at various data center facilities.
- (h) Deferred financing costs have been reclassified to a direct deduction from the carrying amount of debt liability to conform to the 2015 presentation.
See Note 9, Debt, Capital Lease Obligations and Lease Financing Arrangements to our audited consolidated and combined financial statements included elsewhere in the Annual Report on Form 10-K for details of Debt as of
- (i) December 31, 2015 and 2014. As of December 31, 2013 and 2012, debt consisted of our \$525 million 6.375% senior notes due 2022 and capital lease obligations. For prior periods, debt reflects related party notes payable and capital lease obligations.
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
- (j) 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 other financing arrangements. See Note 9, Debt, Capital Lease Obligations and Lease Financing Arrangements to our audited consolidated and combined financial statements.
- (k) Noncontrolling interest/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. Prior to November 20, 2012, the historical financial statements have been prepared on a "carve-out" basis from CBI's consolidated and combined financial statements using the historical results of operations, cash flows, assets and liabilities attributable to the data center business and include allocations of income, expenses, assets and liabilities from CBI. These allocations reflect significant assumptions, and the consolidated and combined financial
- (l) statements do not fully reflect what the financial position, results of operations and cash flows would have been had CyrusOne been a stand-alone company during the periods prior to November 20, 2012. As a result, historical financial information prior to November 20, 2012 is not necessarily indicative of CyrusOne's future results of operations, financial position and cash flows.

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 combined financial statements and the related notes included elsewhere in this Annual Report on 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 and combined 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 an owner, operator and developer of enterprise-class, carrier-neutral multi-tenant data center properties. Our data centers are generally purpose-built facilities with redundant power, cooling and access to a range of telecommunications carriers. We provide mission-critical data center facilities that protect and ensure the continued operation of information technology (IT) infrastructure for 930 customers in 32 data centers and 2 recovery centers in 12 distinct markets (10 cities in the U.S., London and Singapore). We provide twenty-four-hours-a-day, seven-days-a-week security guard monitoring with customizable security features.

We provide mission-critical data center facilities that protect and ensure the continued operation of IT infrastructure for our customers. Our goal is to be the preferred global data center provider to the Fortune 1000. As of December 31, 2015, our customers included 9 of the Fortune 20 and 173 of the Fortune 1000 or private or foreign enterprises of equivalent size. These 173 Fortune 1000 customers or private or foreign enterprises of equivalent size provided 62% of our annualized rent as of December 31, 2015. Additionally, as of December 31, 2015, our top 10 customers represented 30% of our annualized rent.

We cultivate long-term strategic relationships with our customers and provide them with solutions for their data center facilities and IT infrastructure challenges. 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 attracting customers that have not historically outsourced their data center needs and providing them with solutions that address their current and future needs. Our facilities and construction design allow us to offer flexibility in density, power resiliency and the opportunity for expansion as our customers' needs grow. We provide twenty-four-hours-a-day, seven-days-a-week security guard monitoring with customizable security features. The National IX Platform delivers interconnection across states and between metro-enabled sites within the CyrusOne footprint and beyond. The platform enables high-performance, low-cost data transfer and accessibility for customers by uniting all of our data centers.

Our Portfolio. As of December 31, 2015, our property portfolio included 32 data centers and 2 recovery centers in 12 distinct markets (10 cities in the U.S., London and Singapore) collectively providing approximately 2,954,000 net rentable square feet (NRSF), of which 82% was leased, and powered by approximately 227 MW of available critical load capacity. We own 18 of the buildings in which our data center facilities are located. We lease the remaining 16 buildings, which account for approximately 700,000 NRSF, or approximately 24% of our total operating NRSF. These leased buildings accounted for 33% of our total annualized rent as of December 31, 2015. We also currently have 839,000 NRSF under development, as well as 574,000 NRSF of additional powered shell space under roof available for development. In addition, we have approximately 183 acres of land that are available for future data center shell development. Along with our primary product offering, leasing of colocation space, our customers are increasingly interested in ancillary office and other space. We believe our existing operating portfolio and development pipeline will allow us to meet the evolving needs of our existing customers and continue to attract new customers.

Business Model

Revenue. As of December 31, 2015, we had approximately 930 customers, 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 five years. As of December 31, 2015, the weighted average initial term of our leases was approximately 5 years and the weighted average remaining term was 2.8 years based upon annualized rent. Lease expirations through 2018, excluding month-to-month leases, represent 42% of our total NRSF, or 64% of our aggregate annualized rent as of December 31, 2015. At the end of the lease term, customers may sign a new lease or automatically renew pursuant to

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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, 2015, 1% of the NRSF in our portfolio was subject to month-to-month leases.

Costs and expenses. Our property operating expenses generally consist of electricity (including the cost to power data center equipment), salaries and benefits of data center operations personnel, real estate taxes, security, rent, insurance and other site operating and maintenance costs. Our property operating expenses are expected to increase as we expand our existing data center facilities and develop new facilities.

Our sales and marketing expenses consist of salaries and benefits of our sales personnel, marketing and advertising costs. Sales and marketing expenses are expected to increase as our business continues to grow.

General and administrative expenses consist of salaries and benefits of senior management and support functions, legal costs and consulting costs. These costs increased during 2015 as we augmented our team and back office infrastructure, including IT systems, to support the growth and expansion of our business. Additionally, costs rose for legal, accounting, board fees and other governance related expenses.

Depreciation and amortization expense consists of depreciation on both owned and leased property, amortization of intangible assets and amortization of deferred sales commissions. 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.

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, 2015, 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 2015, customer reimbursements were \$46.1 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 IT equipment.

Utilization Rate. We calculate utilization rate by dividing CSF under signed leases for available space (whether or not the customer has occupied the space) by total CSF. Utilization rate differs from percent leased presented elsewhere in this report because utilization rate excludes office space and supporting infrastructure NRSF and includes CSF for signed leases under which the customer has occupied the space. Management uses utilization rate as a measure of CSF leased.

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 or variable 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 acquisition 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, 2015, we have customer leases for approximately 84% 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 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.

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Leasing Arrangements. As of December 31, 2015, 30% 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, 2015, 70% 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 at an appropriate cost and to lease the data center space to customers on favorable terms. During the year ended December 31, 2015, we increased our operational NRSF by 257,000, primarily in Phoenix, Dallas and Houston, bringing our total operating NRSF to approximately 2,954,000 at December 31, 2015. Our portfolio, as of December 31, 2015, also included approximately 839,000 NRSF under development, as well as 574,000 NRSF of additional powered shell space under roof available for development. In addition, we have approximately 183 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, 2015, was approximately 519,000 NRSF. Excluding month-to-month leases, leases representing 15% and 14% of our total NRSF were scheduled to expire in 2016 and 2017, respectively. These leases represented approximately 24% and 16% of our annualized rent as of December 31, 2015. Month-to-month leases represented 1% of our annualized rent as of December 31, 2015. Our recurring rent churn for each quarter in 2015 ranged from 0.4% to 3.1%, in comparison to a range of 1.3% to 2.9% in 2014.

Conditions in Significant Markets. Our operating properties are located primarily in the metropolitan areas of Houston, Cincinnati, Dallas, and New York. These markets comprised 22%, 21%, 20%, and 17%, respectively, of our annualized rent as of December 31, 2015. Positive or negative conditions in these markets could impact our overall profitability.

Related Party Transactions

The following related party transactions are based on agreements and arrangements that were in place during the reporting periods presented. See Note 17 to our audited consolidated and combined financial statements included elsewhere in this Annual Report on Form 10-K for additional information on these arrangements.

IN MILLIONS	Successor			Predecessor
	December 31, 2015	December 31, 2014	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013
Revenue:				
Data center colocation agreement provided to CBT and CBTS ^(a)	\$7.8	\$6.4	\$5.6	\$0.3
229 West 7th Street lease provided to CBT ^(b)	1.9	2.0	1.7	—
Goldcoast Drive/Parkway (Mason) lease ^(c)	0.3	0.4	0.3	—
Transition services provided to CBTS (network interfaces) ^(d)	0.3	0.4	0.6	0.1
Data center leases provided to CBTS ^(e)	12.0	13.6	13.1	—
Total revenue	\$22.3	\$22.8	\$21.3	\$0.4
Operating costs and expenses:				
Transition services agreement by CBTS ^(f)	0.7	0.8	1.3	—
Charges for services provided by CBT (connectivity) ^(g)	1.0	1.0	1.0	0.1
209 West 7th Street rent provided by CBT ^(h)	0.2	0.2	0.1	—
Management Fees with CBI ⁽ⁱ⁾	—	—	0.1	—
Allocated employee benefit plans by CBI ^(j)	—	—	—	0.2
Allocated centralized insurance costs by CBI ^(k)	—	—	—	0.1
Total operating costs and expenses	\$1.9	\$2.0	\$2.5	\$0.4

^(a) We lease colocation space in our data centers to Cincinnati Bell Telephone Company LLC (CBT) and Cincinnati Bell Technology Solutions (CBTS) subsidiaries of CBI. In November 2012, we entered into separate data center colocation agreements with CBT and CBTS whereby we will continue to lease colocation space to each of them at certain of our data centers. The data center colocation agreement with CBT provides for CBT's lease of data center space, power and cooling in our West Seventh Street (7th St.), Kingsview Drive (Lebanon), Knightsbridge Drive (Hamilton) and Industrial Road (Florence) data center facilities for a period of five years. Our data center colocation agreement with CBTS provides for CBTS's lease of data center space, power and cooling in our West Seventh Street (7th St.), Kingsview Drive (Lebanon) and Industrial Road (Florence) data center facilities for a period of five years. Both agreements are renewable for an additional five year term at market rates.

^(b) CBT occupies space in our 229 West Seventh Street facility that is utilized in its network operations. In November 2012, in connection with our purchase of this property, we entered into an agreement to lease this space to CBT for a period of five years, with three renewal options of five years each, plus a proportionate share of building operating costs. Commencing on January 1, 2014, and on January 1 of each year thereafter, such base rent shall increase by 1% of the previous year's base rent.

^(c) In November 2012, we entered into agreements to lease office space to CBT at our Goldcoast Drive (Goldcoast) data center facility and to CBTS at our Parkway (Mason) data center facility. The term of these agreements are five years each. Both agreements contain three five-year renewal options at market rates.

^(d) In January 2012, we entered into a transition services agreement to provide CBTS with network interface services. In November 2012, we entered into a new transition services agreement with CBTS where we will continue to provide them with network interface services. The annual fee to be paid by CBTS for these services may decline in future periods as CBTS migrates its network interfaces onto an independent architected and managed CBTS network. These services will be provided on a month-to-month basis, until such time the services in question have been fully transitioned. As of December 31, 2015, we continue to utilize these services provided by CBTS.

^(e)As of December 31, 2015, CBTS continues to be the named lessor for two data center leases. In 2012, we entered into an agreement with CBTS whereby we perform all obligations of CBTS under the lease agreements. CBTS confers the benefits received under such lease agreements to us and CBTS is granted sufficient usage rights in each of our data centers so that it remains as lessor under each such lease agreement. In addition, CBTS will continue to perform billing and collections on these accounts.

^(f) In January 2012, we entered into a transition services agreement with CBTS where CBTS provided us with network support, services calls, monitoring and management, storage and backup and IT systems support. Under the CBTS services agreement, CBTS has agreed to provide us with certain managed storage and backup services. These services will be provided on a month-to-month basis, and charges will be based on the variable amount of gigabytes managed by CBTS each month. CBTS will charge us a rate of \$0.56 per gigabyte. The services under this agreement ended January 31, 2016.

^(g) Under the CBT services agreement, CBT provides us with connectivity services for a period of five years related to several of our data center facilities. These services are related to the use of fiber and circuit assets that are currently a part of the CBI network. The annual fee for these services is subject to reduction if we terminate certain services.

(h) In November 2012, we also entered into an agreement to lease space at CBT's 209 West Seventh Street facility for a period of five years, with three renewal options of five years each, plus our proportionate share of building operating costs. Commencing on January 1, 2014, and on January 1 of each year thereafter, such base rent shall increase by 1% of the previous year's base rent.

(i) Prior to November 20, 2012, CBI provided various management services, including executive management, cash management, legal, treasury, human resources, accounting, tax, internal audit and risk management services. Our allocated cost for these services was based upon specific identification of costs incurred on our behalf or a reasonable estimate of costs incurred on our behalf, such as relative revenues. From November 20, 2012 through December 31, 2014, CBI provided to us various support services and the fees for these services are based on actual hours incurred for these services at negotiated hourly rates or a negotiated set monthly fee. There are various components of the agreements that continue, primarily related to seventh street building costs.

(j) Prior to 2013, employees participated in pension, postretirement, health care, and stock-based compensation plans sponsored by CBI or an affiliate. Our allocated costs in 2013 for employee benefits was determined by specific identification of the costs associated with our participating employees or based upon the percentage our employees represent of total participants.

(k) Prior to 2013, employees participated in centralized insurance programs managed by CBI which included coverage for general liability, workers' compensation, automobiles and various other risks. CBI has third-party insurance policies for certain of these risks and is also self-insured within certain limits. CBI's self-insured costs have been actuarially determined based on the historical experience of paid claims. Our allocated cost in 2013 for participation in these programs was determined on the basis of revenues, headcount or insured vehicles.

In October 2012, we purchased the property located at 229 West Seventh Street, included as one of our operating facilities, which we had formerly leased from CBT. CBT continues to own the adjacent property that was historically operated together with 229 West Seventh Street as one property. We also executed a reciprocal easement and shared services agreement and a right of first opportunity and refusal agreement with CBT with respect to such properties. Pursuant to the reciprocal easement and shared services agreement, we granted reciprocal easements to each other; CBT has easements for continued use of portions of our building and CBT provides fuel storage, fire suppression and other building services to us; and we provide chilled water, building automation systems related to heating ventilation and air conditioning and other building services to CBT. The shared services agreement is expected to continue for a period of 15 years with five renewal options of five years each. We are responsible for operating and managing the service facilities for both buildings. Each party bears its own utility costs, as well as property taxes and insurance. Shared building operating costs are charged to each party on the basis of the actual costs incurred, allocated based on the proportionate share of usage. Each party also pays the other party less than \$0.2 million per year to maintain shared building infrastructure systems. This agreement contains a make-whole provision that requires us to make a payment to CBT if CBT's carrier access revenue declines below \$5.0 million per annum as a result of certain actions taken by us which result in circuit disconnections or reductions at CBT. The term of this make-whole provision is approximately four years.

Pursuant to the right of first opportunity and refusal agreement, we and CBT have agreed to grant to each other rights of first opportunity and first refusal to purchase the other party's property in the event that either party desires to sell its property to a non-affiliate third party.

On November 20, 2012, we also entered into a non-competition agreement with CBI, pursuant to which we and CBI agreed not to enter into each other's lines of business, subject to certain exceptions for a period of four years from such date. Pursuant to the terms of this agreement, we agreed not to directly or indirectly engage in, or have any interest in any entity that engages in, the business of providing telecommunications services in certain areas of Ohio, Kentucky and Indiana in which CBI operates as of such date. We also agreed not to seek, request or apply for any certification or license to provide telecommunications services in such areas during the term of the agreement. CBI agreed not to directly or indirectly engage in, or have any interest in any entity that engages in, the business of constructing and selling, operating or providing data center services in the United States or any foreign jurisdiction in which we operate. However, CBI may continue to offer certain data center services, provided that such services are ancillary to its provision of existing IT services, and CBI does not own, lease or is contracted to own, lease or manage the data center infrastructure of the facility in which such existing IT services are being provided.

Other Related Party Transactions

Prior to joining CyrusOne in March 2013, our former general counsel Thomas Bosse was principal in the Law Offices of Thomas W. Bosse, PLLC, (Bosselaw). In 2013, amounts paid to Bosselaw for services rendered prior to his employment were \$1.6 million, which included a bonus payment under CyrusOne's Data Center Plan as a result of the successful completion of the IPO.

In the ordinary course of its business, CyrusOne periodically pays brokerage commissions to real estate brokerage firms in connection with property transactions and tenant leases. In 2015, 2014 and 2013, CyrusOne paid \$1.1 million, \$1.0 million and \$1.5 million, respectively, to one such firm, Jones Lang LaSalle. One of our former directors is a principal with Jones Lang LaSalle.

The spouse of one of our former directors is a partner with Skadden, Arps, Slate, Meagher & Flom LLP (Skadden). For the years ended December 31, 2014 and 2013, CyrusOne paid Skadden \$1.1 million and \$0.2 million, respectively, for services rendered. In 2015, the amount CyrusOne paid to Skadden was immaterial.

Our director, Lynn A. Wentworth, is a member of the board of directors of CBI, and serves as the chair of its audit and finance committee.

Results of Operations
Comparison of Years Ended December 31, 2015 and 2014

IN MILLIONS, except per share data

For the year ended December 31,	2015	2014	\$ Change 2015 vs. 2014	% Change 2015 vs. 2014	
Revenue	\$399.3	\$330.9	\$68.4	20.7	%
Property operating expenses	148.7	124.5	24.2	19.4	%
Sales and marketing	12.1	12.8	(0.7)	(5.5))%
General and administrative	46.6	34.6	12.0	34.7	%
Depreciation and amortization	141.5	118.0	23.5	19.9	%
Transaction and acquisition integration costs	14.1	1.0	13.1	n/m	
Asset impairments and loss on disposal	13.5	—	13.5	n/m	
Costs and expenses	376.5	290.9	85.6	29.4	%
Operating income	22.8	40.0	(17.2)	(43.0))%
Interest expense	41.2	39.5	1.7	4.3	%
Loss on extinguishment of debt	—	13.6	(13.6)	n/m)
Net loss before income taxes	(18.4)	(13.1)	(5.3)	40.5)%
Income tax expense	(1.8)	(1.4)	(0.4)	28.6)%
Net loss	\$(20.2)	\$(14.5)	\$(5.7)	39.3)%
Noncontrolling interest in net loss	(4.8)	(6.7)	1.9	(28.4))%
Net loss attributed to common stockholders	\$(15.4)	\$(7.8)	\$(7.6)	97.4)%
Operating margin	5.7	% 12.1	%		
Capital expenditures*:					
Acquisitions of real estate	\$17.3	\$—	\$17.3	n/m	
Development of real estate	214.8	280.4	\$(65.6)	(23.4))%
Recurring real estate	2.4	3.8	\$(1.4)	(36.8))%
Total	\$234.5	\$284.2	\$(49.7)	(17.5))%
Metrics information:					
Colocation square feet*	1,574,000	1,225,000	349,000	28	%
Utilization rate*	86	% 88	%	(2 pts)	
Loss per share - basic and diluted	\$(0.30)	\$(0.30))		
Dividends declared per share	\$1.26	\$0.84			

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

Revenue

Revenue for the year ended December 31, 2015 was \$399.3 million, an increase of \$68.4 million, or 20.7%, compared to \$330.9 million for the year ended December 31, 2014. The acquisition of Cervalis in July 2015 resulted in an increase in revenue of \$37.7 million for the year ended December 31, 2015. Revenue also increased due to the addition of new customers, net of churn, which resulted in increased revenue of \$30.7 million for the year ended December 31, 2015. As of December 31, 2015, we had approximately 2,954,000 leased NRSF, an increase of approximately 719,000 NRSF from December 31, 2014.

Our capacity at December 31, 2015 was approximately 1,574,000 CSF, which is an increase of 28.5% from December 31, 2014. The utilization rate of our data center facilities was 86% as of December 31, 2015, compared to 88% as of December 31, 2014.

Costs and Expenses

Property operating expenses—Property operating expenses for the year ended December 31, 2015 were \$148.7 million, an increase of \$24.2 million, or 19.4%, compared to \$124.5 million for the year ended December 31, 2014. The acquisition of Cervalis resulted in \$14.7 million of the increase and the remaining \$9.5 million was due to increase in property operating costs as follows: higher circuit and bandwidth costs of \$2.4 million due to expansion of our National IX Platform; lease exit costs of \$1.4 million at our Austin 1 facility; property taxes of \$1.8 million; payroll and employee related costs of \$1.4 million; and repairs and maintenance of \$1.1 million; the remaining \$1.4 million to other costs associated with operating our facilities.

Sales and marketing expenses—Sales and marketing expenses for the year ended December 31, 2015 were \$12.1 million, a decrease of \$0.7 million, or 5.5%, compared to \$12.8 million for the year ended December 31, 2014. The acquisition of Cervalis resulted in an increase in sales and marketing expenses of \$0.9 million for the year ended December 31, 2015. This increase was offset primarily by decreases in advertising and marketing costs of \$0.8 million and salaries and wages and other selling costs of \$0.8 million.

General and administrative expenses—General and administrative expenses for the year ended December 31, 2015 were \$46.6 million, an increase of \$12.0 million, or 34.7%, compared to \$34.6 million for the year ended December 31, 2014. The acquisition of Cervalis resulted in an increase in general and administrative expenses of \$1.4 million for the year ended December 31, 2015. Two senior executives who left the Company in 2015 resulted in severance costs of \$6.0 million, of which \$2.4 million was due to the acceleration of stock-based equity awards. Costs of stock-based compensation plans increased \$1.3 million for 2015 compared to 2014. Due to business growth in 2015 compared to 2014, total payroll and employee related costs increased \$0.9 million, and IT license and facility costs increased \$1.1 million. Consulting, legal and other costs accounted for the remaining increase.

Depreciation and amortization expense—Depreciation and amortization expense for the year ended December 31, 2015 was \$141.5 million, an increase of \$23.5 million, or 19.9%, compared to \$118.0 million for the year ended December 31, 2014. The Cervalis Acquisition resulted in an increase in depreciation and amortization expense of \$12.9 million for the year ended December 31, 2015. The remainder of the increase was driven by assets that were placed in service during 2014 and 2015. 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 and acquisition integration costs—During the second quarter of 2015, the Company entered into an agreement to acquire Cervalis in a cash transaction which was consummated on July 1, 2015. As part of that process, we incurred expenses for outside professional services in the areas of legal, banking, financing, accounting and advisory services related to the consummation of the transaction and its integration. For the year ended December 31, 2015, transaction and integration costs related to the Cervalis Acquisition were \$12.9 million. During the fourth quarter of 2015, the Company incurred costs of \$1.2 million related to secondary equity offerings and costs associated with a transaction that the Company decided not to pursue. During 2014, the Company incurred \$1.0 million in transaction related expenses as it investigated various opportunities that were not completed.

Asset impairments and loss on disposal of assets—For the year ended December 31, 2015, we recognized Asset impairment and loss on disposal of \$13.5 million which related primarily to the exit of Austin 1, which is a leased facility, and loss on disposal of certain other assets.

Non-Operating Expenses

Interest expense—Interest expense for the year ended December 31, 2015 was \$41.2 million, an increase of \$1.7 million, or 4.3%, as compared to \$39.5 million for the year ended December 31, 2014. The increase for the year ended December 31, 2015 was primarily a result of additional borrowings under our Credit Agreement and the issuance of 6.375% senior notes in July 2015, partially offset by a reduction in interest expense due to our bond repurchase program in the fourth quarter of 2014 and an increase in capitalized interest.

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Loss on extinguishment of debt- Loss on extinguishment of debt was \$13.6 million for the year ended December 31, 2014. Loss on extinguishment of debt for 2014 was related to costs associated with the repurchase of \$150.2 million in aggregate face value of our 6.375% senior notes for a purchase price of \$163 million and the write-off of deferred financing costs.

Income tax expense—Income tax expense for the year ended December 31, 2015 was \$1.8 million, an increase of \$0.4 million, or 28.6%, as compared to \$1.4 million for the year ended December 31, 2014.

Capital Expenditures

Capital expenditures for the year ended December 31, 2015 were \$234.5 million, as compared to \$284.2 million for the year ended December 31, 2014. The significant expenditures in 2015 included the development of additional square footage and power in our Northern Virginia, Phoenix 2, Houston West 3 and Carrollton data centers, and the purchase of Austin 4 in February of 2015.

Results of Operations
Comparison of Years Ended December 31, 2014 and 2013

IN MILLIONS, except per share
data

	Successor		Predecessor			
	December 31, 2014	January 24, 2013 to December 31, 2013	1/1/2013	\$ Change 2014 vs. 2013	% Change 2014 vs. 2013	
Revenue	\$330.9	\$248.4	\$15.1	\$ 67.4	25.6	%
Costs and expenses:						
Property operating expenses	124.5	88.4	4.8	31.3	33.6	%
Sales and marketing	12.8	9.9	0.7	2.2	20.8	%
General and administrative	34.6	26.5	1.5	6.6	23.6	%
Depreciation and amortization	118.0	89.9	5.3	22.8	23.9	%
Restructuring charges	—	0.7	—	(0.7)	n/m	
Transaction and acquisition integration costs	1.0	1.3	0.1	(0.4)	(28.6))%
Transaction-related compensation	—	—	20.0	(20.0)	n/m	
Asset impairments and loss on disposal	—	2.8	—	(2.8)	n/m	
Total costs and expenses	290.9	219.5	32.4	39.0	15.5	%
Operating income (loss)	40.0	28.9	(17.3)	28.4	244.8	%
Interest expense	39.5	41.2	2.5	(4.2)	(9.6))%
Other income	—	(0.1)	—	0.1	n/m	
Loss on extinguishment of debt	13.6	1.3	—	12.3	946.2	%
Net loss before income taxes	(13.1)	(13.5)	(19.8)	20.2	(60.7))%
Income tax expense	(1.4)	(1.9)	(0.4)	0.9	(39.1))%
Loss on sale of real estate	—	(0.2)	—	0.2	n/m	
Loss from continuing operations	\$(14.5)	\$(15.6)	\$(20.2)	\$ 21.3	(59.5))%
Noncontrolling interest in net loss	(6.7)	(10.3)				
Net loss attributed to common stockholders	\$(7.8)	\$(5.3)				
Operating margin	12.1	% 11.6	% (114.6)	)%	(0.5 pts)	
Capital expenditures *:						
Acquisitions of real estate	\$—	\$48.0	\$—	\$ (48.0)	n/m	
Development of real estate	280.4	168.8	7.6	\$ 104.0	59.0	%
Recurring real estate	3.8	4.1	0.1	\$ (0.4)	(9.5))%
Total	\$284.2	\$220.9	\$7.7	\$ 55.6	24.3	%
Metrics information:						
Colocation square feet*	1,225,000	1,052,000	921,000	173,000	16	%
Utilization rate*	88	% 85	% 81	%	(3 pts)	
Loss per share - basic and diluted	\$(0.30)	\$(0.28)				
Dividends declared per share	\$0.84	\$0.64				

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

Revenue

Revenue for the year ended December 31, 2014, was \$330.9 million, an increase of \$67.4 million, or 26%, compared to \$263.5 million for the year ended December 31, 2013. For the year ended December 31, 2014, we leased over 185,000 CSF. This increase is due to increased leasing from our existing customers and growing our customer base from 612 in 2013 to approximately 670 in 2014. This growth in customer base exemplifies our core strategy of being the preferred provider to Fortune 1000 companies, or private foreign enterprises of equivalent size, growing to 144 from 129 a year ago.

Our capacity at December 31, 2014, was approximately 1,225,000 CSF, which is an increase of 16% from December 31, 2013. The utilization rate of our data center facilities was 88% as of December 31, 2014, up from 85% as of December 31, 2013 as a result of leasing associated with increases in customer demand.

Costs and Expenses

Property operating expenses-Property operating expenses for the year ended December 31, 2014, were \$124.5 million, an increase of \$31.3 million, or 34%, compared to \$93.2 million for the year ended December 31, 2013. Electricity expense increased approximately \$20.6 million and maintenance expense rose \$2.9 million due to a rise in demand for services from a growing customer base. Payroll costs increased \$1.2 million due to an increase in headcount to support the increase in colocation space during 2014. Continued investment has grown our taxable asset base and has driven an increase in our property tax expense by approximately \$3.1 million compared to the prior year.

Sales and marketing expenses-Sales and marketing expenses for the year ended December 31, 2014, were \$12.8 million, an increase of \$2.2 million, or 21%, compared to \$10.6 million for the year ended December 31, 2013. The increases over the past year were directly related to an increase in sales and marketing personnel related costs of \$1.4 million and higher advertising costs of \$0.5 million, both of which were used to promote growth in existing and new markets.

General and administrative expenses-General and administrative expenses for the year ended December 31, 2014, were \$34.6 million, an increase of \$6.6 million, or 24%, compared to \$28.0 million for the year ended December 31, 2013. There was a \$6.9 million increase in employee related expenses, including the impact of the equity compensation expense related to the 2012 Long-Term Incentive Plan (LTIP) of \$2.2 million, which were partially offset by \$0.5 million of reduced commercial insurance expense.

Depreciation and amortization expense-Depreciation and amortization expense for the year ended December 31, 2014, was \$118.0 million, an increase of \$22.8 million, or 24%, compared to \$95.2 million for the year ended December 31, 2013. The increase was driven by the full year impact of assets placed in service during 2013 and 2014.

Restructuring charges-For the year ended December 31, 2014, we incurred no restructuring charges. Restructuring charges for the year ended December 31, 2013, were \$0.7 million, which were the result of moving certain administrative functions to the corporate office.

Transaction and acquisition integration costs-For the year ended December 31, 2014, we incurred \$1.0 million of transaction costs for legal fees related to failed property acquisitions. For the year ended December 31, 2013, we incurred \$1.4 million of transaction costs to pursue property acquisition opportunities.

Transaction-related compensation-We recorded compensation expense of \$20.0 million for the year ended December 31, 2013, related to CBI's long-term incentive plan. There were no such costs incurred in other periods and these costs represent one-time compensation charges allocated to us by CBI in the period ended January 23, 2013. On April 8, 2013, CBI reimbursed us for \$19.6 million of these costs.

Asset impairments and loss on disposal-For the year ended December 31, 2014, we recognized no asset impairments. For the year ended December 31, 2013, we recognized asset impairments of \$2.8 million related to real estate equipment.

Non-Operating Expenses

Interest expense-Interest expense for the year ended December 31, 2014, was \$39.5 million, a decrease of \$4.2 million, or 10%, as compared to \$43.7 million for the year ended December 31, 2013. Interest expense decreased primarily as a result of an increase in capitalized interest associated with our increasing capital expenditures and lower interest expense on our 6.375% senior notes due to our bond repurchase program.

Loss on extinguishment of debt- Loss on extinguishment of debt was \$13.6 million and \$1.3 million for the years ended December 31, 2014 and 2013, respectively. Loss on extinguishment of debt for 2014 was related to costs

associated with the repurchase of \$150.2 million in aggregate face value of our 6.375% senior notes for a purchase price of \$163 million and the write-off of deferred

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financing costs. Loss on extinguishment of debt for 2013 was related to the termination of the financing obligation for our Metropolis Drive (Austin 2) facility as a result of our purchasing the property from the former lessor.

Income tax expense—Income tax expense was \$1.4 million and \$2.3 million for the years ended December 31, 2014 and 2013, respectively. Income tax expense decreased primarily as a result of management's decision in 2013 to begin recording a full valuation allowance against our domestic net deferred tax assets. In the year ended December 31, 2014, this resulted in the recording of an expense equal to our beginning 2013 net domestic deferred tax asset balance. No such adjustment was necessary for the year ended December 31, 2013.

Loss on sale of real estate improvements—For the year ended December 31, 2014, we recognized no loss on the sale of real estate improvements. We incurred a loss on the sale of real estate improvements of \$0.2 million for the year ended December 31, 2013. A loss was realized on the sale of chillers at our Southwest Freeway (Galleria) data center facility, as we upgraded our equipment.

Capital Expenditures

Capital expenditures for the year ended December 31, 2014, were \$284.2 million, as compared to \$228.6 million for the year ended December 31, 2013. Other than construction related to our first facility in the Northern Virginia market, most of our capital expenditures for 2014 relate to the continued development of power and space in our existing properties in the Dallas, Houston, Phoenix, Cincinnati and San Antonio markets, in order to meet increased customer demands for IT infrastructure. For the year ended December 31, 2014 we constructed 185,000 square feet of colocation space and began development of 685,000 square feet of powered shell.

Key Performance Indicators

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 bases to evaluate REITs.

We calculate FFO as Net (loss) income computed in accordance with GAAP before real estate depreciation and amortization and asset impairments and loss on disposal. 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 amortization of customer relationship intangibles, transaction and acquisition integration costs, severance costs, legal claim costs and lease exit costs, and other special items including loss on extinguishment of debt, as appropriate. 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 (loss) income 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.

The following table reflects the computation of FFO and Normalized FFO for the years ended December 31, 2015 and 2014:

CyrusOne Inc.

Reconciliation of Net (Loss) Income to FFO and Normalized FFO

(Dollars in millions)

(Unaudited)

	Year Ended		Change		
	December 31, 2015	2014	\$	%	
Net (loss) income	\$(20.2)	\$(14.5)	\$(5.7)	39.3	%
Adjustments:					
Real estate depreciation and amortization	117.0	95.9	21.1	22.0	%
Asset impairments and loss on disposal	13.5	—	13.5	n/m	
Funds from Operations (FFO)	\$110.3	\$81.4	\$28.9	35.5	%
Loss on extinguishment of debt	—	13.6	(13.6)	n/m	
Amortization of customer relationship intangibles	18.5	16.9	1.6	9.5	%
Transaction and acquisition integration costs	14.1	1.0	13.1	n/m	
Severance and management transition costs	6.0	—	6.0	n/m	
Legal claim costs	0.4	—	0.4	n/m	
Lease exit costs	1.4	—	1.4	n/m	
Normalized Funds from Operations (Normalized FFO)	\$150.7	\$112.9	\$37.8	33.5	%

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 costs. 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 and combined statements of operations. However, 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 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 computation of NOI and Net Income (Loss) for the years ended December 31, 2015 and 2014:

CyrusOne Inc.

Reconciliation of Net Operating Income to Net Income (Loss)

(Dollars in millions)

(Unaudited)

	Year Ended		Change		
	December 31,		\$	%	
	2015	2014			
Revenue	\$399.3	\$330.9	\$68.4	20.7	%
Property operating expenses	148.7	124.5	24.2	19.4	%
Net Operating Income	\$250.6	\$206.4	\$44.2	21.4	%
Sales and marketing	12.1	12.8	(0.7)	(5.5)	%
General and administrative	46.6	34.6	12.0	34.7	%
Depreciation and amortization	141.5	118.0	23.5	19.9	%
Transaction and acquisition integration costs	14.1	1.0	13.1	n/m	
Asset impairments and loss on disposal	13.5	—	13.5	n/m	
Interest expense	41.2	39.5	1.7	4.3	%
Loss on extinguishment of debt	—	13.6	(13.6)	n/m	
Income tax expense	1.8	1.4	0.4	28.6	%
Net Income (Loss)	\$(20.2)	\$(14.5)	\$(5.7)	39.3	%

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 and operating partnership unit holders from cash flow 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 warrant, we may issue debt, equity and/or warrants from time to time on an opportunistic basis, dependent upon market conditions and available pricing.

Short-term Liquidity

Our short-term liquidity requirements primarily consist of operating, sales and marketing, and general and administrative expenses, dividend payments and capital expenditures composed primarily of acquisition and development costs for data center properties. For the year ended December 31, 2015, our capital expenditures were \$234.5 million. Our capital expenditures are largely discretionary and will be applied to expand our existing data center properties, acquire or construct new facilities, or both. We intend to continue to pursue additional growth opportunities and are prepared to commit additional resources to support this growth. We expect to fund future capital expenditures from the cash available on our balance sheet and borrowings under our revolving credit facility. Our total estimated capital expenditures for 2016 will be between \$320 million and \$345 million.

Long-term Liquidity

Our long-term liquidity requirements primarily consist of operating, sales and marketing, and general and administrative expenses, distributions to stockholders and the acquisition and development of additional data center properties. We expect to meet our long-term liquidity requirements with cash flows from our operations, issuances of debt and equity securities and borrowings under our revolving credit facility.

As of December 31, 2015, our debt, capital lease and lease financing arrangements were \$1,158.7 million, consisting of \$477.6 million of 6.375% senior notes, including bond premium, a revolving credit facility outstanding of \$235.0 million, a term loan outstanding of \$300.0 million, capital lease obligations of \$12.2 million, lease financing arrangements of \$150.0 million and notes payable of \$1.5 million, partially offset by deferred financing costs of \$17.6 million. As of December 31, 2015, we had the ability to borrow an additional \$407.9 million under the revolving credit facility and cash and cash equivalents of \$14.3 million.

As of December 31, 2015, the Company had \$1.5 million of restricted cash which relates to a deposit in an escrow account in connection with a purchase of a property. Subsequent to the year ended December 31, 2015, this transaction was not consummated and the funds were returned to the Company.

As of December 31, 2015, the total number of outstanding shares of common stock was 72.6 million.

Material Terms of Our Indebtedness

Revolving Credit Agreement

On October 9, 2014, CyrusOne LP entered into a Credit Agreement which provided for a \$450 million senior unsecured revolving credit facility to replace CyrusOne LP's \$225 million secured credit facility, and a \$150 million senior unsecured term loan.

On June 22, 2015, CyrusOne entered into an amendment to the Credit Agreement and other loan documents governing its revolving credit facility and term loan facility. The amendment increased the size of the Credit Agreement's accordion feature, which gave the operating partnership the ability to request an increase in the total commitment under the Credit Agreement, from \$300 million to \$600 million. Immediately after entering into the amendment, the operating partnership exercised \$350 million of this accordion feature and obtained commitments to increase the total commitment under the Credit Agreement from \$600 million to \$950 million, comprised of \$650 million of commitments under the revolving credit facility and \$300 million under the term loan.

On July 1, 2015, CyrusOne borrowed an additional \$150 million under the term loan facility which was used to partially finance the Cervalis acquisition.

The revolving credit facility is scheduled to mature in October 2018 and includes a one-year extension option, which if exercised by CyrusOne LP would extend the maturity date to October 2019. The term loan is scheduled to mature in October 2019. The revolving credit facility currently bears interest at a rate per annum equal to LIBOR plus 1.70% and the term loan currently bears interest at a rate per annum equal to LIBOR plus 1.65%.

The Credit Agreement requires us to maintain certain financial covenants including the following, in each case on a consolidated basis:

- A minimum fixed charge ratio;
- Maximum total and secured leverage ratios;
- A minimum tangible net worth ratio;
- A maximum secured recourse indebtedness ratio;
- A minimum unencumbered debt yield ratio; and
- A maximum ratio of unsecured indebtedness to unencumbered asset value.

Notwithstanding these limitations, we will be permitted, subject to the terms and conditions of the Credit Agreement, to distribute to our shareholders cash dividends in an amount not to exceed 95% of our Funds From Operations (as defined in the Credit Agreement) for any period. Similarly, our indenture permits dividends and distributions necessary for us to maintain our status as a REIT.

Our most restrictive covenants are generally included in our Credit Agreement. In order to continue to have access to amounts available to us under the Credit Agreement, we must remain in compliance with all covenants.

As of December 31, 2015, there were outstanding borrowings of \$235.0 million on the revolving credit facility and borrowings of \$300.0 million on the term loan. In addition, the Credit Agreement contains an accordion feature that allows CyrusOne LP to increase the aggregate commitment by up to \$250 million.

6.375% Senior Notes due 2022

On November 20, 2012, CyrusOne LP and CyrusOne Finance Corp. (Issuers) issued \$525 million of 6.375% senior notes due 2022 (6.375% senior notes). The 6.375% senior notes are senior unsecured obligations of the Issuers, which rank equally in right of payment with all existing and future unsecured senior debt of the Issuers. The 6.375% senior notes are effectively subordinated to all existing and future secured indebtedness of the Issuers to the extent of the value of the assets securing such indebtedness. The 6.375% senior notes are fully and unconditionally and jointly and severally guaranteed by CyrusOne Inc., CyrusOne GP, and each of CyrusOne LP's existing and future domestic wholly owned subsidiaries, subject to certain exceptions. Each such guarantee is a senior unsecured obligation of the applicable guarantor, ranking equally with all existing and future unsecured senior debt of such guarantor and effectively subordinated to all existing and future secured indebtedness of such guarantor to the extent of the value of the assets securing that indebtedness. The 6.375% senior notes are structurally subordinated to all liabilities (including trade payables) of each subsidiary of the Issuers that does not guarantee the 6.375% senior notes. The 6.375% senior notes bear interest at a rate of 6.375% per annum, payable semi-annually on May 15 and November 15 of each year.

The 6.375% senior notes will mature on November 15, 2022. However, prior to November 15, 2017, the Issuers may, at their option, redeem some or all of the 6.375% senior notes at a redemption price equal to 100% of the principal amount of the 6.375% senior notes being redeemed, together with accrued and unpaid interest, if any, to the date of redemption plus a "make-whole" premium. On or after November 15, 2017, the Issuers were permitted, at their option, redeem some or all of the 6.375% senior notes at any time at declining redemption prices equal to (i) 103.188% beginning on November 15, 2017, (ii) 102.125% beginning on November 15, 2018, (iii) 101.063% beginning on November 15, 2019 and (iv) 100.000% beginning on November 15, 2020 and thereafter, plus, in each case, accrued and unpaid interest, if any, to the applicable redemption date. In addition, before November 15, 2015, and subject to certain conditions, the Issuers may, at their option, redeem up to 35% of the aggregate principal amount of the 6.375% senior notes with the net proceeds of certain equity offerings at a redemption price equal to 106.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption; provided that (i) at least 65% of the aggregate principal amount of the 6.375% senior notes remains outstanding after the redemption and (ii) the redemption occurs within 90 days of the closing of any such equity offering.

In November and December of 2014, we repurchased a portion of our 6.375% senior notes with an aggregate face value of \$150.2 million for a purchase price of \$163 million, including accrued and unpaid interest. This resulted in a loss on extinguishment of debt of \$12.8 million.

On July 1, 2015, the Issuers closed a private offering of \$100 million aggregate principal amount of the 6.375% senior notes (the New Notes). The New Notes were issued as additional notes under the Indenture dated November 20, 2012 as supplemented by the first supplemental indenture dated July 1, 2015, and the New Notes have terms substantially identical to those of the 6.375% senior notes issued in November 2012. The New Notes are guaranteed by CyrusOne Inc., CyrusOne GP and each of CyrusOne LP's existing and future domestic wholly owned subsidiaries. The Issuers and guarantors of the New Notes entered into a registration rights agreement which requires them, at their cost, to use commercially reasonable efforts to file and cause to become effective a registration statement within 180 days of July 1, 2015, to be used in connection with the exchange of the New Notes for freely tradable notes with substantially identical terms in all material respects to the New Notes (which exchange must be completed on or prior to the 30th day after such registration statement is declared effective). The Company used the net proceeds from the offering of the New Notes to finance, in part, the operating partnership's acquisition of Cervalis, to pay fees and expenses related to the acquisition and for general corporate purposes. On December 29, 2015, all of the New Notes were exchanged for registered notes that are freely tradable. As of December 31, 2015, the outstanding balance on the 6.375% senior notes was \$477.6 million, including bond premium.

Cash Flows

During 2015, our primary source of cash were earnings from our operations, net proceeds from our credit agreement, and proceeds from issuances of common stock and 6.375% senior notes. Our primary uses of cash were capital expenditures for the development of real estate, funding our operations, payment of dividends, funding the Cervalis Acquisition and acquisition of operating partnership units from CBI.

The following table summarizes our cash flows for the years ended December 31, 2015 and 2014, and the periods ended December 31, 2013, and January 23, 2013.

IN MILLIONS

	Successor Year Ended December 31, 2015	Year Ended December 31, 2014	January 24, 2013 to December 31, 2013	Predecessor January 1, 2013 to January 23 2013
Cash provided by operations	\$140.2	\$111.1	\$77.4	\$2.0
Cash used in investing activities	(625.6	) (284.2	) (216.7	) (5.8
Cash provided by (used in) financing activities	463.2	60.8	275.8	(0.4

Comparison of Years Ended December 31, 2015 and 2014

As of December 31, 2015, cash and cash equivalents were \$14.3 million, down from \$36.5 million as of December 31, 2014, a decrease of \$22.2 million.

Cash provided by operations was \$140.2 million for the year ended December 31, 2015, compared to \$111.1 million for the year ended December 31, 2014, an increase of \$29.1 million. The increase in net cash generated from operations was primarily driven by an increase in net operating income of \$44.2 million. This increase was offset by increased payments for income taxes of \$3.0 million, interest (net of amount capitalized) of \$2.4 million, and all other items, primarily transaction and acquisition integration costs accounted for the remaining \$9.7 million.

Cash used in investing activities was \$625.6 million for the year ended December 31, 2015, compared to \$284.2 million for the year ended December 31, 2014. The increase was a result of the \$398.4 million used for the Cervalis Acquisition in 2015, offset by a decrease in capital expenditures and changes in restricted cash of \$57.0 million.

Cash provided by financing activities was \$463.2 million for the year ended December 31, 2015, compared to \$60.8 million for the year ended December 31, 2014. During 2015, cash provided by financing activities was due to the issuance of common stock of \$799.5 million and net borrowings from the credit facility and 6.375% senior notes of \$353.8 million. Cash used in financing activities during 2015 was due to the cost of the acquisition of partnership units of \$596.4 million, dividends paid to stockholders of \$80.8 million and other items of \$12.9 million. During 2014, cash provided by financing activities was due to the issuance of common stock of \$356.0 million and net borrowings from the credit facility of \$285.0 million. Cash used in financing activities during 2014 was due to the cost of the acquisition of partnership units of \$355.9 million, repurchase of \$150.2 million of the Company's 6.375% senior notes, related debt extinguishment costs of \$12.8 million, dividends paid to stockholders of \$50.9 million, and other items of \$10.4 million.

Comparison of Years Ended December 31, 2014 and 2013

As of December 31, 2014, cash and cash equivalents were \$36.5 million, down from \$148.8 million as of December 31, 2013, a decrease of \$112.3 million.

Cash provided by operations was \$111.1 million for the year ended December 31, 2014, compared to \$79.4 million for the year ended December 31, 2013. The increase in net cash generated from operations was primarily due to a \$28.4 million increase in operating income driven by a 26% increase in revenue.

Cash used in investing activities was \$284.2 million for the year ended December 31, 2014, compared to \$222.5 million for the year ended December 31, 2013. This increase is a result of capital expenditures for development activities.

Cash provided by financing activities was \$60.8 million for the year ended December 31, 2014, compared to \$275.4 million for the year ended December 31, 2013. The significant change is primarily attributed to net proceeds related to the issuance of common stock of \$337.1 million in January of 2013, the repurchase of \$150.2 million of the Company's 6.375% senior notes and an increase in dividend payments of \$19.9 million, partially offset by \$285

million in net new borrowings. The proceeds from the issuance

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of stock in June 2014 were used to acquire 16 million common units of limited partnership interests in the operating partnership from a subsidiary of CBI.

Contractual Obligations

The following contractual obligations table summarizes our contractual obligations as of December 31, 2015:

IN MILLIONS	Total	< 1 Year	1-3 Years	3-5 years	Thereafter
6.375% senior notes ⁽¹⁾	\$474.8	\$—	\$—	\$—	\$474.8
Credit facility ⁽¹⁾	535.0	—	235.0	300.0	—
Capital lease obligations	12.2	3.1	3.1	3.3	2.7
Interest payments on senior notes, capital leases and lease financing arrangements ⁽²⁾	318.4	51.9	100.7	80.3	85.5
Non-cancellable operating leases	11.2	4.3	6.0	—	0.9
Purchase obligations ⁽³⁾	42.6	39.9	2.7	—	—
Construction commitments ⁽⁴⁾	234.9	234.9	—	—	—
Lease financing arrangements and other liabilities ⁽⁵⁾	151.1	10.2	15.5	26.7	98.7
Total ⁽⁶⁾	\$1,780.2	\$344.3	\$363.0	\$410.3	\$662.6

(1) Represents the principal portion of the 6.375% senior notes, revolving credit facility and term loan.

(2) Includes contractual interest payments on the 6.375% senior notes, revolving credit facility, term loan, capital leases and lease financing arrangements assuming no early payment of debt in future periods.

(3) CyrusOne has non-cancellable purchase commitments related to certain services and contracts related to construction of data center facilities and equipment. These agreements range from one to two years and provide for payments for early termination or require minimum payments for the remaining term. As of December 31, 2015, the minimum commitments for these arrangements were \$42.6 million.

(4) We have issued purchase orders for construction related activities.

(5) Represents lease financing arrangements of \$150.0 million for leased data centers where we are deemed the accounting owner, and asset retirement obligations of \$1.1 million.

(6) Employment contracts have been excluded from this table for named executive officers as the Proxy and other SEC has those details. All other employees are subject to at-will employment.

The contractual obligations table is presented as of December 31, 2015. The amount of these obligations can be expected to change over time as new contracts are initiated and existing contracts are completed, terminated or modified.

Contingencies

We are periodically involved in litigation, claims and disputes. Liabilities are established for these claims when losses associated with these matters are judged to be probable and the loss can be reasonably estimated. Based on information currently available, consultation with counsel and established reserves, management believes the outcome of all claims will not individually, nor in the aggregate, have a material effect on our financial position, results of operations or cash flows. For the year ended December 31, 2015, we were not involved in any material lawsuits that required us to recognize an expense.

Off-Balance Sheet Arrangements

Indemnification

During the normal course of business, we make certain indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. These include (i) intellectual property indemnities to customers in connection with the use, sale and/or license of products and services, (ii) indemnities to vendors and service providers pertaining to claims based on our negligence or willful misconduct and (iii) indemnities involving the representations and warranties in certain contracts. In addition, we have made contractual commitments to several employees providing for payments upon the occurrence of certain prescribed events. The majority of these indemnities, commitments and guarantees do not provide for any limitation on the maximum potential for future payments that we could be obligated to make.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations are based upon our consolidated and combined financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated and combined financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets

and liabilities at the date of the financial statements and the reported amount of revenue and expenses in the reporting period. 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 4 to our audited consolidated and combined financial statements included elsewhere in this Form 10-K. We describe below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial condition and results of operations:

- revenue recognition;
- goodwill impairment;
- accounting for real estate and other definite-lived assets; and
- accounting for income taxes.

Revenue Recognition—Colocation rentals are generally billed monthly in advance, and some contracts have escalating payments over the term of the contract. If rents escalate without the lessee gaining access to or control over additional leased space or power, and the lessee takes possession of, or controls the physical use of the property (including all contractually committed power) at the beginning of the lease term, the rental payments by the lessee 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 leased space or power, revenue is recognized in proportion to the additional space or power 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 in other assets in the accompanying consolidated balance sheets. As of December 31, 2015 and 2014, straight-line rents receivable was \$44.7 million and \$33.7 million, respectively.

Some of our leases are structured on a full-service gross basis where the customer pays a fixed amount for both colocation rental and power. Other leases provide that the customer will be billed for power based upon their actual usage, which is separately metered, as well as an estimate of electricity used to power supporting infrastructure for the data center. In both cases, this revenue is presented on a gross basis in the accompanying consolidated and combined statements of operations. Power is generally billed one month in arrears and an estimate of this revenue is accrued in the month that the associated costs are incurred. We generally are not entitled to reimbursements for real estate taxes, insurance or other operating expenses.

Revenue is recognized for services or products that are deemed separate units of accounting. When a customer makes an advance payment or they are contractually obligated to pay any amounts in advance, which is not deemed a separate unit of accounting, deferred revenue is recorded. This revenue is recognized ratably over the expected term of the lease, unless the pattern of service suggests otherwise. As of December 31, 2015 and 2014, deferred revenue was \$78.7 million and \$65.7 million, respectively.

Certain customer contracts require specified levels of service or performance. If we fail to meet these service levels, our customers may be eligible to receive credits on their contractual billings. These credits are recognized against revenue when an event occurs that gives rise to such credits. Customer credits were immaterial for the years ended December 31, 2015 and 2014.

A provision for uncollectible accounts is recognized when the collection of contractual rent, straight-line rent or customer reimbursements are deemed to be uncollectible.

Goodwill Impairment—We have the option of performing a qualitative assessment for impairment prior to performing the quantitative tests. Impairment testing of goodwill is performed on an annual basis or when events or changes in circumstances indicate that an asset may be impaired. We perform our annual impairment tests in the fourth quarter. Management estimates the fair value of our reporting unit utilizing a combination of valuation methods, including both income-based and market-based methods. The income-based approach utilizes a discounted cash flow model using projected cash flows derived from our five-year plan, adjusted to reflect market participants' assumptions. Expected future cash flows are discounted at the weighted average cost of capital applying a market participant approach. The market-based approach utilizes earnings multiples from comparable publicly-traded companies. Based on the Company's annual assessment of goodwill, no impairment has been recognized through December 31, 2015. Changes in certain assumptions could have a significant impact on the impairment test for goodwill. The most critical assumptions are projected future growth rates, operating margins, capital expenditures, tax rates, terminal values and discount rates. These assumptions are subject to change as our long-term plans and strategies are updated each year.

The carrying value of our goodwill totaled \$453.4 million as of December 31, 2015. As of October 1, 2015, which is the date of our most recent impairment test, the fair value of CyrusOne was in excess of its carrying value. We have not, to date, recorded any goodwill impairments.

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The following table illustrates the percentages by which our aggregate fair value exceeded our carrying value as of October 1, 2015, the date of the most recent impairment test. In addition, the table includes sensitivity analyses related to changes in certain key assumptions for the Company. The impact of each assumption change within the sensitivity analyses was calculated independently and excludes the impact of the other assumed changes.

	CyrusOne ⁽²⁾
Fair Values in Excess of Carrying Values	
Percentage by which fair value exceeds carrying value as of October 1, 2015	132.3%
Sensitivity Analysis-1% Changes in Certain Key Assumptions	
Percentage by which fair value would exceed carrying value:	
1% increase in discount rate ⁽¹⁾	74.1%
1% decrease in long-term growth assumptions	81.7%

(1) Assumes all other inputs remain the same; the impact of each assumption change within the sensitivity analyses above was calculated independently and excludes the impact of the other assumed changes.

(2) Total fair value of the Company was determined using an independent third-party analysis. Changes in the discount rate or growth rates would therefore not impact the total fair value of the Company in any of the sensitivity analysis presented above.

Accounting for Real Estate and Other Definite-Lived Assets—Investments in real estate consists of land, buildings, improvements and integral equipment utilized in our data center operations. Real estate acquired from third parties has been recorded at its acquisition cost. Real estate acquired from CBI and its affiliates has been recorded at its historical cost basis. Additions and improvements which extend an asset’s useful life or increase its functionality are capitalized and depreciated over the asset’s remaining life. Maintenance and repairs are expensed as incurred.

When we are involved in the construction of structural improvements to leased property, we are deemed the accounting owner of the leased real estate. In these instances, we bear substantially all the construction period risk, including managing or funding construction. As we have substantially all of the construction risks, we are deemed the “owner” of the asset under construction for accounting purposes during the construction period, and are therefore required to capitalize the construction costs on the accompanying consolidated balance sheets. At inception, the fair value of the building (excluding land) is recorded as an asset and the construction and modification costs to the building, which are not funded by us, would be recorded as a liability. As construction progresses, the value of the asset and obligation increases by the fair value of the structural improvements. At completion of the construction, Sales-Leaseback Accounting under ASC 840-40-25 is also evaluated. Due to our continuing involvement with the lessor, Sales-Leaseback Accounting is precluded and the liability is not derecognized. When the asset is placed in service, depreciation commences, and the leased real estate is depreciated to the lesser of (i) its estimated fair value at the end of the term or (ii) the expected amount of the unamortized obligation at the end of the term. The associated obligation is presented as other financing arrangements in the accompanying consolidated balance sheets.

When we are not deemed the accounting owner of leased real estate, we further evaluate the lease to determine if the lease should be classified as either a capital or operating lease. One of the following four characteristics must be present to classify a lease as a capital lease: (i) the lease transfers ownership of the property to the lessee by the end of the lease term, (ii) the lease contains a bargain purchase option, (iii) the lease term is equal to 75% or more of the estimated economic life of the leased property, or (iv) the net present value of the lease payments are at least 90% of the fair value of the leased property.

We capitalize direct and indirect costs related to the construction and development of data center facilities. These costs include compensation and benefits of personnel who manage third-party contractors as well as property taxes, insurance and financing costs associated with properties under active construction. We cease capitalization once the space is ready for its intended use and held available for occupancy.

The useful lives of real estate and other definite-life long-lived assets are estimated in order to determine the amount of depreciation and amortization expense to be recorded during any reporting period. Depreciation of our real estate, and other tangible assets, except for leasehold improvements, is based on the straight-line method over the estimated economic useful life. Depreciation of leasehold improvements is based on a straight-line method over the lesser of the economic useful life or term of the lease, including optional renewal periods if renewal of the lease is reasonably

assured. Amortization of acquired customer relationships is estimated using an accelerated amortization method to match the projected benefit derived from this asset. All other intangible assets are amortized applying a straight-line amortization method.

We review the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Events and circumstances that we consider when assessing long-lived assets

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associated with each of our data center facilities include vacancy rates, declines in rental or occupancy rates and other factors. An impairment loss is recognized when the estimated future undiscounted cash flows expected to result from the use of an asset (or group of assets) and its eventual disposition is less than its carrying amount. Impairment exists when the Company's net book value of real estate assets is greater than the estimated fair value.

The estimate of expected future cash flows is inherently uncertain and relies to a considerable extent on estimates and assumptions, including current and future market conditions, projected growth in our CSF, projected recurring rent churn, lease renewal rates and our ability to generate new leases on favorable terms. It may be more difficult to sign new customers to fill some of our smaller data centers because the available space at these locations is relatively small. If there are changes to any of these estimates and assumptions in future periods, an impairment loss could occur.

Accounting for Income Taxes—CyrusOne Inc. was included in CBI's consolidated tax returns in various jurisdictions for the Predecessor period and was included in the Successor period for Texas only until June 26, 2014, when CBI's ownership percentage in the operating partnerships was reduced below 50%. In the accompanying financial statements, the Predecessor period and the Successor period (for Texas only until June 26, 2014) reflect income taxes as if we were a separate stand-alone company. The income tax provision consists of an amount for taxes currently payable and an amount for tax consequences deferred to future periods. CBI's previous tax filings are subject to normal reviews by regulatory agencies until the related statute of limitations expires. With a few exceptions, CBI is no longer subject to U.S. federal, state or local examinations for years prior to 2011.

The tax provision for periods prior to November 20, 2012, was computed as a C corporation. Net operating loss carryforwards were generated at the federal, foreign, state and local levels. Effective November 20, 2012, CBI contributed its data center properties to CyrusOne LP, the partnership formed to operate the data center business. As a partnership, the taxable income of CyrusOne LP will flow through to its partners. CyrusOne LP had no federal tax provision for the year ended December 31, 2012.

In addition, CBI contributed the Predecessor's historical deferred tax assets and liabilities (excluding any deferred tax assets created by federal net operating losses) to CyrusOne LP at the contribution date of November 20, 2012. Thus, CyrusOne Inc. will have no federal or state net operating losses available to offset its future taxable income. CyrusOne retained the net operating losses related to its foreign operations. Historically, we have recorded a full valuation allowance on our net foreign deferred tax assets related to our foreign generated net operating losses due to the uncertainty of their realization. In 2014 and 2015, management determined it was necessary to record a full valuation allowance on all of our domestic and foreign net deferred tax assets due to the uncertainty of their realization. As of December 31, 2015 and 2014, the valuation allowance was \$6.3 million and \$5.7 million, respectively.

Recently Issued Accounting Standards

Refer to Note 5 for our audited consolidated and combined financial statements for further information on recently issued accounting standards. We do not expect the adoption of these new accounting standards to have a material impact on our financial condition, results of operations or cash flows on a prospective basis.

Inflation

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 escalators, typically ranging from 2-3%; however, these escalators are not based on inflation and as a result we bear the risk of increases in operating costs in excess of the annual escalator. 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.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We have exposure to interest rate risk, arising from variable-rate borrowings under our revolving credit agreement and our fixed-rate long-term debt. As of December 31, 2015, the credit facility comprised of commitments of \$650 million under the revolving credit facility and \$300 million under the term loan facility and the outstanding borrowings were \$235.0 million under the revolving credit facility and \$300.0 million under the term loan.

The revolving credit facility is scheduled to mature in October 2018 and includes a one-year extension option, which if exercised by CyrusOne LP would extend the maturity date to October 2019. The term loan is scheduled to mature in

October 2019. The revolving credit facility currently bears interest at a rate per annum equal to LIBOR plus 1.70% and the term loan currently bears interest at a rate per annum equal to LIBOR plus 1.65%. The Credit Agreement contains an accordion feature that allows CyrusOne LP to increase the aggregate commitment by up to \$250 million.

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On November 20, 2012, CyrusOne LP and CyrusOne Finance Corp. issued \$525 million of 6.375% senior notes due 2022, which bear interest at a fixed rate of 6.375% per annum. In November and December of 2014, we repurchased 6.375% senior notes with an aggregate face value of \$150.2 million for a purchase price of \$163 million, including accrued interest. On July 1, 2015, CyrusOne LP and CyrusOne Finance Corp. issued an additional \$100 million aggregate principal amount of 6.375% senior notes. As of December 31, 2015, our 6.375% senior notes had an outstanding balance of \$477.6 million, including bond premium.

The following table sets forth the carrying value and fair value face amounts, maturity date and average interest rates at December 31, 2015, for our fixed-rate and variable-rate debt, excluding capital leases and other financing arrangements:

IN MILLIONS	2016	2017	2018	2019	2020	Thereafter	Total Carrying Value	Total Fair Value
Fixed-rate debt	—	—	—	—	—	\$477.6	\$477.6	\$493.8
Average interest rate on fixed-rate debt	—	—	—	—	—	6.375 %		
Variable-rate debt (revolving credit facility)	—	—	\$235.0	—	—	—	\$235.0	\$235.0
Average interest rate on variable-rate debt	—	—	2.000 %	—	—	—		
Variable-rate debt (term loan)	—	—	—	\$300.0	—	—	\$300.0	\$300.0
Average interest rate on variable-rate debt	—	—	—	1.934 %	—	—		

The fair value of our 6.375% senior notes as of December 31, 2015 was based on the quoted market price for these notes, which is considered Level 1 of the fair value hierarchy. The carrying value of the revolving credit facility and term loan approximates estimated fair value as of December 31, 2015, due to the variability of interest rates and the stability of our credit ratings. The fair value of other financing arrangements at December 31, 2015 was calculated using a discounted cash flow model that incorporates current borrowing rates for obligations of similar duration.

Foreign Currency Risk

Substantially all of our revenue and expenses are denominated in U.S. dollars. We do not currently employ forward contracts or other financial instruments to mitigate foreign currency risk. As our international operations grow, we may engage in hedging activities to hedge our exposure to foreign currency risk.

Commodity Price Risk

Certain of our operating costs are subject to price fluctuations caused by the volatility of the underlying commodity prices, including electricity used in our data center operations, and building materials, such as steel and copper, used in the construction of our data centers. In addition, the lead time to purchase certain equipment for our data centers is substantial which could result in increased costs for these construction projects. In addition, we have entered into several contracts to purchase electricity. As of December 31, 2015, these contracts represent less than our forecasted usage. We intend to obtain additional fixed price contracts as our electricity usage grows.

We do not currently employ forward contracts or other financial instruments to mitigate the risk of commodity price risk other than the electricity contracts discussed above.

ITEM 8. CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
CyrusOne Inc.
Carrollton, TX

We have audited the accompanying consolidated balance sheets of CyrusOne Inc. and subsidiaries (the "Company") as of December 31, 2015 (Successor) and 2014 (Successor), and the related consolidated and combined statements of operations, comprehensive income (loss), equity, and cash flows for the years ended December 31, 2015 (Successor) and 2014 (Successor) and the period from January 24, 2013 to December 31, 2013 (Successor) and the period from January 1, 2013 to January 23, 2013 (Predecessor). Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated and combined financial statements present fairly, in all material respects, the financial position of CyrusOne Inc. and subsidiaries as of December 31, 2015 (Successor) and 2014 (Successor), and the results of their operations and their cash flows for the year ended December 31, 2015 (Successor) and 2014 (Successor) and the period from January 24, 2013 to December 31, 2013 (Successor) and the period from January 1, 2013 to January 23, 2013 (Predecessor), in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated and combined financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 3, the consolidated and combined financial statements of the Company for the period from January 1, 2013 to January 23, 2013 include allocations of certain corporate overhead costs from Cincinnati Bell Inc. ("CBI"). These costs may not be reflective of the actual level of costs which would have been incurred had the Company operated as a separate entity apart from CBI. Also, the financial statements of the Company for the period from January 1, 2013 to January 23, 2013 are presented as the "Predecessor" financial statements on a combined bases and the financial statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014 and the period from January 24, 2013 to December 31, 2013 are presented on a consolidated basis as the "Successor" financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP
Dallas, Texas
February 25, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
CyrusOne Inc.
Carrollton, TX

We have audited the internal control over financial reporting of CyrusOne Inc. and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated and combined financial statements and financial statement schedules as of and for the year ended December 31, 2015 of the Company and our report dated February 25, 2016 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 25, 2016

CYRUSONE INC.

Consolidated Balance Sheets

IN MILLIONS, except share and per share amounts

As of December 31,	2015	2014
Assets		
Investment in real estate:		
Land	\$93.0	\$89.7
Buildings and improvements	905.3	812.6
Equipment	598.2	349.1
Construction in progress	231.1	127.0
Subtotal	1,827.6	1,378.4
Accumulated depreciation	(435.6	) (327.0
Net investment in real estate	1,392.0	1,051.4
Cash and cash equivalents	14.3	36.5
Rent and other receivables (net of allowance for doubtful accounts of \$1.0 and \$1.0 as of December 31, 2015 and December 31, 2014, respectively)	76.1	60.9
Restricted cash	1.5	—
Goodwill	453.4	276.2
Intangible assets (net of accumulated amortization of \$90.6 and \$72.1 as of December 31, 2015 and December 31, 2014, respectively)	170.3	68.9
Due from affiliates	—	0.8
Other assets	88.0	76.3
Total assets	\$2,195.6	\$1,571.0
Liabilities and equity		
Accounts payable and accrued expenses	\$136.6	\$69.9
Deferred revenue	78.7	65.7
Due to affiliates	—	7.3
Capital lease obligations	12.2	13.4
Long-term debt	996.5	644.3
Lease financing arrangements	150.0	53.4
Total liabilities	1,374.0	854.0
Commitment and contingencies		
Equity		
Preferred stock, \$.01 par value, 100,000,000 authorized; no shares issued or outstanding	—	—
Common stock, \$.01 par value, 500,000,000 shares authorized and 72,556,334 and 38,651,517 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	0.7	0.4
Additional paid in capital	967.2	516.5
Accumulated deficit	(145.9	) (55.9
Accumulated other comprehensive loss	(0.4	) (0.2
Total shareholders' equity	821.6	460.8
Noncontrolling interest	—	256.2
Total equity	821.6	717.0
Total liabilities and equity	\$2,195.6	\$1,571.0

The accompanying notes are an integral part of the consolidated and combined financial statements

INC.

Consolidated and Combined Statements of Operations

IN MILLIONS, except share and per share data

	Successor			Predecessor
	Year Ended December 31, 2015	Year Ended December 31, 2014	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013
Revenue	\$399.3	\$330.9	\$248.4	\$15.1
Costs and expenses:				
Property operating expenses	148.7	124.5	88.4	4.8
Sales and marketing	12.1	12.8	9.9	0.7
General and administrative	46.6	34.6	26.5	1.5
Depreciation and amortization	141.5	118.0	89.9	5.3
Restructuring charges	—	—	0.7	—
Transaction and acquisition integration costs	14.1	1.0	1.3	0.1
Transaction-related compensation	—	—	—	20.0
Asset impairments and loss on disposal	13.5	—	2.8	—
Total costs and expenses	376.5	290.9	219.5	32.4
Operating income (loss)	22.8	40.0	28.9	(17.3)
Interest expense	41.2	39.5	41.2	2.5
Other income	—	—	(0.1)	—
Loss on extinguishment of debt	—	13.6	1.3	—
Net loss before income taxes	(18.4)	(13.1)	(13.5)	(19.8)
Income tax expense	(1.8)	(1.4)	(1.9)	(0.4)
Loss on sale of real estate improvements	—	—	(0.2)	—
Net loss	(20.2)	(14.5)	(15.6)	\$(20.2)
Noncontrolling interest in net loss	(4.8)	(6.7)	(10.3))
Net loss attributed to common shareholders	\$(15.4)	\$(7.8)	\$(5.3))
Basic weighted average common shares outstanding	54.3	29.2	20.9	
Diluted weighted average common shares outstanding	54.3	29.2	20.9	
Loss per share - basic and diluted	\$(0.30)	\$(0.30)	\$(0.28))

The accompanying notes are an integral part of the consolidated and combined financial statements

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CYRUSONE INC.

Consolidated and Combined Statements of Comprehensive Income (Loss)

IN MILLIONS

	Successor		January 24, 2013 to December 31, 2013	Predecessor
	Year Ended December 31, 2015	Year Ended December 31, 2014		January 1, 2013 to January 23, 2013
Net loss	\$ (20.2	) \$ (14.5	) \$ (15.6	) \$ (20.2
Other comprehensive loss:				
Foreign currency translation adjustments	(0.2	) (0.3) —	—
Comprehensive loss	(20.4	) (14.8	) (15.6	) (20.2
Comprehensive loss attributable to noncontrolling interests	(4.8	) (6.8	) (10.3) —
Comprehensive loss attributable to CyrusOne Inc.	\$ (15.6	) \$ (8.0	) \$ (5.3	) \$ (20.2

The accompanying notes are an integral part of the consolidated and combined financial statements

CYRUSONE INC.

Consolidated and Combined Statements of Equity

IN MILLIONS	Shareholder's Equity/ Parent's Net Investment							Non Controlling Interest	Total Equity
	Shares of common stock outstanding	Common Stock	Accum Deficit	Paid-In Capital	Partnership Capital	Accum Other Comprehensive Loss	Total Shareholder's Equity/ Parent's Net Investment		
Balance as of January 1, 2013	—	\$—	\$—	\$7.1	\$ 493.0	\$ —	\$ 500.1	\$ —	\$500.1
Net loss – January 1, 2013 to January 23, 2013	—	—	—	—	(20.2)	—	(20.2)	—	(20.2)
Other contributions from Parent	—	—	—	—	1.3	—	1.3	—	1.3
Contributions from Parent—transaction compensation expense reimbursement	—	—	—	—	19.6	—	19.6	—	19.6
Noncontrolling interest effective January 24, 2013	—	—	—	(7.1)	(493.7)	—	(500.8)	500.8	—
Common stock issued	19.0	0.2	—	336.9	—	—	337.1	—	337.1
Common stock issued to CBI in exchange for operating partnership units	1.5	—	—	—	—	—	—	—	—
Common stock issued to CBI in exchange for settlement of IPO costs paid by CBI	0.4	—	—	7.1	—	—	7.1	(7.1)	—
IPO costs	—	—	—	(9.5)	—	—	(9.5)	—	(9.5)
Restricted shares issued	1.1	—	—	—	—	—	—	—	—
Net loss – January 24, 2013 to December 31, 2013	—	—	(15.6)	—	—	—	(15.6)	—	(15.6)
Noncontrolling interest allocated net loss	—	—	10.3	—	—	—	10.3	(10.3)	—
Stock based compensation	—	—	—	6.2	—	—	6.2	—	6.2
Dividends declared, \$0.64 per share	—	—	(13.6)	—	—	—	(13.6)	(27.8)	(41.4)
Balance as of December 31, 2013	22.0	\$0.2	\$(18.9)	\$340.7	\$ —	\$ —	\$ 322.0	\$ 455.6	\$777.6
Net Loss	—	—	(14.5)	—	—	—	(14.5)	—	(14.5)
Noncontrolling interest allocated net loss	—	—	6.7	—	—	—	6.7	(6.7)	—
Stock issuance costs	—	—	—	(1.3)	—	—	(1.3)	—	(1.3)
	—	—	—	—	—	(0.2)	(0.2)	(0.1)	(0.3)

Foreign currency translation adjustments									
Stock-based compensation	0.7	—	—	10.3	—	—	10.3	—	10.3
Issuance of common stock	16.0	0.2	—	355.8	—	—	356.0	—	356.0
Redemption of noncontrolling interest	—	—	—	(189.0)	—	—	(189.0)	(166.9)	(355.9)
Dividends declared, \$0.84 per share	—	—	(29.2)	—	—	—	(29.2)	(25.7)	(54.9)
Balance as of December 31, 2014	38.7	\$0.4	\$(55.9)	\$516.5	\$—	\$(0.2)	\$460.8	\$256.2	\$717.0
Net Loss	—	—	(20.2)	—	—	—	(20.2)	—	(20.2)
Noncontrolling interest allocated net loss	—	—	4.8	—	—	—	4.8	(4.8)	—
Stock issuance costs	—	—	—	(0.8)	—	—	(0.8)	—	(0.8)
Foreign currency translation adjustments	—	—	—	—	—	(0.2)	(0.2)	—	(0.2)
Stock-based compensation	0.3	—	—	14.4	—	—	14.4	—	14.4
Tax payment upon exercise of equity awards	—	—	—	(0.8)	—	—	(0.8)	—	(0.8)
Issuance of common stock	33.6	0.3	—	799.2	—	—	799.5	—	799.5
Redemption of noncontrolling interest	—	—	—	(412.3)	—	—	(412.3)	(184.1)	(596.4)
Conversion of operating partnership units to common stock	—	—	—	51.0	—	—	51.0	(51.0)	—
Dividends declared, \$1.26 per share	—	—	(74.6)	—	—	—	(74.6)	(16.3)	(90.9)
Balance as of December 31, 2015	72.6	\$0.7	\$(145.9)	\$967.2	\$—	\$(0.4)	\$821.6	\$—	\$821.6

The accompanying notes are an integral part of the consolidated and combined financial statements

CYRUSONE INC.

Consolidated and Combined Statements of Cash Flows

IN MILLIONS

	Successor		January 24, 2013 to December 31, 2013	Predecessor
	Year Ended December 31, 2015	Year Ended December 31, 2014		January 1, 2013 to January 23, 2013
Cash flows from operating activities:				
Net loss	\$(20.2	) \$(14.5	) \$(15.6	) \$(20.2
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	141.5	118.0	89.9	5.3
Provision for bad debt write off	—	0.8	0.4	—
Asset impairments and loss on disposal	13.5	—	2.8	—
Loss on extinguishment of debt	—	13.6	1.3	—
Non-cash interest expense	3.4	3.4	4.0	0.1
Deferred income tax expense, including valuation allowance change	—	—	0.6	0.3
Stock-based compensation expense	14.4	10.3	6.0	0.2
Changes in operating assets and liabilities:				
Rent receivables and other assets	(23.9	) (37.0	) (15.7	) (9.6
Accounts payable and accrued expenses	7.0	6.9	(14.6	) 20.5
Deferred revenues	5.4	9.8	(0.1	) 3.2
Due to affiliates	(0.9	) (0.2	) 18.4	1.5
Other	—	—	—	0.7
Net cash provided by operating activities	140.2	111.1	77.4	2.0
Cash flows from investing activities:				
Capital expenditures – acquisitions of real estate	(17.3	) —	(48.0) —
Capital expenditures – other development	(217.2	) (284.2	) (172.9	) (7.7
Business acquisition, net of cash acquired	(398.4) —	—	—
Changes in restricted cash	7.3	—	4.4	1.9
Other	—	—	(0.2) —
Net cash used in investing activities	(625.6	) (284.2	) (216.7	) (5.8
Cash flows from financing activities:				
Issuance of common stock	799.5	356.0	360.5	—
Stock issuance costs	(0.8	) (1.3) —	—
IPO costs	—	—	(26.6) —
Acquisition of operating partnership units	(596.4	) (355.9) —	—
Dividends paid	(80.8	) (50.9	) (31.0) —
Borrowings from credit facility	260.0	315.0	—	—
Payments on credit facility	(10.0	) (30.0) —	—
Payments on senior notes	—	(150.2) —	—
Proceeds from issuance of debt	103.8	—	—	—
Payments on capital lease obligations	(2.6	) (3.0	) (5.3	) (0.6
Payments on lease financing arrangements	(3.3	) (0.9	) (0.7) —
Payment to buyout capital leases	—	—	(9.6) —
Payment to buyout lease financing arrangements	—	—	(10.2) —
Debt issuance costs	(5.4	) (5.2	) (1.3) —
Payment of debt extinguishment costs	—	(12.8) —	—
Tax payment upon exercise of equity awards	(0.8) —	—	—

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Contributions from/(distributions to) parent, net	—	—	—	0.2	
Net cash provided by (used in) by financing activities	463.2	60.8	275.8	(0.4)
Net (decrease) increase in cash and cash equivalents	(22.2	) (112.3	) 136.5	(4.2)
Cash and cash equivalents at beginning of period	36.5	148.8	12.3	16.5	
Cash and cash equivalents at end of period	\$ 14.3	\$ 36.5	\$ 148.8	\$ 12.3	

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IN MILLIONS	Successor		Predecessor	
	Year Ended December 31, 2015	Year Ended December 31, 2014	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013
Supplemental disclosures				
Cash paid for interest, net of amount capitalized	\$43.7	\$41.3	\$40.7	\$0.3
Cash paid for income taxes	3.4	0.4	—	—
Capitalized interest	6.1	4.6	1.6	—
Noncash investing and financing transactions:				
Acquisition of property in accounts payable and other liabilities	59.2	26.8	35.8	15.7
Contribution receivable from Parent related to transaction-related compensation	—	—	—	19.6
Dividends payable	23.6	14.3	10.4	—
Deferred IPO costs	—	—	—	1.7
Deferred IPO costs reclassified to additional paid in capital	—	—	9.5	—
Reclass of equipment to held for sale	—	—	0.3	—
Noncash additions to fixed assets through lease financing arrangements	—	—	4.0	—
The accompanying notes are an integral part of the consolidated and combined financial statements				

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements

1. Description of Business

CyrusOne Inc., together with CyrusOne GP, a wholly owned subsidiary of CyrusOne Inc., through which CyrusOne Inc. holds a controlling interest in CyrusOne LP (operating partnership) and the subsidiaries of the operating partnership (collectively, “CyrusOne”, “we”, “us”, “our”, and the “Company”) is an owner, operator and developer of enterprise-class, carrier-neutral multi-tenant data center properties. Our customers operate in a number of industries, including energy, oil and gas, mining, medical, technology, finance and consumer goods and services. We currently operate 32 data centers and 2 recovery centers located in the United States, United Kingdom and Singapore.

2. Formation and Recent Developments

Formation

Prior to November 20, 2012, CyrusOne was not an operative legal entity or a combination of legal entities. The accompanying combined financial statements of CyrusOne for such periods represent the data center assets and operations owned by Cincinnati Bell Inc. (CBI) and, unless the context otherwise requires, its consolidated subsidiaries which historically have been maintained in various legal entities, some of which had significant unrelated business activities. The accompanying financial statements for such periods have been “carved out” of CBI’s consolidated financial statements and reflect significant assumptions and allocations. The combined financial statements do not fully reflect what the financial position, results of operations and cash flows would have been had these operations been a stand-alone company during the periods presented. As a result, historical financial information is not necessarily indicative of CyrusOne’s future results of operations, financial position and cash flows.

On November 20, 2012, the operating partnership received a contribution of interests in real estate properties and the assumption of debt and other specified liabilities from CBI in exchange for the issuance of 123.7 million operating partnership units to CBI.

On January 24, 2013, CyrusOne Inc. completed its initial public offering (the IPO) of common stock, issuing approximately 19 million shares for \$337.1 million, net of underwriting discounts. At that time the operating partnership executed a 2.8 to 1.0 reverse unit split, resulting in CBI owning 44.1 million operating partnership units. In addition, CBI exchanged approximately 1.5 million of its operating partnership units for 1.5 million shares of CyrusOne Inc. common stock, and CBI was issued 0.4 million shares of CyrusOne Inc. common stock in repayment for transaction costs paid by CBI. CyrusOne Inc. also issued approximately 1.1 million shares of restricted stock to its directors and employees. In addition, on January 24, 2013, CyrusOne Inc. purchased approximately 21.9 million, or 33.9% of the operating partnership’s units for \$337.1 million and assumed the controlling interest in the operating partnership. CBI retained a noncontrolling interest in the operating partnership of 66.1%.

Recent Developments

On June 25, 2014, CyrusOne Inc. completed a public offering of 16 million shares of its common stock, including 2.1 million shares of common stock issued upon the exercise in full by the underwriters of their option to purchase additional shares, at a price to the public of \$23.25 per share, or \$371.7 million. CyrusOne Inc. used the proceeds of \$355.9 million, net of underwriting discounts of \$15.8 million, to acquire 16 million common units of limited partnership interests in the operating partnership from CBI.

On April 7, 2015, CyrusOne Inc. completed a public offering of approximately 14.3 million shares of its common stock, including approximately 1.9 million shares of common stock issued upon the exercise in full by the underwriters of their option to purchase additional shares, at a price to the public of \$31.12 per share, or \$443.8 million. CyrusOne Inc. used the proceeds of \$426.0 million, net of underwriting costs of \$17.8 million, to acquire approximately 14.3 million common units of limited partnership interests in the operating partnership from CBI.

On June 26, 2015, CyrusOne Inc. completed a public offering of approximately 13.0 million shares of its common stock, at a price to the public of \$30.00 per share, or \$373.3 million, net of underwriting costs of \$16.6 million. On July 1, 2015, CyrusOne used the \$170.3 million to acquire approximately 6.0 million common units of limited

partnership interests in the operating partnership from a subsidiary of CBI.

During 2015, the Company issued \$0.2 million of common shares related to the employee stock purchase plan. In total, offerings of common stock in 2015 resulted in \$799.5 million of cash flow from financing activities on the consolidated and combined statements of cash flows.

On July 1, 2015, CyrusOne LP acquired Cervalis for approximately \$398.4 million, excluding transaction related expenses. Cervalis operates four data center facilities and two work area recovery facilities serving the New York metropolitan area

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

On December 14, 2015, CyrusOne Inc. completed a public secondary offering of 1,350,000 shares of common stock on behalf of CBI. The Company received no proceeds from the offering.

On December 31, 2015, CyrusOne Inc. completed an issuance of approximately 6.3 million newly issued shares of common stock in exchange for an equal number of operating partnership units of CyrusOne LP, held by a subsidiary of CBI. As of December 31, 2015, CyrusOne Inc. owned 100% of the 72.6 million outstanding partnership units of CyrusOne LP. As of December 31, 2015, CBI owned approximately 9.5% of the outstanding shares of common stock of CyrusOne Inc.

3. Basis of Presentation

The accompanying financial statements for the period ended January 23, 2013 were prepared on a combined basis using CBI's historical basis in the assets and liabilities of its data center business and are presented as the "Predecessor" financial statements. The Predecessor financial statements include all revenues, costs, assets and liabilities directly attributable to the data center business. In addition, certain expenses reflected in the Predecessor financial statements include allocations of corporate expenses from CBI, which in the opinion of management are reasonable but do not necessarily reflect what CyrusOne's financial position, results of operations and cash flows would have been had CyrusOne been a stand-alone company during this period. The financial statements as of December 31, 2015 and 2014 and for the period from January 24, 2013 to December 31, 2013, and the years ended December 31, 2015 and December 31, 2014, are prepared on a consolidated basis and are presented as the "Successor" financial statements. In addition, the accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). All material intercompany transactions and balances have been eliminated in consolidation. All prior year amounts have been presented to conform to current year's presentation.

4. Significant Accounting Policies

Use of Estimates—Preparation of the consolidated and combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated and combined financial statements and accompanying notes. These estimates and assumptions are based on management's knowledge of current events and actions that we may undertake in the future. Estimates are used in determining the fair value of leased real estate, the useful lives of real estate and other long-lived assets, future cash flows associated with goodwill and other long-lived asset impairment testing, deferred tax assets and liabilities and loss contingencies. Estimates were also utilized in the determination of historical allocations of shared employees' payroll, benefits and incentives and management fees between CyrusOne and CBI. Actual results may differ from these estimates and assumptions.

Investment in Real Estate—Investment in real estate consist of land, buildings, improvements and integral equipment utilized in our data center operations. Real estate acquired from third parties has been recorded at its acquisition cost. Real estate acquired from CBI and its affiliates has been recorded at its historical cost basis. Additions and improvements which extend an asset's useful life or increase its functionality are capitalized and depreciated over the asset's remaining life. Maintenance and repairs are expensed as incurred.

When we are involved in the construction of structural improvements to leased property, we are deemed the accounting owner of the leased real estate. In these instances, we bear substantially all the construction period risk, including managing or funding construction. As we have substantially all of the construction risks, we are deemed the "owner" of the asset under construction for accounting purposes during the construction period, and are therefore required to capitalize the construction costs on the accompanying consolidated balance sheets. At inception, the fair value of the building (excluding land) is recorded as an asset and the construction and modification costs to the building, that are not funded by us would be recorded as a liability. As construction progresses, the value of the asset

and obligation increases by the fair value of the structural improvements. At completion of the construction, Sales-Leaseback Accounting under ASC 840-40-25 is also evaluated. Due to our continuing involvement with the lessor, Sales-Leaseback Accounting is precluded and the liability is not derecognized. When the asset is placed in service, depreciation commences, and the leased real estate is depreciated to the lesser of (i) its estimated fair value at the end of the term or (ii) the expected amount of the unamortized obligation at the end of the term. The associated obligation is presented as lease financing arrangements in the accompanying consolidated balance sheets. When we are not deemed the accounting owner of leased real estate, we further evaluate the lease to determine whether the lease should be classified as a capital or operating lease. One of the following four characteristics must be present to classify a lease as a capital lease: (i) the lease transfers ownership of the property to the lessee by the end of the lease term, (ii) the lease contains a bargain purchase option, (iii) the lease term is equal to 75% or more of the estimated economic life of the leased property or (iv) the net present value of the lease payments are at least 90% of the fair value of the leased property.

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Notes to Consolidated and Combined Financial Statements - (continued)

Construction in progress includes direct and indirect expenditures for the construction and expansion of our data centers and is stated at its acquisition cost. Independent contractors perform substantially all of the construction and expansion efforts of our data centers. Construction in progress includes costs incurred under construction contracts including project management services, engineering and schematic design services, design development, construction services and other construction-related fees and services. Interest, property taxes and certain labor costs are also capitalized during the construction of an asset. Capitalized interest in 2015, 2014, and 2013 was \$6.1 million, \$4.6 million, and \$1.6 million, respectively. These costs are depreciated over the estimated useful life of the related assets. Depreciation is calculated using the straight-line method over the estimated useful life of the asset. Useful lives range from nine to thirty years for buildings, three to thirty years for building improvements, and three to twenty years for equipment. Leasehold improvements are amortized over the shorter of the asset's useful life or the remaining lease term, including renewal options which are reasonably assured.

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. Examples of such indicators may include a significant adverse change in the extent to which or manner in which the property is being used, an accumulation of costs significantly in excess of the amount originally expected for acquisition or development, or a history of operating or cash flow losses. When such 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. We consider factors such as future operating income, leasing demand, competition and other factors. 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. For the years ended December 31, 2015 and 2013, we recognized impairments and loss on disposal of \$13.5 million and \$2.8 million, respectively.

Cash and Cash Equivalents—Cash and cash equivalents include all non-restricted cash held in financial institutions and other non-restricted highly liquid short-term investments with original maturities at acquisition of three months or less.

Restricted Cash—Restricted cash includes cash equivalents held to collateralize standby letters of credit and/or deposited in escrow to fund construction or pending potential acquisition transactions. In addition, we may have other cash that is not immediately available for use in current operations.

Goodwill—Goodwill represents the excess of the purchase price over the fair value of net assets acquired in connection with business acquisitions. We perform impairment testing of goodwill, at the reporting unit level, on an annual basis or more frequently if indicators of potential impairment exist.

The fair value of our reporting unit was determined using a combination of market-based valuation multiples for comparable businesses and discounted cash flow analysis based on internal financial forecasts incorporating market participant assumptions. There were no impairments recognized for the years ended December 31, 2015 or 2014.

Long-Lived and Intangible Assets—Intangible assets represent purchased assets that lack physical substance, but can be separately distinguished from Goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged, either on its own or in combination with a related contract, asset, or liability. Intangible assets with finite lives consist of trademarks, customer relationships, and a favorable leasehold interest.

Rent and Other Receivables—Receivables consist principally of trade receivables from customers and are generally unsecured and due within 30 to 120 days. Unbilled receivables arise from services rendered but not yet billed.

Expected credit losses associated with trade receivables are recorded as an allowance for uncollectible accounts. The allowance for uncollectible accounts is estimated based upon historic patterns of credit losses for aged receivables as well as specific provisions for certain identifiable, potentially uncollectible balances. When internal collection efforts on receivables have been exhausted, the receivables are written-off and the associated allowance for uncollectible

accounts is reduced.

The Company has receivables with one customer that exceeds 10% of the Company's outstanding accounts receivable balance at December 31, 2015 and 2014. In addition, as of December 31, 2015, our receivables include \$6.5 million that has not been billed to the customer. This amount will be billed and payable in monthly installments through March 2018.

Deferred Leasing Costs—Deferred leasing costs are presented with Other assets in the accompanying consolidated balance sheets. Leasing commissions incurred at the commencement of a new lease are capitalized and amortized over the term of the customer lease. Amortization of deferred leasing costs is presented with Depreciation and amortization in the accompanying consolidated and combined statements of operations. If a lease terminates prior to the expiration of the lease, the remaining unamortized cost is written off to amortization expense. As of December 31, 2015 and 2014, deferred leasing costs were \$14.2 million and \$12.8 million, respectively.

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Notes to Consolidated and Combined Financial Statements - (continued)

Deferred Financing Costs—Deferred financing costs include costs incurred in connection with issuance of debt, including 6.375% senior notes, term loans and revolving credit facilities. These financing costs are capitalized and amortized to expense over the term of the instrument and are included as a component of Interest expense. These costs include deferred financing costs associated with our revolving line of credit and are presented in the balance sheet as a direct reduction from the carrying amount of the debt liability to conform to the 2015 presentation.

Lease Financing Arrangements—Lease financing arrangements represent leases of real estate where we are 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 and, at the lease inception date, we are required to record at fair value the property and associated liability on our consolidated balance sheets. These transactions generally do not qualify for sale-leaseback accounting due to our continued involvement in these data center operations.

Revenue Recognition—Colocation rentals are generally billed monthly in advance, and some contracts have escalating payments over the term of the contract. If rents escalate without the lessee gaining access to or control over additional leased space or power, and the lessee takes possession of, or controls the physical use of the property (including all contractually committed power) at the beginning of the lease term, the rental payments by the lessee 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 leased space or power, revenue is recognized in proportion to the additional space or power 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 in Other assets in the accompanying consolidated balance sheets. As of December 31, 2015 and 2014, straight-line rent receivable was \$44.7 million and \$33.7 million, respectively.

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. Other leases provide that the customer will be billed for power based upon actual usage times a load factor. Power is generally billed one month in arrears and an estimate of this revenue is accrued in the month that the associated costs are incurred. We generally are not entitled to reimbursements for real estate taxes, insurance or other operating expenses.

Revenue is recognized for services or products that are deemed separate units of accounting. When a customer makes an advance payment or they are contractually obligated to pay any amounts in advance, which is not deemed a separate unit of accounting, Deferred revenue is recorded. This revenue is recognized ratably over the expected term of the lease, unless the pattern of service suggests otherwise. As of December 31, 2015 and 2014, Deferred revenue was \$78.7 million and \$65.7 million, respectively.

Certain customer leases require specified levels of service or performance. If we fail to meet these service levels, our customers may be eligible to receive credits on their contractual billings. These credits are recognized against revenue when an event occurs that gives rise to such credits. Customer credits were immaterial for each of the years presented. A provision for uncollectible accounts is recognized when the collection of contractual rent, straight-line rent or customer reimbursements are deemed to be uncollectible.

Sales and Marketing Expense—Sales and marketing expense is comprised of compensation and benefits associated with Sales and marketing personnel as well as advertising and marketing costs. Costs related to advertising are expensed as incurred and amounted to \$2.2 million for the year ended December 31, 2015, \$2.9 million for the year ended December 31, 2014, \$2.1 million for the period ended December 31, 2013, and \$0.1 million for the period ended January 23, 2013.

Depreciation and Amortization Expense—Depreciation expense is recognized over the estimated useful lives of real estate applying the straight-line method. The useful life of leased real estate and leasehold improvements is the lesser of the economic useful life of the asset or the term of the lease, including optional renewal periods if renewal of the lease is reasonably assured. The residual value of leased real estate is estimated as the lesser of (i) the expected fair

value of the asset at the end of the lease term or (ii) the expected amount of the unamortized liability at the end of the lease term. Estimated useful lives are periodically reviewed. Depreciation expense was \$117.8 million for the year ended December 31, 2015, \$95.8 million for the year ended December 31, 2014, \$70.3 million for the period ended December 31, 2013, and \$4.1 million for the period ended January 23, 2013.

Amortization expense is recognized over the estimated useful lives of finite-lived intangibles. Finite-lived intangibles include trademarks, favorable leasehold interests, deferred leasing costs and deferred sales commissions. As of December 31, 2015, the estimated weighted average useful life of trademarks and customer relationships was ten and 13 years, respectively. In addition, we have a favorable leasehold interest related to a land lease that is being amortized over the lease term of fifty-one years. Deferred leasing costs are amortized over three to five years. Amortization expense was \$23.7 million for the year ended December 31, 2015, \$22.2 million for the year ended December 31, 2014, \$19.6 million for the period ended December 31, 2013, and \$1.2 million for the period ended January 23, 2013.

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Notes to Consolidated and Combined Financial Statements - (continued)

Transaction and Acquisition Integration Costs—Transaction costs represent incremental legal, accounting and professional fees incurred in connection with our formation transactions, our initial qualification as a real estate investment trust, or REIT, and business combination and asset acquisition costs (including unsuccessful efforts). Transaction costs are expensed as incurred and do not include any recurring costs from our ongoing operations. Integration costs represent incremental costs to integrate a consummated acquisition.

Transaction-Related Compensation—During the period ended January 23, 2013, the Company received an allocated compensation charge from CBI of \$20.0 million for the settlement of its long-term incentive plan associated with the completion of the IPO. The amount was determined by CBI and allocated to CyrusOne Inc. on January 23, 2013, and reflected as expense and contributed capital in the respective period.

Income Taxes—CyrusOne Inc. was included in CBI's consolidated tax returns in various jurisdictions for the Predecessor period and was included in the Successor period for Texas only until June 26, 2014 when CBI's ownership percentage in the operating partnership was reduced below 50%. In the accompanying financial statements, the Predecessor period and the Successor period (for Texas only until June 26, 2014) reflect income taxes as if the Company were a separate stand-alone company. The income tax provision consists of an amount for taxes currently payable and an amount for tax consequences deferred to future periods. CyrusOne Inc. elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (Code), commencing with our initial taxable year ending December 31, 2013. Provided we continue to meet the various qualification tests mandated under the Code, we are generally not subject to corporate level federal income tax on the earnings distributed currently to our shareholders. If we fail to qualify as a REIT in any taxable year, our taxable income will be subject to federal income tax at regular corporate rates and any applicable alternative minimum tax.

While CyrusOne Inc. and the operating partnership do not pay federal income taxes, we are still subject to foreign, state and local income taxes in the locations in which we conduct business. Our taxable REIT subsidiaries (each a TRS) are also subject to federal and state income taxes to the extent they earn taxable income.

Deferred income taxes are recognized in certain entities. Deferred income taxes are provided for temporary differences in the bases between financial statement and income tax assets and liabilities. Deferred income taxes are recalculated annually at rates then in effect. Valuation allowances are recorded to reduce deferred tax assets to amounts that are more likely than not to be realized. The ultimate realization of the deferred tax assets depends upon our ability to generate future taxable income during the periods in which basis differences and other deductions become deductible and prior to the expiration of the net operating loss carryforwards.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction as well as various state, local and foreign jurisdictions. The Company's previous tax filings are subject to normal reviews by regulatory agencies until the related statute of limitations expires. With a few exceptions, the Company is no longer subject to U. S. federal, state or local examinations for years prior to 2012, and we have no liabilities for uncertain tax positions as of December 31, 2015 or 2014.

Foreign Currency Translation and Transactions—The financial position of foreign subsidiaries is translated at the exchange rates in effect at the end of the period, while revenues and expenses are translated at average rates of exchange during the period. Gains or losses from translation of foreign operations where the local currency is the functional currency are included as components of other comprehensive (loss) income. Gains or losses from foreign currency transactions are included in determining net income.

Comprehensive Loss—Comprehensive loss represents the change in net assets of a company from transactions and other events from non-owner sources. Comprehensive loss comprises all components of net loss and all components of other comprehensive loss.

Subsequent to the issuance of the Company's 2014 consolidated financial statements, the Company identified an error in the Consolidated Statements of Comprehensive Income (Loss) and the Consolidated Balance Sheets and Statements

of Equity. The Consolidated Statements of Comprehensive Income (Loss) excluded allocations of net loss attributable to noncontrolling interests and only attributed foreign currency translation adjustment allocations to the noncontrolling interest. This error resulted in the understatement of “Comprehensive Loss Attributable to Non-Controlling Interests” of (\$6.7) million for the year ended December 31, 2014 (Successor), and (\$10.3) million for the Successor period ended December 31, 2013, as well as the corresponding understatement of the total “Comprehensive Loss Attributable to CyrusOne Inc.”. The Consolidated Statements of Equity did not present the comprehensive loss attributed to foreign currency translation adjustment allocations to noncontrolling interest. This error resulted in “Foreign Currency Translation Adjustment” allocated to CyrusOne Inc. to be overstated and the amount allocated to Noncontrolling Interest to be understated by \$0.1 million for the year ended December 31, 2014 (Successor) and “Accumulated Other Comprehensive Loss” and “Noncontrolling Interest” to be overstated by \$0.1 million as of December 31, 2014 (Successor), which resulted in a corresponding overstatement in the Consolidated Balance Sheets. The prior period amounts disclosed above have been revised to reflect the corrected amounts. The previously issued Consolidated Statement of Operations and Cash Flows were not impacted by this error.

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Notes to Consolidated and Combined Financial Statements - (continued)

Earnings Per Share—For all periods subsequent to January 23, 2013, we present earnings per share (EPS) data. Basic EPS includes only the weighted average number of common shares outstanding during the period. Diluted EPS includes the weighted average number of common shares and the dilutive effect of stock options, restricted stock and share unit awards outstanding during the period, when such instruments are dilutive.

All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are treated as participating in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted EPS must be applied.

Related Party Transactions—CBI provided us with a variety of services. Cost allocation methods which were employed to determine the costs to be recognized in the accompanying combined financial statements included the following:

- **Specific identification**—Applied when amounts were specifically identifiable to our operations.
- **Reasonable allocation method**—When amounts were not clearly or specifically identifiable to our operations, management applied a reasonable allocation method.

Stock-Based Compensation—In conjunction with the IPO, our board of directors adopted the 2012 Long-Term Incentive Plan (LTIP). The LTIP is administered by the compensation committee of the board of directors, or the plan administrator. Awards issuable under the LTIP include common stock, restricted stock, stock options and other incentive awards. See Note 16 to our audited consolidated and combined financial statements included elsewhere in this Annual Report on Form 10-K for additional details relating to these awards.

Share-based compensation expense is based on the estimated grant-date fair value. CyrusOne Inc. recognizes share-based compensation expense, less estimated forfeitures, on a straight-line basis over the requisite service period for time-based awards and on a graded vesting basis for performance-based awards. CyrusOne estimates forfeitures based on historical activity, expected employee turnover, and other qualitative factors which are adjusted for changes in estimates and award vesting. All expenses for an award will be recognized by the time it becomes fully vested. CyrusOne Inc. uses the Black-Scholes-Merton option pricing model to calculate the fair value of stock options. This option valuation model requires the use of subjective assumptions, including the estimated fair value of the underlying common stock, the expected stock price volatility, and the expected term of the option. The estimated fair value of the underlying common stock is based on third-party valuations. Our volatility estimates are based on a peer group of companies. We estimate the expected term of the awards to be the weighted average mid-point between the vesting date and the end of the contractual term. We use this method to estimate the expected term since we do not have sufficient historical exercise data.

For interim periods, we use our year-to-date actual results, financial forecasts, and other available information to estimate the probability of the award vesting based on the performance metrics.

Fair Value Measurements—Fair value measurements are utilized in accounting for business combinations and testing of goodwill and other long-lived assets for impairment and disclosures. Fair value of financial and non-financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for asset and liabilities, is as follows:

Level 1—Observable inputs for identical instruments such as quoted market prices;

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs); and

Level 3—Unobservable inputs that reflect our determination of assumptions that market participants would use in pricing the asset or liability. These inputs are developed based on the best information available, including our own

data.

Business Segments—Business segments are components of an enterprise for which separate financial information is available and regularly viewed by the chief operating decision maker to assess performance and allocate resources. Our chief operating decision maker, the Company's Chief Executive Officer, reviews our financial information on an aggregate basis. Furthermore, our data centers have similar economic characteristics and customers across all geographic locations, our service offerings have similar production processes, deliver services in a similar manner and use the same types of facilities and similar technologies. As a result, we have concluded that we have one reportable operating segment.

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Notes to Consolidated and Combined Financial Statements - (continued)

5. Recently Issued Accounting Standards

Accounting Standards Update (ASU) No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures which are effective for interim and annual reporting periods in fiscal years that begin after December 15, 2016. In July 2015, the FASB voted to approve a one-year deferral of the effective date to December 15, 2017 for interim and annual reporting periods beginning after that date and permitted early adoption of the standard, but not before the original effective date of December 15, 2016. This guidance permits two implementation approaches. Companies can choose to apply the standard retrospectively to each prior reporting period presented (full retrospective application) or retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application (modified retrospective application). We are currently evaluating the impact of the adoption of this guidance in our consolidated financial statements.

ASU No. 2014-12 (ASU 2014-12), Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period

In June 2014, the FASB issued a guidance update for the presentation of stock compensation. This guidance requires an entity to treat performance targets that can be met after the requisite service period of a share based award has ended, as a performance condition that affects vesting and is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015. Since the Company's share-based awards do not contain performance targets that could be achieved after the employee completes the requisite service, the adoption of this guidance has no impact on our consolidated financial statements.

ASU No. 2014-15 (ASU 2014-15), Presentation of Financial Statements - Going Concern (Subtopic 205-40)

In August 2014, the FASB issued guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. This guidance is effective for annual periods ending after December 15, 2016, and interim periods thereafter; early adoption is permitted. We are currently evaluating the full impact of the new standard.

ASU No. 2015-01 (ASU 2015-01), Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items

In January 2015, the FASB issued guidance eliminating from U.S. GAAP the concept of an extraordinary item. An entity is no longer required to (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; and (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. This guidance does not affect the reporting and disclosure requirements for an event that is unusual in nature or that occurs infrequently.

ASU No. 2015-02 (ASU 2015-02), Consolidation (Topic 810)

In February 2015, the FASB issued guidance which amended the consolidation requirements in ASC 810 and significantly changed the consolidation analysis required under U.S. GAAP. The amendments include (1) limited partnerships will be variable interest entities; (2) changes the effect that fees paid to a decision maker or service provider have on the consolidation analysis; (3) amends how variable interests held by a reporting entity's related parties or de facto agents affect its consolidation conclusion; (4) clarifies how to determine whether the equity holders

have power over the entity, and (5) the deferral of ASU 2009-17 for investments in certain investment funds has been eliminated. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The adoption of this guidance will have no impact on our consolidated financial statements as the provisions of this standard do not currently apply to CyrusOne Inc.

ASU No. 2015-03 (ASU 2015-03), Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued guidance to simplify the presentation of debt issuance costs. The amendments would require that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected by this guidance. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. The Company adopted this standard and debt issuance costs for all periods presented have been shown as a reduction from the carrying amount of the debt.

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Notes to Consolidated and Combined Financial Statements - (continued)

ASU No. 2015-15 (ASU 2015-15), Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements

In August 2015, the FASB issued ASU 2015-15 to clarify the SEC staff's position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack of guidance on this topic in ASU 2015-03. The SEC staff has announced that it would not object to an entity deferring issuance costs ratably over the term of the line-of-credit arrangement. The Company ratably expenses the debt issuance costs over the term of its revolving line of credit and reflects any unamortized amount as a reduction from the carrying amount of its debt.

ASU No. 2015-16 (ASU 2015-16), Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments

In September 2015, the FASB issued ASU 2015-16 to simplify the accounting for measurement-period adjustments. Under the ASU, an acquirer must recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The ASU also requires acquirers to present separately on the face on the income statement, or disclose in the notes, the portion of the amount recorded in the current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. This guidance is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

ASU No. 2015-17 (ASU 2015-17), Income Taxes (Topic 740)

In November 2015, the FASB issued guidance which amended the balance sheet classification requirements for deferred Taxes. The ASU requires an entity to classify all deferred tax liabilities and assets as noncurrent in the balance sheet. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. We are currently evaluating the full impact of the new standard.

ASU No. 2016-01 (ASU 2016-01), Financial instruments-Overall (Subtopic 825-10)

In January 2016, the FASB amended its standards related to the accounting of certain financial instruments. This amendment addresses certain aspects of recognition, measurement, presentation and disclosure. The new rules will become effective for annual and interim periods beginning after December 15, 2017. Early adoption is not permitted. We are in the process of evaluating the impact the amendment will have on the consolidated financial statements.

ASU No. 2016-02 (ASU 2016-02), Leases (Topic 842)

In February 2016, the FASB issued accounting standard update ("ASU") No. 2016-02, Leases (Topic 842). This new lease guidance requires that an entity should recognize assets and liabilities for leases with a maximum possible term of more than 12 months. A lessee would recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the leased asset (the underlying asset) for the lease term. Leases would be classified as either Type A leases (generally today's capital leases) or Type B leases (generally today's operating leases). For certain leases of assets other than property (for example, equipment, aircraft, cars, trucks), a lessee would classify the lease as a Type A lease and would do the following: (1) recognize a right-of-use asset and a lease liability, initially measured at the present value of lease payments and (2) recognize the unwinding of the discount on the lease liability as interest separately from the amortization of the right-of-use asset. For certain leases of property (that is, land and/or a building or part of a building), a lessee would classify the lease as a Type B lease and would do the

following: (1) recognize a right-of-use asset and a lease liability, initially measured at the present value of lease payments and (2) recognize a single lease cost, combining the unwinding of the discount on the lease liability with the amortization of the right-of-use asset, on a straight-line basis. This guidance also provides accounting updates with respect to lessor accounting under a lease arrangement. This new lease guidance is effective for CyrusOne beginning in the first quarter of fiscal 2019. Entities have the option of using either a full retrospective or a modified approach (cumulative effect adjustment in period of adoption) to adopt the new guidance. Early adoption is permitted for all entities. We are currently evaluating the impact of the adoption of this guidance in our consolidated financial statements.”

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

6. Acquisitions

On July 1, 2015, CyrusOne LP acquired 100% of Cervalis, a privately-held owner and operator of data centers for \$398.4 million, excluding transaction-related expenses, in an all cash transaction. Cervalis has four data center facilities and two work recovery facilities serving the New York metropolitan area. CyrusOne LP financed the acquisition with proceeds of CyrusOne Inc's June 2015 common stock offering and CyrusOne LP and CyrusOne Finance Corp.'s July 2015 6.375% senior notes offering as well as drawing under CyrusOne Inc's senior unsecured credit facility. The acquisition of Cervalis enhances the geographic diversification of CyrusOne, provides access to a high quality enterprise customer base and strengthens our product portfolio. The goodwill recorded for this acquisition relates to the incremental value that Cervalis brings to the existing CyrusOne operations. The customer relationships intangible is expected to be amortized over fifteen years. For the year ended December 31, 2015, transaction and integration costs related to the Cervalis Acquisition were \$12.9 million.

The consolidated and combined financial statements include the operating results of Cervalis from the date of acquisition. The following table summarizes the estimated fair values of all assets acquired and liabilities assumed at the date of acquisition:

Cash	\$1.1	
Rent and other receivables	10.5	
Restricted cash	8.8	
Net investment in real estate	197.8	
Goodwill	177.2	
Customer relationships	117.4	
Trade name	2.3	
Other long-term assets	7.3	
Total assets acquired	522.4	
Current liabilities	18.3	
Capital lease obligations	1.7	
Long-term debt	1.5	
Other arrangements	101.4	
Total liabilities	122.9	
Net assets acquired attributable to CyrusOne Inc.	399.5	
Cash acquired	(1.1)
Net cash paid at acquisition	398.4	

The acquisition of Cervalis in July 2015 resulted in an increase in revenue of \$37.7 million for year ended December 31, 2015.

The unaudited pro forma combined historical results of CyrusOne, as if Cervalis had been acquired and the financing transactions had been consummated as of January 1, 2014 are:

IN MILLIONS

For the year ended December 31,	2015	2014
Revenue	438.6	399.0

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Net loss	(10.9) (17.2)
Loss per share - basic and diluted	(0.16) (0.35)

These amounts have been calculated after applying CyrusOne's policies and adjusting the results to reflect changes to Depreciation and amortization to property and equipment, amongst others, and amortizing intangible assets had been recorded as of January 1, 2014. These pro forma combined results of operation are presented for informative purposes only and they do not purport to be indicative of the results of operation that actually would have resulted had the acquisition occurred on the date indicated, or that may result in the future.

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CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

7. Investment in Real Estate

A schedule of our gross investment in real estate follows:

IN MILLIONS

As of December 31,	2015			2014		
	Land	Building and Improvements	Equipment	Land	Building and Improvements	Equipment
West Seventh St., Cincinnati, OH (7th Street)	\$0.9	\$ 110.6	\$ 19.6	\$0.9	\$ 110.6	\$ 12.7
Parkway Dr., Mason, OH (Mason)	—	20.2	1.0	—	20.2	0.9
Industrial Rd., Florence, KY (Florence)	2.2	41.5	3.3	2.2	41.4	3.0
Goldcoast Dr., Cincinnati, OH (Goldcoast)	0.6	6.7	0.1	0.6	6.7	0.1
Knightsbridge Dr., Hamilton, OH (Hamilton)	—	49.2	4.4	—	49.2	3.7
E. Monroe St., South Bend, IN (Monroe St.)	—	2.5	0.3	—	2.5	0.1
Springer St., Lombard, IL (Lombard)	0.7	4.7	7.6	0.7	4.7	5.7
Crescent Circle, South Bend, IN (Blackthorn)	—	3.3	0.4	—	3.3	0.1
Kingsview Dr., Lebanon, OH (Lebanon)	4.0	77.3	7.6	4.0	77.0	5.5
McAuley Place, Blue Ash, OH (Blue Ash)	—	0.6	0.1	—	0.6	0.1
Westway Park Blvd., Houston, TX (Houston West 1)	1.4	84.8	46.4	1.4	84.4	43.8
Westway Park Blvd., Houston, TX (Houston West 2)	2.0	22.6	47.1	2.0	22.5	45.1
Westway Park Blvd., Houston, TX (Houston West 3)	18.4	4.0	0.8	18.4	—	—
Southwest Fwy., Houston, TX (Galleria)	—	68.6	16.0	—	68.6	15.0
E. Ben White Blvd., Austin, TX (Austin 1)	—	13.6	1.0	—	22.5	1.2
S. State Highway 121 Business, Lewisville, TX (Lewisville)	—	76.6	24.9	—	76.7	22.8
Marsh Lane, Carrollton, TX (Marsh Ln)	—	0.1	0.6	—	0.1	0.5
Midway Rd., Carrollton, TX (Midway)	—	2.0	0.4	—	2.0	0.4
W. Frankford Rd., Carrollton, TX (Carrollton)	16.1	52.7	116.5	16.1	51.6	85.3
Bryan St., Dallas, TX (Bryan St)	—	—	—	—	0.1	0.2
North Freeway, Houston, TX (Greenspoint)	—	—	—	—	1.3	—
South Ellis Street, Chandler, AZ (Phoenix 1)	14.8	56.7	39.8	14.8	56.4	43.9
South Ellis Street, Chandler, AZ (Phoenix 2)	—	16.0	39.5	—	13.2	21.8
Westover Hills Blvd., San Antonio, TX (San Antonio 1)	4.6	32.1	33.0	4.6	32.1	32.4
Westover Hills Blvd., San Antonio, TX (San Antonio 2)	7.0	—	0.1	7.0	—	—
Metropolis Dr., Austin, TX (Austin 2)	2.0	23.2	5.7	2.0	23.2	4.0
Myer Connors Rd (Wappinger Falls)	—	11.3	14.4	—	—	—
Madison Road (Totowa)	—	28.3	48.8	—	—	—
Commerce Road (Totowa)	—	4.1	1.0	—	—	—
Norden Place (Norwalk)	—	18.3	25.4	—	—	—
Riverbend Drive South (Stamford)	—	4.3	13.2	—	—	—
Omega Drive (Stamford)	—	3.2	1.5	—	—	—

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Kestral Way (London)	—	31.2	0.8	—	32.7	0.7
Jurong East (Singapore)	—	8.4	0.1	—	9.0	0.1
Ridgetop Circle, Sterling, VA (Northern Virginia)	7.0	19.2	45.2	7.0	—	—
Metropolis Dr., Austin, TX (Austin 3)	8.0	—	0.1	8.0	—	—
Metropolis Dr., Austin, TX (Austin 4)	3.3	7.4	31.5	—	—	—
Total	\$93.0	\$ 905.3	\$598.2	\$89.7	\$ 812.6	\$349.1

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CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

In addition, Construction in progress was \$231.1 million and \$127.0 million as of December 31, 2015 and December 31, 2014, respectively, as we continue to build data center facilities.

For the year ended December 31, 2015, our capital expenditures were \$17.3 million for the purchase of Austin 4 facility and \$217.2 million for other development as shown on the consolidated and combined statements of cash flows. The significant items included the development of additional square footage and power in our Northern Virginia, Phoenix 2, Houston West 3 and Carrollton data centers, and the purchase of Austin 4 in February of 2015. The total purchase price of the Austin 4 facility was \$17.3 million, of which \$3.3 million was allocated to Land and the remaining amount remains in Construction in progress as of December 31, 2015. For the year ended December 31, 2015, we recognized Asset impairment and loss on disposal of \$13.5 million which related primarily to the exit of Austin 1, which is a leased facility, and loss on disposal of certain other assets.

8. Goodwill, Intangible and Other Long-Lived Assets

The carrying amount of Goodwill was \$453.4 million and \$276.2 million as of December 31, 2015 and 2014. As of December 31, 2015, the amounts recognized for Goodwill and Intangible assets were in connection with the acquisition of Cyrus Networks as well as prior acquisitions, as described in Note 2, Formation and Recent Developments. For the year ended December 31, 2015, the additions to Goodwill, customer relationships, trade name and favorable leasehold interest related to the acquisition of Cervalis which were \$177.2 million, \$117.4 million, \$2.3 million and \$0.2 million, respectively.

Summarized below are the carrying values for the major classes of intangible assets:

IN MILLIONS

For the year ended December 31,		2015		2014			
	Weighted- Average Remaining Life (in years)	Gross Carrying Amount	Accumulated Amortization	Total	Gross Carrying Amount	Accumulated Amortization	Total
Customer relationships	13	\$247.1	\$(87.5)	\$159.6	\$129.7	\$(69.5)	\$60.2
Trademark	10	7.4	(2.7)	4.7	7.4	(2.3)	5.1
Favorable leasehold interest	49	4.1	(0.4)	3.7	3.9	(0.3)	3.6
Trade name (not amortized)		2.3	—	2.3	—	—	—
Total		\$260.9	\$(90.6)	\$170.3	\$141.0	\$(72.1)	\$68.9

There were no goodwill or intangible asset impairments for the years ended December 31, 2015 or 2014.

Amortization expense for acquired intangible assets subject to amortization was \$18.5 million, \$17.0 million, \$15.9 million and \$1.0 million for the years ended December 31, 2015 and 2014, for the period ended December 31, 2013, and for the period ended January 23, 2013, respectively.

The following table presents estimated amortization expense for each of the next five years and thereafter, commencing January 1, 2016:

IN MILLIONS

2016	\$19.4
2017	17.3
2018	15.4

2019	13.8
2020	12.6
Thereafter	89.5
Total	\$168.0

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CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

9. Debt, Capital Lease Obligations and Lease Financing Arrangements

Debt, Capital lease obligations and Lease financing arrangements presented in the accompanying consolidated and combined financial statements consist of the following:

IN MILLIONS

For the year ended December 31,	2015	2014
Credit facilities:		
Revolving credit facility	\$235.0	\$135.0
Term loan	300.0	150.0
6.375% senior notes due 2022, including bond premium	477.6	374.8
Notes Payable	1.5	—
Deferred financing costs	(17.6	) (15.5
Long-term debt	996.5	644.3
Capital lease obligations	12.2	13.4
Lease financing arrangements	150.0	53.4
Total	\$1,158.7	\$711.1

Credit Facility—On October 9, 2014, CyrusOne LP entered into a credit agreement which provided for a \$450 million senior unsecured revolving credit facility to replace CyrusOne LP's \$225 million secured credit facility, and a \$150 million senior unsecured term loan.

On June 22, 2015, CyrusOne entered into an amendment to the Credit Agreement and other loan documents governing its revolving credit facility and term loan facility. The amendment increased the size of the Credit Agreement's accordion feature, which gave the operating partnership the ability to request an increase in the total commitment under the Credit Agreement, from \$300 million to \$600 million. Immediately after entering into the amendment, the operating partnership exercised \$350 million of this accordion feature and obtained commitments to increase the total commitment under the Credit Agreement from \$600 million to \$950 million, comprised of \$650 million of commitments under the revolving credit facility and \$300 million under the term loan. In addition, the Credit Agreement contains an accordion feature that allows CyrusOne LP to increase the aggregate commitment by up to \$250 million.

The revolving credit facility is scheduled to mature in October 2018 and includes a one-year extension option, which if exercised by CyrusOne LP would extend the maturity date to October 2019. The term loan is scheduled to mature in October 2019. The revolving credit facility currently bears interest at a rate per annum equal to LIBOR plus 1.70% and the term loan currently bears interest at a rate per annum equal to LIBOR plus 1.65%.

As of December 31, 2015 there were borrowings of \$235.0 million under the revolving credit facility and \$300.0 million under the term loan. As of December 31, 2014 there were borrowings of \$135 million under the revolving credit facility and \$150 million under the term loan. There were no borrowings under the previous credit agreement as of December 31, 2013.

We pay commitment fees for the unused amount of borrowings on the revolving credit facility and term loan and letter of credit fees on any outstanding letters of credit. The commitment fees are equal to 0.25% per annum of the actual daily amount by which the aggregate revolving commitments exceed the sum of outstanding revolving loans and letter of credit obligations. Commitment fees related to the credit agreement were \$0.9 million and \$1.1 million for the years ended December 31, 2015 and 2014, respectively.

6.375% Senior Notes due 2022—On November 20, 2012, CyrusOne LP and CyrusOne Finance Corp. (Issuers) issued \$525 million of 6.375% senior notes due 2022 (6.375% senior notes). The 6.375% senior notes are senior unsecured obligations of the Issuers, which rank equally in right of payment with all existing and future unsecured senior debt of the Issuers. The 6.375% senior notes are effectively subordinated to all existing and future secured indebtedness of the

Issuers to the extent of the value of the assets securing such indebtedness. The 6.375% senior notes are fully and unconditionally and jointly and severally guaranteed by CyrusOne Inc., CyrusOne GP, and each of CyrusOne LP's existing and future domestic wholly owned subsidiaries, subject to certain exceptions. Each such guarantee is a senior unsecured obligation of the applicable guarantor, ranking equally with all existing and future unsecured senior debt of such guarantor and effectively subordinated to all existing and future secured indebtedness of such guarantor to the extent of the value of the assets securing that indebtedness. The 6.375% senior notes are structurally subordinated to all liabilities, including trade payables, of each subsidiary of the Issuer that does not guarantee the

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

6.375% senior notes. The 6.375% senior notes bear interest at a rate of 6.375% per annum, payable semi-annually on May 15 and November 15 of each year, beginning on May 15, 2013.

The 6.375% senior notes will mature on November 15, 2022. However, prior to November 15, 2017, the Issuers may, at their option, redeem some or all of the 6.375% senior notes at a redemption price equal to 100% of the principal amount of the 6.375% senior notes, together with accrued and unpaid interest, if any, plus a “make-whole” premium. On or after November 15, 2017, the Issuers were permitted, at our option, to redeem some or all of the 6.375% senior notes at any time at declining redemption prices equal to (i) 103.188% beginning on November 15, 2017, (ii) 102.125% beginning on November 15, 2018, (iii) 101.063% beginning on November 15, 2019 and (iv) 100.000% beginning on November 15, 2020 and thereafter, plus, in each case, accrued and unpaid interest, if any, to the applicable redemption date. In addition, before November 15, 2015, and subject to certain conditions, the Issuers may, at their option, redeem up to 35% of the aggregate principal amount of the 6.375% senior notes with the net proceeds of certain equity offerings at 106.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption; provided that (i) at least 65% of the aggregate principal amount of the 6.375% senior notes remains outstanding and (ii) the redemption occurs within 90 days of the closing of any such equity offering.

In November and December of 2014, we repurchased our 6.375% senior notes with an aggregate face value of \$150.2 million for a purchase price of \$163 million, including accrued interest. This resulted in a loss on extinguishment of debt of \$12.8 million.

On July 1, 2015, the Issuers closed a private offering of \$100 million aggregate principal amount of the 6.375% senior notes (New Notes) plus a premium of \$3.8 million. The New Notes were issued as additional notes under the Indenture dated November 20, 2012 as supplemented by the first supplemental indenture dated July 1, 2015, and the New Notes have terms substantially identical to those of the 6.375% senior notes issued in November 2012. The Issuers and guarantors of the New Notes entered into a registration rights agreement which requires them, at their cost, to use commercially reasonable efforts to file and cause to become effective a registration statement within 180 days of July 1, 2015, to be used in connection with the exchange of the New Notes for freely tradable notes with substantially identical terms in all material respects to the New Notes (which exchange must be completed on or prior to the 30th day after such registration statement is declared effective). On December 29, 2015, all notes issued on July 1, 2015 were exchanged for registered notes.

Debt Covenants —The Credit Agreement requires us to maintain certain financial covenants including the following, in each case on a consolidated basis:

- A minimum fixed charge ratio;
- Maximum total and secured leverage ratios;
- A minimum tangible net worth ratio;
- A maximum secured recourse indebtedness ratio;
- A minimum unencumbered debt yield ratio; and
- A maximum ratio of unsecured indebtedness to unencumbered asset value.

Notwithstanding these limitations, we will be permitted, subject to the terms and conditions of the Credit Agreement, to distribute to our shareholders cash dividends in an amount not to exceed 95% of our Funds From Operations (FFO), as defined in the Credit Agreement) for any period. Similarly, our indenture permits dividends and distributions necessary for us to maintain our status as a REIT.

The Company’s most restrictive covenants are generally included in its credit agreement. In order to continue to have access to amounts available to it under the credit agreement, the Company must remain in compliance with all covenants.

The indenture governing the 6.375% senior notes contains affirmative and negative covenants customarily found in indebtedness of this type, including a number of covenants that, among other things, restrict, subject to certain

exceptions, the Company's ability to: incur secured or unsecured indebtedness; pay dividends or distributions on its equity interests, or redeem or repurchase equity interests of the Company; make certain investments or other restricted payments; enter into transactions with affiliates; enter into agreements limiting the ability of the operating partnership's subsidiaries to pay dividends or make certain transfers and other payments to the operating partnership or to other subsidiaries; sell assets; and merge, consolidate or transfer all or substantially all of the operating partnership's assets. Notwithstanding the foregoing, the covenants contained in the indenture do not restrict the Company's ability to pay dividends or distributions to shareholders to the extent (i) no default or event of default exists or is continuing under the indenture and (ii) the Company believes in good faith that we qualify as a REIT under the Code and the payment of such dividend or distribution is necessary either to maintain its status as a REIT or to enable it to avoid payment of any tax that could be avoided by reason of such dividend or distribution. The Company and its subsidiaries are also required to maintain total unencumbered assets of at least 150% of their unsecured debt on a consolidated basis, provided that for the purposes of such calculation their revolving credit facility shall be treated as unsecured indebtedness, in each case subject to certain qualifications set forth in the indenture.

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

As of December 31, 2015, we believe we were in compliance with all covenants.

Notes Payable—As of December 31, 2015, the Company had a note payable for approximately \$1.5 million with a third-party for electrical infrastructure at one of the Company's locations. The note payable matures in January 2034. We will pay approximately \$9,000 per month until maturity under the note payable.

Deferred financing costs—Deferred financing costs are costs incurred in connection with obtaining long-term financing. Deferred financing costs were incurred in connection with the issuance of the revolving credit facility and term loan and 6.375% senior notes due 2022. As of December 31, 2015, and 2014, deferred financing costs totaled \$17.6 million and \$15.5 million, respectively. Deferred financing costs related to the 6.375% senior notes are amortized using the effective interest method over the term of the related indebtedness. Deferred financing costs related to the revolving credit facility and term loan are amortized using the straight-line method. Amortization of deferred financing costs, included in Interest expense in the consolidated and combined statements of operations, totaled \$3.4 million, \$3.4 million, \$4.0 million and \$0.1 million for the years ended December 31, 2015 and 2014, for the periods ended December 31, 2013, and January 23, 2013, respectively. The amortization of deferred financing costs for the year ended December 31, 2014 included \$0.8 million related to the extinguishment of debt and the correction of expense recorded in prior periods.

Capital lease obligations—We use leasing as a source of financing for certain of our data center facilities and related equipment. We currently operate four data center facilities subject to capital leases. We have options to extend the initial lease term on all these leases and options to purchase the facility for one of these leases.

Lease financing arrangements—Lease financing arrangements represent leases of real estate in which we are 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 and, at the lease inception date, we are required to record at fair value the property and associated liability on our balance sheet. These transactions generally do not qualify for sale-leaseback accounting due to our continued involvement in these data center operations.

Interest expense on Capital lease obligations and Lease financing arrangements were \$7.8 million, \$5.9 million, \$6.3 million and \$0.3 million for the years ended December 31, 2015 and 2014, for the period ended December 31, 2013 and January 23, 2013, respectively.

The following table summarizes aggregate maturities of total future value and present value of the minimum payments associated with our Lease financing arrangements for the five years subsequent to December 31, 2015, and thereafter:

IN MILLIONS	Future Value of Payments	Interest	Present Value of Payments
2016	\$17.8	\$8.7	\$9.1
2017	16.8	8.3	8.5
2018	14.8	7.9	6.9
2019	15.1	7.5	7.6
2020	26.0	6.8	19.2
Thereafter	127.0	28.3	98.7
Total lease financing arrangements	\$217.5	\$67.5	\$150.0

The following table summarizes aggregate maturities of revolving credit facility and term loan, 6.375% senior notes due 2022 and capital leases for the five years subsequent to December 31, 2015, and thereafter:

IN MILLIONS	Revolving Credit Facility/Term Loan	6.375% Senior Notes	Capital Leases	Total
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2016	\$—	\$—	\$ 3.1	\$3.1
2017	—	—	1.6	1.6
2018	235.0	—	1.5	236.5
2019	300.0	—	1.6	301.6
2020	—	—	1.7	1.7
Thereafter	—	474.8	2.7	477.5
Total debt	\$535.0	\$474.8	\$ 12.2	\$1,022.0

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CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

The payment of interest on capital leases over the next five years and thereafter will be \$1.0 million, \$0.8 million, \$0.7 million, \$0.5 million, \$0.4 million and \$0.4 million, respectively.

10. Fair Value of Financial Instruments

The fair value of Cash and cash equivalents, Restricted cash, Rent and other receivables and Accounts payable and accrued expenses approximate their carrying value because of the short-term nature of these instruments.

The carrying value and fair value of other financial instruments are as follows:

IN MILLIONS

For the year ended December 31,	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
6.375% senior notes due 2022	\$477.6	\$493.8	\$374.8	\$402.0
Revolving credit facility and term loan	535.0	535.0	285.0	285.0
Note payable	1.5	1.2	—	—

The fair value of our 6.375% senior notes as of December 31, 2015 and 2014 was based on the quoted market price for these notes, which is considered Level 1 of the fair value hierarchy. The carrying value of the revolving credit facility and term loan approximates estimated fair value as of December 31, 2015, due to the variability of interest rates and the stability of our credit ratings. The fair value of the note payable at December 31, 2015, was calculated using a discounted cash flow model that incorporates current borrowing rates for obligations of similar duration.

These fair value measurements are considered Level 3 of the fair value hierarchy.

Non-recurring fair value measurements

Certain long-lived assets, intangibles and goodwill are required to be measured at fair value on a non-recurring basis subsequent to their initial measurement. These non-recurring fair value measurements generally occur when evidence of impairment has occurred.

The measured fair value used in the 2013 related impairment charges is summarized below:

IN MILLIONS	December 31, 2013	Quoted prices in active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2013 Impairment Loss
Equipment	\$0.3	\$—	\$0.3	\$—	\$(2.8)
Total impairment					\$(2.8)

In the fourth quarter of 2013, we agreed to an offer to sell equipment which had a net book value of \$3.1 million for \$0.3 million, resulting in a loss of \$2.8 million. There were no impairment charges for the year ended December 31, 2014.

The Asset impairments and loss on disposal for the year ended December 31, 2015 was \$13.5 million and were related to the exit from a leased facility and loss on disposal of assets.

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

11. Noncontrolling Interest - Operating Partnership

As discussed in Note 2, Formation and Recent Developments, the noncontrolling interest represents the limited partnership interest in the operating partnership held by CBI.

The following table shows the ownership interests as of December 31, 2015 and 2014, and the portion of net loss and distributions for the year ended December 31, 2015 and 2014:

For the year ended December 31, (in millions, except unit amount)	2015		2014	
	The Company	CBI	The Company	CBI
Operating partnership units	72.6	—	38.7	26.6
Ownership %	100.0	% —	% 59.2	% 40.8
Portion of net loss	\$(15.4)	) \$(4.8)	) \$(7.8)	) \$(6.7)
Distributions	\$(74.6)	) \$(16.3)	) \$(29.2)	) \$(25.7)

Under the Amended and Restated Agreement of Limited Partnership of the operating partnership (the LP Agreement), the limited partners of the operating partnership (including CBI) have certain redemption rights. The LP Agreement grants the limited partners the right to require the operating partnership to redeem part or all of their operating partnership units for cash based upon the fair market value of an equivalent number of shares of our common stock at the time of the redemption, determined in accordance with and subject to adjustment as provided in the LP

Agreement. Alternatively, at our discretion, we may elect to acquire those operating partnership units in exchange for shares of our common stock. Our acquisition of partnership units in exchange for shares of our common stock would be on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, distributions of warrants or stock rights, specified extraordinary distributions and similar events. With each redemption or exchange, we increase our percentage ownership interest in our operating partnership. On December 31, 2015, CyrusOne Inc. issued 6,346,835 shares of its common stock, in exchange for an equal number of operating partnership units in CyrusOne LP held by a subsidiary of CBI. As a result, CBI owns approximately 9.5% of the Company's common stock, and all of the operating partnership units in the CyrusOne LP are owned, directly or indirectly, by the Company.

CyrusOne Inc. had no noncontrolling interests as of December 31, 2015.

12. Dividends

We have declared cash dividends on common shares and distributions on operating partnership units for the years ended December 31, 2015 and 2014 as presented in the table below:

Record date	Payment date	Cash dividend per share or operating partnership unit
March 28, 2014	April 15, 2014	\$0.21
June 27, 2014	July 15, 2014	\$0.21
September 26, 2014	October 15, 2014	\$0.21
December 26, 2014	January 9, 2015	\$0.21
March 27, 2015	April 15, 2015	\$0.315
June 26, 2015	July 15, 2015	\$0.315
September 25, 2015	October 15, 2015	\$0.315
December 24, 2015	January 8, 2016	\$0.315

As of December 31, 2015 and 2014 we had a dividend payable of \$24.4 million and \$14.3 million, respectively. On February 23, 2016, we announced a regular cash dividend of \$0.38 per common share payable to shareholders of record as of March 25, 2016. The dividend will be paid on April 15, 2016.

13. Customer Leases

Customer lease arrangements customarily contain provisions that allow either for renewal or continuation on a month-to-month arrangement. Certain leases contain early termination rights. At lease inception, early termination is generally not deemed

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reasonably assured due to the significant economic penalty incurred by the lessee to exercise its termination right and to relocate its equipment.

The future minimum lease payments to be received under non-cancellable operating leases, excluding month-to-month arrangements and submetered power, for the next five years are shown below:

IN MILLIONS

2016	\$379.4
2017	295.0
2018	204.1
2019	121.6
2020	81.2

14. Employee Benefit Plans

Currently, our employees participate in health care plans sponsored by CyrusOne, which provide medical, dental, vision and prescription benefits. We incurred \$3.1 million and \$2.1 million of expenses related to these plans for the years ended December 31, 2015 and 2014, respectively. For the periods ended December 31, 2013 and January 23, 2013, we incurred \$1.6 million and \$0.1 million, respectively, of expenses related to these plans.

CyrusOne offers a retirement savings plan to its employees. CyrusOne's matching contribution to its retirement savings plan was \$1.1 million and \$0.8 million for the years ended December 31, 2015 and December 31, 2014, respectively, less than \$0.5 million for the period ended December 31, 2013, and less than \$0.1 million for the period ended January 23, 2013.

15. Loss Per Share

Basic loss per share is calculated using the weighted average number of shares of common stock outstanding during the period. In addition, net loss applicable to participating securities and the related participating securities are excluded from the computation of basic loss per share.

Diluted loss per share is calculated using the weighted average number of shares of common stock outstanding during the period, including restricted stock outstanding. If there is net income during the period, the dilutive impact of common stock equivalents outstanding would also be reflected.

The following table reflects a reconciliation of the shares used in the basic and diluted net loss per share computation:

IN MILLIONS, except per share amounts For December 31,	Year Ended 2015		Year Ended 2014		Period Ended 2013	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator:						
Net loss attributed to common shareholders	\$(15.4)	\$(15.4)	\$(7.8)	\$(7.8)	\$(5.3)	\$(5.3)
Less: Restricted stock dividends	(1.0)	(1.0)	(0.8)	(0.8)	(0.6)	(0.6)
Net loss available to shareholders	\$(16.4)	\$(16.4)	\$(8.6)	\$(8.6)	\$(5.9)	\$(5.9)
Denominator:						
Weighted average common outstanding-basic	54.3	54.3	29.2	29.2	20.9	20.9
Performance-based restricted stock ⁽¹⁾⁽²⁾⁽³⁾	—	—	—	—	—	—
Convertible securities ⁽¹⁾⁽²⁾⁽³⁾	—	—	—	—	—	—
Weighted average shares outstanding-diluted	—	54.3	—	29.2	—	20.9
EPS:						
Net loss per share-basic	\$(0.30)	—	\$(0.30)	—	\$(0.28)	—
Effect of dilutive shares	—	—	—	—	—	—
Net loss per share-diluted	—	\$(0.30)	—	\$(0.30)	—	\$(0.28)

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

(1) We have excluded 1.9 million weighted average shares of restricted stock, and 13.1 million of weighted average operating partnership units which are securities convertible into common stock from our diluted earnings per share as of December 31, 2015. These amounts were deemed anti-dilutive.

(2) We have excluded 0.8 million weighted average shares of restricted stock, and 34.3 million of weighted average operating partnership units which are securities convertible into common stock from our diluted earnings per share as of December 31, 2014. These amounts were deemed anti-dilutive.

(3) We have excluded 0.2 million weighted average shares of restricted stock, and 42.6 million of weighted average operating partnership units which are securities convertible into common stock from our diluted earnings per share as of December 31, 2013. These amounts were deemed anti-dilutive.

16. Stock-Based Compensation Plans

Stock-based compensation expense was as follows:

For the periods ended December 31,	2015	2014	2013
Founders	\$5.2	\$5.4	\$5.3
2013 Grants	1.2	1.2	0.9
2014 Grants	3.0	3.7	—
2015 Grants	5.0	—	—
Total	\$14.4	\$10.3	\$6.2

In conjunction with the CyrusOne Inc. IPO, the board of directors of CyrusOne Inc. adopted the 2012 Long-Term Incentive Plan (LTIP). The LTIP is administered by the board of directors. Awards issuable under the LTIP include common stock, restricted stock, stock options and other incentive awards. CyrusOne Inc. has reserved a total of 4 million shares of CyrusOne Inc. common stock for issuance pursuant to the LTIP, which may be adjusted for changes in capitalization and certain corporate transactions. To the extent that an award, if forfeitable, expires, terminates or lapses, or an award is otherwise settled in cash without the delivery of shares of common stock to the participant, then any unpaid shares subject to the award will be available for future grant or issuance under the LTIP. The payment of dividend equivalents in cash in conjunction with any outstanding awards will not be counted against the shares available for issuance under the LTIP. The related stock compensation expense incurred by CyrusOne Inc. is allocated to the operating partnership. Shares available under the LTIP at December 31, 2015, were approximately 1.5 million. Shares vest according to each agreement and as long as the employee remains employed with the Company. The Company uses the Black-Scholes option-pricing model for time and performance-based options and a Monte Carlo simulation for market-based awards. Compensation expense is measured based on the estimated grant-date fair value. Expense for time-based grants is recognized under a straight-line method. For market-based grants, expense is recognized under a graded expense attribution method. For performance-based grants, expense is recognized under a graded expense attribution method if it is probable that the performance targets will be achieved.

Founders Grants

On January 24, 2013, the Company granted one million shares of time-based restricted stock, which had an aggregate value of \$19.0 million on the grant date. Holders of the restricted stock have all of the rights and privileges of shareholders including but not limited to the right to vote, receive dividends and distributions upon liquidation of CyrusOne. These shares vest at the end of three years. As of December 31, 2015, unearned compensation representing the unvested portion of the Founders awards, net of forfeitures, totaled \$0.3 million, and the weighted average vesting period was 0.1 years.

2013 Grants

On April 17, 2013, the Company issued performance and market-based awards under the LTIP in the form of stock options and restricted stock units. For these awards, vesting was tied 50% to the achievement of a non-GAAP performance measure (cumulative EBITDA targets, as defined in the agreement), over the 2013-2015 performance period, and 50% market-based performance measure (the total stockholder return (TSR), as defined in the agreement) at the end of the three-year period ending December 31, 2015. The portion of the awards tied to cumulative EBITDA was eligible to vest annually over a three-year period based on the Company attaining predetermined cumulative EBITDA targets. The cumulative EBITDA targets are based on the below scales. The scales are linear between each point and awards are interpolated between the points.

- Below 90% of performance target = 0%
- At 90% of performance target = 50%
- At 100% of performance target = 100%
- At or above 115% of performance target = up to 200%

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Notes to Consolidated and Combined Financial Statements - (continued)

The portion of the awards tied to TSR was eligible to vest at the end of three years if the TSR, during the three-year measurement period following the grant date, met or exceeded the return of the MSCI US REIT Index (Index) over the same period. The TSR targets are based on the below scales. The scales are linear between each point and awards are interpolated between the points.

- If CyrusOne's TSR is less than the return of the Index = 0%
- If CyrusOne's TSR is equal to or greater than the return of the Index = 100%; up to 200% if CyrusOne's TSR exceeds the return of the Index by 2%
- If CyrusOne's TSR exceeds the return of the Index, but is negative, any calculated vesting amount will be reduced by 50%

The stock option awards have a contractual life of 10 years from the award date and were granted with an exercise price equal to \$23.58.

In addition, during the year ended December 31, 2013, the Company also granted from time-to-time a total of 4,361 additional time-based restricted shares which had an aggregate value of \$0.1 million on the grant date. These shares cliff vested one year after the grant date or will vest three years after the grant date.

The holders of restricted stock shall have all of the rights and privileges of shareholders including the right to vote. Any dividends paid with respect to the shares shall be accrued by the Company and distributed on the vesting date provided that the applicable performance goal has been attained. As of December 31, 2015, unearned compensation representing the unvested portion of the awards granted during 2013 (excluding the Founders awards), net of forfeitures, totaled \$0.1 million, with a weighted average vesting period of 0.3 years.

2014 Grants

On February 7, 2014, the Company issued performance and market-based awards under the LTIP in the form of restricted stock units. For these awards, vesting is tied 50% to the achievement of a non-GAAP performance measure (cumulative Adjusted EBITDA targets, as defined in the agreement) over the 2014-2016 performance period, and 50% to a market-based performance measure TSR, as defined in the agreement), as of the end of the three-year period ending December 31, 2016. The portion of the awards tied to cumulative Adjusted EBITDA vest annually over a three-year period based on the Company attaining predetermined cumulative Adjusted EBITDA targets and as long as the employee remains employed with the Company. The portion of the award tied to TSR will vest at the end of three years based on the cumulative TSR over a three-year performance period. The market and performance-based awards will vest based on the same scales as the awards granted during 2013.

In addition, during the year ended December 31, 2014, the Company also granted from time-to-time a total of 46,313 additional time-based restricted shares which had an aggregate value of \$1.0 million on the grant date. These shares cliff vested either one year after the grant date or will vest three years after the grant date.

The holders of restricted stock have all of the rights and privileges of shareholders including the right to vote. Any dividends paid with respect to the shares shall be accrued by the Company and distributed on the vesting date provided that the applicable performance goal has been attained. As of December 31, 2015, unearned compensation representing the unvested portion of the awards granted during 2014, net of forfeitures, totaled \$1.3 million, with a weighted average vesting period of 1.1 years.

2015 Grants

On February 10, 2015, the Company issued awards under the LTIP in the form of options and restricted stock. The stock options are time-based and vest annually on a pro-rata basis over three years. Twenty-five percent of the restricted stock awards are subject to time-based vesting and seventy-five percent of the restricted stock awards are equally split between performance-based and market-based vesting. The time-based restricted stock will vest pro-rata annually over three years. The performance and market-based restricted stock will vest annually based upon the

achievement of certain criteria for each year of the three-year measurement period. The first two years are capped at 100% of the target with a cumulative true-up in year three. The fair values of these awards were determined using the Black-Scholes or Monte-Carlo model which use assumptions such as volatility, risk-free interest rate, and expected term of the awards.

In addition, during the year ended December 31, 2015, for various new employee hires, the following grants were made:

- 8,157 shares of time-based restricted stock which cliff vest in three years from the date of each grant.
- 29,424 shares of time-based restricted stock which vest annually from the date of each grant.
- 12,719 time-based options which vest annually from the date of each grant.

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Notes to Consolidated and Combined Financial Statements - (continued)

11,711 shares of performance-based restricted stock, which vest annually based upon the achievement of certain criteria for each year of the three-year measurement period.

55,301 shares of performance-based (separate non-GAAP measure, as defined in the specific agreement) restricted stock, which cliff vests in three years from the date of grant.

For the year ended December 31, 2015, the unvested portion of the awards granted in 2015, net of forfeitures, totaled \$5.6 million and the weighted average vesting period was 1.6 years.

The compensation expense for the year ended December 31, 2015 includes \$2.4 million due to the acceleration of equity awards of two senior executives who left the Company.

Restricted Stock and Stock Option Activity

The following table summarizes the unvested restricted stock activity and the weighted average fair value of these shares at the date of grant for the year ended December 31, 2015:

For the year ended December 31,	2015	Weighted Average Grant Date Fair Value
	Shares	
Non-vested at January 1	1,739,642	\$20.20
Granted	571,224	23.80
Vested	(458,606)	) 20.90
Forfeited	(266,779)	) 21.80
Non-vested at December 31	1,585,481	\$20.99

The non-vested shares were 1,739,642 and 1,126,669 at December 31, 2014 and 2013, respectively.

The following table summarizes the stock option activity for the year ended December 31, 2015:

For the year ended December 31,	2015	Weighted Average Exercise Price
	Options	
Outstanding at January 1	166,872	\$23.58
Granted	223,186	28.44
Exercised	(2,525)	) 23.58
Forfeited or expired	(53,554)	) 25.98
Outstanding at December 31	333,979	26.44
Exercisable at December 31	78,806	25.75
Vested and expected to vest	78,806	\$25.75

The outstanding options were 166,872 and 168,963 at December 31, 2014 and 2013, respectively.

The aggregate intrinsic value of options outstanding and options exercisable is based on the Company's closing stock price on the last trading day of the fiscal year for in-the-money options. The aggregate intrinsic value represents the cumulative difference between the fair market value of the underlying common stock and the option exercise prices. The total intrinsic value of options exercised during fiscal year 2015 was immaterial. There were no options exercised during 2014 and 2013.

The aggregate intrinsic value of options outstanding at December 31, 2015 was \$3.7 million. The aggregate intrinsic value of options exercisable at December 31, 2015 was \$0.9 million.

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Notes to Consolidated and Combined Financial Statements - (continued)

Stock Option Assumptions

The following table summarizes the stock option assumptions for the years ended December 31, 2015, 2014, and 2013:

Exercise Prices	Options Outstanding Number of Shares	Options Outstanding Weighted Average Remaining Contractual Terms (Years)	Options Exercisable Number of Shares	Options Exercisable Weighted Average Remaining Contractual Terms (Years)	Assumption Range			
					Risk-Free Interest Rate	Expected Annual Dividend Yield	Expected Terms in Years	Expected Volatility
2013								
\$23.58	168,963	9.3	—	0.0	0.92%	3.4%	6.0	35%
2014								
\$23.58	166,872	8.3	13,915	8.3	0.92%	3.4%	6.0	35%
2015								
\$23.58	142,556	7.3	43,460	7.3	0.92%	3.4%	6.0	35%
\$28.42	178,704	9.1	35,346	9.1	1.6% - 1.75%	4.4%	5.5-6.5	32.5% - 37.5%
\$30.74	12,719	9.6	—	0.0	1.6% - 1.75%	4.4%	5.5-6.5	32.5% - 37.5%

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Notes to Consolidated and Combined Financial Statements - (continued)

17. Related Party Transactions

Prior to November 20, 2012, CyrusOne Inc., CyrusOne GP, CyrusOne LP and its subsidiaries were operated by CBI. The consolidated and combined financial statements have been prepared from the records maintained by CBI and may not necessarily be indicative of the conditions that would have existed or the results of operations that would have occurred if the business had been operated as an unaffiliated company. The consolidated and combined financial statements reflect the following transactions with CBI and its affiliated entities, including Cincinnati Bell Telephone (CBT) and Cincinnati Bell Technology Solutions (CBTS).

Revenues—The Company records revenues from CBI under contractual service arrangements. These services include leasing of data center space, power and cooling in certain of our data center facilities network interface services and office space.

Operating Expenses—The Company records expenses from CBI incurred in relation to network support, services calls, monitoring and management, storage and backup, IT systems support, and connectivity services.

The following related party transactions are based on agreements and arrangements that were in place during the respective periods. Revenues and expenses for the periods presented were as follows:

IN MILLIONS	Successor			Predecessor
	December 31, 2015	December 31, 2014	January 24, 2013 to December 31, 2013	January 1, 2013 to January 23, 2013
Revenue:				
Data center colocation agreement provided to CBT and CBTS	\$7.8	\$6.4	\$5.6	\$0.3
229 West 7th Street lease provided to CBT	1.9	2.0	1.7	—
Goldcoast Drive/Parkway (Mason) lease	0.3	0.4	0.3	—
Transition services provided to CBTS (network interfaces)	0.3	0.4	0.6	0.1
Data center leases provided to CBTS	12.0	13.6	13.1	—
Total revenue	\$22.3	\$22.8	\$21.3	\$0.4
Operating costs and expenses:				
Transition services agreement by CBTS	\$0.7	\$0.8	\$1.3	\$—
Charges for services provided by CBT (connectivity)	1.0	1.0	1.0	0.1
209 West 7th Street rent provided by CBT	0.2	0.2	0.1	—
Management fees with CBI	—	—	0.1	—
Allocated employee benefit plans by CBI	—	—	—	0.2
Allocated centralized insurance costs by CBI	—	—	—	0.1
Total operating costs and expenses	\$1.9	\$2.0	\$2.5	\$0.4

As of December 31, 2014, the amounts receivable and payable to CBI were as follows:

IN MILLIONS	2014
As of December 31,	
Accounts receivable from CBI	\$0.8

Accounts payable	\$1.7
Dividends payable	5.6
Total payable to CBI	\$7.3

The dividends payable as of December 31, 2015, was approximately \$2.0 million, which relates to the 6.3 million operating partnership units in CyrusOne LP held by a subsidiary of CyrusOne Inc. as of the record date of December 24, 2015. As of December 31, 2015, CBI was no longer an affiliate of CyrusOne Inc. as described in Note 2, Formation and Recent Developments.

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Notes to Consolidated and Combined Financial Statements - (continued)

Other Related Party Transactions

Prior to joining CyrusOne in March 2013, our former general counsel Thomas Bosse was principal in the Law Offices of Thomas W. Bosse, PLLC, (Bosselaw). In 2013, amounts paid to Bosselaw for services rendered prior to his employment were \$1.6 million, which included a bonus payment under CyrusOne's Data Center Plan as a result of the successful completion of the IPO.

In the ordinary course of its business, CyrusOne periodically pays brokerage commissions to real estate brokerage firms in connection with property transactions and tenant leases. In 2015, 2014 and 2013, CyrusOne paid \$1.1 million, \$1.0 million and \$1.5 million, respectively, to one such firm, Jones Lang LaSalle. One of our former directors is a principal with Jones Lang LaSalle.

The spouse of one of our former directors is a partner with Skadden, Arps, Slate, Meagher & Flom LLP (Skadden). For the years ended December 31, 2014 and 2013, CyrusOne paid Skadden \$1.1 million and \$0.2 million, respectively, for services rendered. In 2015, the amount CyrusOne paid to Skadden was immaterial.

Our director, Lynn A. Wentworth, is a member of the board of directors of CBI, and serves as the chair of its audit and finance committee.

18. Restructuring Charges

For the period ended December 31, 2013, we incurred restructuring charges of \$0.7 million that were a result of moving certain administrative functions to the corporate office. All restructuring charges were settled by December 31, 2014.

19. Income Taxes

CyrusOne Inc., elected to be taxed as a REIT under the Code, commencing with our taxable year ended December 31, 2013. To remain qualified as a REIT, we are required to distribute at least 90% of our taxable income to our stockholders and meet various other requirements imposed by the Code relating to such matters as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we continue to qualify for taxation as a REIT, we are generally not subject to corporate level federal income tax on the taxable income distributed currently to our shareholders. It is our policy and intent, subject to change, to distribute 100% of our taxable income and therefore no provision is required in the accompanying financial statements for federal income taxes with regards to activities of CyrusOne Inc. and its subsidiary pass-through entities.

We have elected to designate two subsidiaries as taxable REIT subsidiaries (each a TRS). A TRS may perform services for our tenants that would otherwise be considered impermissible for REITs. The income generated from these services is taxed at federal and state corporate rates. While CyrusOne Inc. and the operating partnership do not pay federal income taxes, we are still subject to foreign, state, and local income taxes in the locations in which we conduct business. Income tax expense for the year ended December 31, 2015 and December 31, 2014, and for the periods ended December 31, 2013 and January 23, 2013 was \$1.8 million, \$1.4 million, \$1.9 million and \$0.4 million, respectively.

In conjunction with the Company's tax sharing arrangement with CBI, CBI may be required to file Texas margin tax returns on a consolidated, combined or unitary basis with the Company for any given year. If such return is prepared by CBI on a combined or consolidated basis to include the Company, the related Texas margin tax of the Company will be paid by CBI. The Company will then reimburse CBI for its portion of the related Texas margin tax. Our total Texas margin tax payable was \$0.0 million and \$1.7 million as of December 31, 2015 and 2014, respectively.

For certain entities we calculate deferred tax assets and liabilities for temporary differences in the basis between financial statement and income tax assets and liabilities. Deferred income taxes are recalculated annually at rates then in effect. Valuation allowances are recorded to reduce deferred tax assets to amounts that are more likely than not to be realized. The ultimate realization of the deferred tax assets depends upon our ability to generate future taxable income during the periods in which basis differences and other deductions become deductible and prior to the

expiration of the net operating loss carryforwards. Deferred tax assets (net of valuation allowance) and liabilities were accrued, as necessary, for the periods ended December 31, 2015, and December 31, 2014. Historically, we have recorded a full valuation allowance on our foreign net deferred tax assets related to our foreign generated net operating losses due to the uncertainty of their realization. In 2013 and 2014, management determined it was necessary to record a full valuation allowance on all of our domestic and foreign net deferred tax assets due to the uncertainty of their realization. Accordingly, at December 31, 2015 and at December 31, 2014, the net domestic and foreign deferred tax assets were zero.

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Notes to Consolidated and Combined Financial Statements - (continued)

In 2015 and 2014, we paid all our dividends in cash. The following table summarizes the taxability of our common stock dividends per share for the year ended December 31, 2015 and December 31, 2014:

For the year ended December 31,	2015	2014
Common Stock dividend per share:		
Ordinary income	\$—	\$0.45
Return of capital	1.16	0.34
Total dividend	\$1.16	\$0.79

Common stock dividends may be characterized for federal income tax purposes as ordinary income, qualified dividends, capital gains, non-taxable return of capital or a combination of the four. Common stock dividends that exceed our current and accumulated earnings and profits (calculated for tax purposes) constitute a return of capital rather than a dividend and generally reduce the stockholder's basis in the common stock. To the extent that a dividend exceeds both current and accumulated earnings and profits and the stockholder's basis in the common stock, it will generally be treated as gain from the sale or exchange of that stockholder's common stock. At the beginning of each year, we notify our stockholders of the taxability of the common stock dividends paid during the preceding year.

20. Commitments and Contingencies

Operating Leases

We lease certain data center facilities and equipment from third parties. Operating lease expense was \$7.4 million, \$6.7 million, \$6.5 million and \$0.2 million for the years ended December 31, 2015, and December 31, 2014, and the period ended December 31, 2013 and January 23, 2013, respectively. Certain of these leases provide for renewal options with fixed rent escalations beyond the initial lease term.

At December 31, 2015, future minimum lease payments required under operating leases having initial or remaining non-cancellable lease terms in excess of one year are as follows:

IN MILLIONS

2016	\$4.3
2017	4.2
2018	1.8
2019	—
2020	—
Thereafter	0.9
Total	\$11.2

Standby Letters of Credit

As of December 31, 2015, CyrusOne Inc. had outstanding letters of credit of \$7.1 million as security for obligations under the terms of the lease agreements.

Performance Guarantees

Customer contracts generally require specified levels of performance related to uninterrupted service and cooling temperatures. If these performance standards are not met, we could be obligated to issue billing credits to the customer. Management assesses the probability that a performance standard will not be achieved. As of December 31, 2015 and 2014, no accruals for performance guarantees were required.

Indemnifications

During the normal course of business, CyrusOne has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These include (i) intellectual property indemnities to customers in connection with the use, sale, and/or license of products and services, (ii) indemnities to

vendors and service providers pertaining to claims based on negligence or willful misconduct and (iii) indemnities involving the representations and warranties in certain

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contracts. The majority of these indemnities, commitments and guarantees do not provide for any limitation on the maximum potential for future payments that we could be obligated to make.

Purchase Commitments

CyrusOne has non-cancellable purchase commitments for certain services and contracts related to construction of data center facilities and equipment. These agreements range from one to two years and provide for payments for early termination or require minimum payments for the remaining term. As of December 31, 2015, the minimum commitments for these arrangements were approximately \$42.6 million.

Contingencies

CyrusOne is involved in legal, tax and regulatory proceedings arising from the conduct of its business activities. Liabilities are established for loss contingencies when losses associated with such claims are deemed to be probable, and the loss can be reasonably estimated. Based on information currently available and consultation with legal counsel, we believe that the outcome of all claims will not, individually or in the aggregate, have a material effect on our financial statements.

21. Guarantors

CyrusOne Inc.

CyrusOne LP and CyrusOne Finance Corp., as “LP Co-issuer” and “Finance Co-issuer,” respectively (together, the Issuers), had \$477.6 million aggregate principal amount of 6.375% senior notes outstanding, including bond premium, at December 31, 2015. As of December 31, 2015, the 6.375% senior notes are fully and unconditionally and jointly and severally guaranteed on a senior basis by CyrusOne Inc. (Parent Guarantor), CyrusOne GP (General Partner), and CyrusOne LP’s wholly owned subsidiaries, CyrusOne LLC, CyrusOne TRS Inc., CyrusOne Foreign Holdings LLC, Cervalis Holdings LLC, and Cervalis LLC (such subsidiaries, together the Guarantors). None of CyrusOne LP’s subsidiaries organized outside of the United States (collectively, the Non-Guarantors) guarantee the 6.375% senior notes. Subject to the provisions of the indenture governing the 6.375% senior notes, in certain circumstances, a Guarantor may be released from its guarantee obligation, including:

- upon the sale or other disposition (including by way of consolidation or merger) of such Guarantor or of all of the capital stock of such Guarantor such that such Guarantor is no longer a restricted subsidiary under the indenture,
- upon the sale or disposition of all or substantially all of the assets of the Guarantor,
- upon the LP Co-issuer designating such Guarantor as an unrestricted subsidiary under the terms of the indenture, if such Guarantor is no longer a guarantor or other obligor of any other indebtedness of the LP Co-issuer or the Parent Guarantor, and
- upon the defeasance or discharge of the 6.375% senior notes in accordance with the terms of the indenture.

The entity structure of each guarantor of the 6.375% senior notes is described below.

CyrusOne Inc. – CyrusOne Inc. was formed on July 31, 2012. As of January 23, 2013, CyrusOne Inc. was a wholly owned subsidiary of CBI. Effective January 24, 2013, CyrusOne Inc. completed its IPO of common stock for net proceeds of \$337.1 million, and together with the General Partner, purchased a 33.9% ownership interest in CyrusOne LP. CyrusOne Inc. is a guarantor or Parent Guarantor and became a separate registrant with the SEC upon completion of its IPO.

CyrusOne GP – CyrusOne GP was formed on July 31, 2012, and was a wholly owned subsidiary of CyrusOne Inc. as of January 23, 2013. Effective upon completion of CyrusOne Inc.’s IPO, this entity became the general partner and 1% owner of CyrusOne LP and has no other assets or operations. Prior to the IPO, this entity did not incur any obligations or record any transactions.

Issuers – The Issuers are CyrusOne LP and CyrusOne Finance Corp. CyrusOne Finance Corp., a wholly owned subsidiary of CyrusOne LP, was formed for the sole purpose of acting as co-issuer of the 6.375% senior notes and has

no other assets or operations. CyrusOne LP, in addition to being the co-issuer of the 6.375% senior notes, is also the 100% owner, either directly or indirectly, of the Guarantors and Non-Guarantors.

Guarantor Subsidiaries – The guarantors of the 6.375% senior notes include CyrusOne LLC, CyrusOne TRS Inc., CyrusOne Foreign Holdings LLC, Cervalis and Cervalis LLC (the Guarantor Subsidiaries) agreed to provide unconditional guarantees of the issuers' obligations under the 6.375% senior notes. The guarantee of each Guarantor Subsidiary is (i) a senior unsecured obligation of such Guarantor Subsidiary, (ii) pari passu in right of payment with any existing and future unsecured senior indebtedness of such Guarantor Subsidiary, (iii) senior in right of payment to any future subordinated indebtedness of such Guarantor Subsidiary and (iv) effectively subordinated in right of payment to all existing and future secured indebtedness of such Guarantor Subsidiary, to the extent of the value of the collateral securing that indebtedness. CyrusOne LLC, together with CyrusOne Foreign Holdings LLC, directly or indirectly owns 100% of the Non-Guarantors.

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

Non-Guarantors consist of wholly owned subsidiaries which conduct operations in the United Kingdom and Singapore, as well as CyrusOne Government Services LLC, a Delaware limited liability company and 100% owned subsidiary.

The following schedules present the balance sheets as of December 31, 2015 and 2014, and the statements of operations and comprehensive income (loss) for the years ended December 31, 2015 and 2014 and the periods ended December 31, 2013 and January 23, 2013, and the statements of cash flows for the years ended December 31, 2015 and 2014 and the periods ended December 31, 2013 and January 23, 2013 for the Parent Guarantor, General Partner, LP Co-issuer, Finance Co-issuer, Guarantors, and Non-Guarantors. The financial statements for the period ended January 23, 2013, present the financial information prior to the effective date of the IPO, and the financial statements for the period ended December 31, 2013, present the financial information after the effective date of the IPO. The consolidating schedules are provided in accordance with the reporting requirements for guarantor subsidiaries. The condensed consolidating statements of cash flows for the year ended December 31, 2015, includes the acquisition of Cervalis in July 2015. The results for Cervalis are included in the Guarantor financial statements subsequent to the Cervalis Acquisition.

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

Consolidating Balance Sheets

IN MILLIONS	As of December 31, 2015							Totals
	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantor Subsidiaries	Non- Guarantors	Eliminations/ Consolidation	
Land	\$—	\$—	\$—	\$—	\$ 93.0	\$—	\$ —	\$93.0
Buildings and improvements	—	—	—	—	865.6	39.6	0.1	905.3
Equipment	—	—	—	—	594.7	0.9	2.6	598.2
Construction in progress	—	—	—	—	229.8	0.1	1.2	231.1
Subtotal	—	—	—	—	1,783.1	40.6	3.9	1,827.6
Accumulated depreciation	—	—	—	—	(426.0)	(9.6)	—	(435.6)
Net investment in real estate	—	—	—	—	1,357.1	31.0	3.9	1,392.0
Cash and cash equivalents	—	—	—	—	10.4	3.9	—	14.3
Investment in subsidiaries	817.7	8.2	850.6	—	0.7	—	(1,677.2)	—
Restricted cash	—	—	—	—	1.5	—	—	1.5
Rent and other receivables	—	—	—	—	74.8	1.3	—	76.1
Intercompany receivable	—	—	991.3	—	—	—	(991.3)	—
Goodwill	—	—	—	—	453.4	—	—	453.4
Intangible assets, net	—	—	—	—	170.3	—	—	170.3
Due from affiliates	—	—	—	—	—	—	—	—
Other assets	—	—	—	—	85.3	2.7	—	88.0
Total assets	\$817.7	\$8.2	\$1,841.9	\$—	\$ 2,153.5	\$ 38.9	\$ (2,664.6)	\$2,195.6
Accounts payable and accrued expenses	\$—	\$—	\$29.2	—	\$ 106.8	\$ 0.6	\$ —	\$136.6
Deferred revenue	—	—	—	—	78.0	0.7	—	78.7
Intercompany payable	—	—	—	—	991.3	—	(991.3)	—
Due to affiliates	—	—	—	—	—	—	—	—
Capital lease obligations	—	—	—	—	6.1	6.1	—	12.2
Long-term debt	—	—	995.0	—	1.5	—	—	996.5
Lease financing arrangements	—	—	—	—	119.2	30.8	—	150.0
Total liabilities	—	—	1,024.2	—	1,302.9	38.2	(991.3)	1,374.0
Total shareholders' equity	817.7	8.2	817.7	—	850.6	0.7	(1,673.3)	821.6
Noncontrolling interest	—	—	—	—	—	—	—	—

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Total equity	817.7	8.2	817.7	—	850.6	0.7	(1,673.3)	821.6
Total liabilities and equity	\$817.7	\$8.2	\$1,841.9	\$—	\$ 2,153.5	\$ 38.9	\$ (2,664.6)	\$2,195.6

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CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

IN MILLIONS	As of December 31, 2014							Consolidated	Totals
	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantor Subsidiaries	Non-Guarantors	Eliminations/		
Land	\$—	\$—	\$—	\$—	\$ 89.7	\$—	\$ —	\$ 89.7	
Buildings and improvements	—	—	—	—	770.9	41.7	—	812.6	
Equipment	—	—	—	—	348.3	0.8	—	349.1	
Construction in progress	—	—	—	—	124.8	—	2.2	127.0	
Subtotal	—	—	—	—	1,333.7	42.5	2.2	1,378.4	
Accumulated depreciation	—	—	—	—	(319.7)	(7.3)	—	(327.0)	
Net investment in real estate	—	—	—	—	1,014.0	35.2	2.2	1,051.4	
Cash and cash equivalents	—	—	—	—	33.5	3.0	—	36.5	
Investment in subsidiaries	458.5	7.1	734.3	—	3.6	—	(1,203.5)	—	
Rent and other receivables	—	—	—	—	57.9	3.0	—	60.9	
Intercompany receivable	—	—	642.9	—	—	—	(642.9)	—	
Goodwill	—	—	—	—	276.2	—	—	276.2	
Intangible assets, net	—	—	—	—	68.9	—	—	68.9	
Due from affiliates	—	—	—	—	0.8	—	—	0.8	
Other assets	—	—	—	—	73.1	3.2	—	76.3	
Total assets	\$458.5	\$7.1	\$1,377.2	\$—	\$ 1,528.0	\$ 44.4	\$ (1,844.2)	\$1,571.0	
Accounts payable and accrued expenses	\$—	\$—	\$12.5	—	\$ 56.9	\$ 0.5	\$ —	\$69.9	
Deferred revenue	—	—	—	—	65.1	0.6	—	65.7	
Intercompany payable	—	—	—	—	642.9	—	(642.9)	—	
Due to affiliates	—	—	5.6	—	1.7	—	—	7.3	
Capital lease obligations	—	—	—	—	6.2	7.2	—	13.4	
Long-term debt	—	—	644.3	—	—	—	—	644.3	
Lease financing arrangements	—	—	—	—	20.9	32.5	—	53.4	
Total liabilities	—	—	662.4	—	793.7	40.8	(642.9)	854.0	
Total shareholders' equity	458.5	7.1	714.8	—	734.3	3.6	(1,457.5)	460.8	
Noncontrolling interest	—	—	—	—	—	—	256.2	256.2	
Total equity	458.5	7.1	714.8	—	734.3	3.6	(1,201.3)	717.0	
Total liabilities and equity	\$458.5	\$7.1	\$1,377.2	\$—	\$ 1,528.0	\$ 44.4	\$ (1,844.2)	\$1,571.0	

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

Consolidating Statements of Operations and Comprehensive Income (Loss)

IN MILLIONS	Year Ended December 31, 2015							Total
	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantor Subsidiaries	Non- Guarantors	Eliminations/ Consolidations	
Revenue	\$—	\$—	\$—	\$—	\$ 393.8	\$ 5.5	\$ —	\$ 399.3
Costs and expenses:								
Property operating expenses	—	—	—	—	146.0	2.7	—	148.7
Sales and marketing	—	—	—	—	12.0	0.1	—	12.1
General and administrative	—	—	—	—	46.6	—	—	46.6
Depreciation and amortization	—	—	—	—	138.7	2.8	—	141.5
Transaction and acquisition integration costs	—	—	—	—	14.1	—	—	14.1
Asset impairments and loss on disposal	—	—	—	—	13.5	—	—	13.5
Total costs and expenses	—	—	—	—	370.9	5.6	—	376.5
Operating income (loss)	—	—	—	—	22.9	(0.1)	—	22.8
Interest expense	—	—	39.7	—	—	3.2	(1.7)	41.2
Loss on extinguishment of debt	—	—	—	—	—	—	—	—
(Loss) income before income taxes	—	—	(39.7)	—	22.9	(3.3)	1.7	(18.4)
Income tax expense	—	—	—	—	(1.8)	—	—	(1.8)
Equity (loss) earnings related to investment in subsidiaries	(17.1)	(0.2)	17.8	—	(3.3)	—	2.8	—
Net (loss) income	(17.1)	(0.2)	(21.9)	—	17.8	(3.3)	4.5	(20.2)
Noncontrolling interest in net loss	—	—	—	—	—	—	4.8	4.8
Net (loss) income attributed to common shareholders	(17.1)	(0.2)	(21.9)	—	17.8	(3.3)	9.3	(15.4)
Other comprehensive loss	—	—	—	—	—	(0.2)	—	(0.2)
Comprehensive loss attributable to common shareholders	\$(17.1)	\$(0.2)	\$(21.9)	\$—	\$ 17.8	\$(3.5)	\$ 9.3	\$(15.6)

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

IN MILLIONS	Year Ended December 31, 2014							Total
	Parent Guarantor ⁽¹⁾	General Partner	LP Co-issuer	Finance Co-issuer	Guarantor Subsidiaries	Non-Guarantors	Eliminations/Consolidations	
Revenue	\$ —	\$ —	\$ —	\$ —	\$ 325.1	\$ 5.8	\$ —	\$ 330.9
Costs and expenses:								
Property operating expenses	—	—	—	—	121.9	2.6	—	124.5
Sales and marketing	—	—	—	—	12.6	0.2	—	12.8
General and administrative	—	—	—	—	34.2	0.4	—	34.6
Depreciation and amortization	—	—	—	—	115.0	3.0	—	118.0
Transaction and acquisition integration costs	—	—	—	—	1.0	—	—	1.0
Total costs and expenses	—	—	—	—	284.7	6.2	—	290.9
Operating income (loss)	—	—	—	—	40.4	(0.4)	—	40.0
Interest expense	—	—	38.2	—	—	3.5	(2.2)	39.5
Loss on extinguishment of debt	—	—	13.6	—	—	—	—	13.6
(Loss) income before income taxes	—	—	(51.8)	—	40.4	(3.9)	2.2	(13.1)
Income tax expense	—	—	—	—	(1.4)	—	—	(1.4)
Equity (loss) earnings related to investment in subsidiaries	(10.0)	(0.2)	35.1	—	(3.9)	—	(21.0)	—
Net loss	(10.0)	(0.2)	(16.7)	—	35.1	(3.9)	(18.8)	(14.5)
Noncontrolling interest in net loss	—	—	—	—	—	—	6.7	6.7
Net (loss) income attributed to common shareholders	(10.0)	(0.2)	(16.7)	—	35.1	(3.9)	(12.1)	(7.8)
Other comprehensive loss	—	—	—	—	—	(0.3)	—	(0.3)
Comprehensive loss attributable to noncontrolling interests	—	—	—	—	—	—	0.1	0.1
Comprehensive loss attributable to common shareholders	\$ (10.0)	\$ (0.2)	\$ (16.7)	\$ —	\$ 35.1	\$ (4.2)	\$ (12.0)	\$ (8.0)

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

IN MILLIONS	Period Ended December 31, 2013							Eliminations/Consolidation Adjustments	Totals
	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantor Subsidiaries	Non-Guarantors			
Revenue	\$—	\$—	\$—	\$—	\$ 244.3	\$ 4.1	\$ —	\$ 248.4	
Costs and expenses:									
Property operating expenses	—	—	—	—	85.9	2.5	—	88.4	
Sales and marketing	—	—	—	—	9.7	0.2	—	9.9	
General and administrative	—	—	—	—	26.3	0.2	—	26.5	
Depreciation and amortization	—	—	—	—	87.1	2.8	—	89.9	
Restructuring charges	—	—	—	—	0.7	—	—	0.7	
Transaction costs	—	—	—	—	1.3	—	—	1.3	
Asset impairment	—	—	—	—	2.8	—	—	2.8	
Total costs and expenses	—	—	—	—	213.8	5.7	—	219.5	
Operating loss	—	—	—	—	30.5	(1.6)	—	28.9	
Interest expense	—	—	36.5	—	1.8	2.9	—	41.2	
Other income	—	—	—	—	(0.1)	—	—	(0.1)	
Loss on extinguishment of debt	—	—	—	—	1.3	—	—	1.3	
Loss before income taxes	—	—	(36.5)	—	27.5	(4.5)	—	(13.5)	
Income tax expense	—	—	—	—	(1.9)	—	—	(1.9)	
Equity loss related to investment in subsidiaries	(5.3)	(0.2)	20.9	—	(4.5)	—	(10.9)	—	
Loss on sale of real estate improvements	—	—	—	—	(0.2)	—	—	(0.2)	
Net loss	(5.3)	(0.2)	(15.6)	—	20.9	(4.5)	(10.9)	(15.6)	
Noncontrolling interest in net loss	—	—	—	—	—	—	(10.3)	(10.3)	
Net income (loss) attributed to common shareholders	\$(5.3)	\$(0.2)	\$(15.6)	\$—	\$ 20.9	\$(4.5)	\$ (0.6)	\$(5.3)	

IN MILLIONS	Period Ended January 23, 2013							Eliminations/Consolidation Adjustments	Totals
	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantor Subsidiaries	Non-Guarantors			
Revenue	\$—	\$—	\$—	\$—	\$ 14.9	\$ 0.2	\$ —	\$ 15.1	
Costs and expenses:									
Property operating expenses	—	—	—	—	4.8	—	—	4.8	
Sales and marketing	—	—	—	—	0.7	—	—	0.7	

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General and administrative	—	—	—	—	1.4	0.1	—	1.5
Transaction-related compensation	—	—	—	—	20.0	—	—	20.0
Depreciation and amortization	—	—	—	—	5.2	0.1	—	5.3
Transaction costs	—	—	—	—	0.1	—	—	0.1
Total costs and expenses	—	—	—	—	32.2	0.2	—	32.4
Operating (loss) income	—	—	—	—	(17.3)	—	—	(17.3)
Interest expense	—	—	2.3	—	0.1	0.1	—	2.5
Loss before income taxes	—	—	(2.3)	—	(17.4)	(0.1)	—	(19.8)
Income tax expense	—	—	—	—	(0.4)	—	—	(0.4)
Equity loss related to investment in subsidiaries	—	—	(17.9)	—	(0.1)	—	18.0	—
Net loss	\$—	\$—	\$(20.2)	\$—	\$ (17.9)	\$ (0.1)	\$ 18.0	\$(20.2)

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

Consolidating Statements of Cash Flows

IN MILLIONS

Year Ended December 31, 2015

	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantor Subsidiaries	Non- Guarantors	Eliminations/ Consolidations	Totals
Net (loss) income	\$(17.1)	(0.2)	\$(21.9)	\$—	17.8	\$(3.3)	\$ 4.5	\$(20.2)
Equity earnings (loss) related to investment in subsidiaries	17.1	0.2	(17.8)	—	3.3	—	(2.8)	—
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:								
Depreciation and amortization	—	—	—	—	138.7	2.8	—	141.5
Stock-based compensation expense	—	—	—	—	14.4	—	—	14.4
Non-cash interest expense	—	—	3.4	—	—	—	—	3.4
Provision for bad debt write off	—	—	—	—	—	—	—	—
Loss on extinguishment of debt	—	—	—	—	—	—	—	—
Asset impairments and loss on disposal	—	—	—	—	13.5	—	—	13.5
Changes in operating assets and liabilities:								
Rent receivables and other assets	—	—	—	—	(26.1)	2.2	—	(23.9)
Accounts payable and accrued expenses	—	—	16.7	—	(9.8)	0.1	—	7.0
Deferred revenues	—	—	—	—	5.3	0.1	—	5.4
Due to affiliates	—	—	—	—	(0.9)	—	—	(0.9)
Net cash (used in) provided by operating activities	—	—	(19.6)	—	156.2	1.9	1.7	140.2
Cash flows from investing activities:								
Capital expenditures - acquisitions of real estate	—	—	—	—	(17.3)	—	—	(17.3)
Capital expenditures - other development	—	—	—	—	(216.7)	(0.5)	—	(217.2)
Business acquisition, net of cash acquired	—	—	—	—	(398.4)	—	—	(398.4)
Release of restricted cash	—	—	—	—	7.3	—	—	7.3
Investment in and loans to subsidiaries	(203.1)	(2.0)	(203.1)	—	(0.4)	—	408.6	—
Return of investment	62.6	—	102.0	—	(17.9)	—	(146.7)	—
Intercompany contributions/distributions	—	—	(348.4)	—	—	—	348.4	—
Net cash provided by (used in) investing activities	(140.5)	(2.0)	(449.5)	—	(643.4)	(0.5)	610.3	(625.6)

Cash flows from financing activities:

Issuance of common stock	799.5	—	—	—	—	—	—	799.5
Stock issuance costs	(0.8)	—	—	—	—	—	—	(0.8)
Acquisition of operating partnership units	(596.4)	—	—	—	—	—	—	(596.4)
Dividends paid	(61.0)	—	(80.8)	—	(80.8)	—	141.8	(80.8)
Intercompany borrowings	—	—	—	—	348.4	—	(348.4)	—
Borrowings from credit facility	—	—	260.0	—	—	—	—	260.0
Proceeds from issuance of debt	—	—	103.8	—	—	—	—	103.8
Payments on credit facility	—	—	(10.0)	—	—	—	—	(10.0)
Payments on senior notes	—	—	—	—	—	—	—	—
Payments on capital leases and other financing arrangements	—	—	—	—	(5.0)	(0.9)	—	(5.9)
Tax payment upon exercise of equity awards	(0.8)	—	—	—	—	—	—	(0.8)
Contributions from/(distributions to) parent, net	—	2.0	201.5	—	201.5	0.4	(405.4)	—
Debt issuance costs	—	—	(5.4)	—	—	—	—	(5.4)
Net cash (used in) provided by financing activities	140.5	2.0	469.1	—	464.1	(0.5)	(612.0)	463.2
Net (decrease) increase in cash and cash equivalents	—	—	—	—	(23.1)	0.9	—	(22.2)
Cash and cash equivalents at beginning of period	—	—	—	—	33.5	3.0	—	36.5
Cash and cash equivalents at end of period	\$—	\$—	\$—	\$—	\$ 10.4	\$ 3.9	\$ —	\$ 14.3

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

IN MILLIONS	Year Ended December 31, 2014							Total
	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantor Subsidiaries	Non- Guarantors	Eliminations/ Consolidation	
Net (loss) income	\$(10.0)	(0.2)	\$(16.7)	\$—	35.1	\$(3.9)	\$ (18.8)	\$(14.5)
Equity earnings (loss) related to investment in subsidiaries	10.0	0.2	(35.1)	—	3.9	—	21.0	—
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:								
Depreciation and amortization	—	—	—	—	115.0	3.0	—	118.0
Stock-based compensation expense	—	—	—	—	10.3	—	—	10.3
Non-cash interest expense	—	—	3.4	—	—	—	—	3.4
Provision for bad debt write off	—	—	—	—	0.8	—	—	0.8
Loss on extinguishment of debt	—	—	13.6	—	—	—	—	13.6
Changes in operating assets and liabilities:								
Rent receivables and other assets	—	—	0.4	—	(35.3)	(2.1)	—	(37.0)
Accounts payable and accrued expenses	—	—	4.7	—	2.1	0.1	—	6.9
Due to affiliates	—	—	—	—	(0.2)	—	—	(0.2)
Deferred revenues	—	—	—	—	10.0	(0.2)	—	9.8
Net cash provided by (used in) operating activities	—	—	(29.7)	—	141.7	(3.1)	2.2	111.1
Cash flows from investing activities:								
Capital expenditures - other development	—	—	—	—	(283.9)	(0.3)	—	(284.2)
Return of investment	25.2	—	97.3	—	(45.4)	—	(77.1)	—
Intercompany receipts	—	—	180.2	—	—	—	(180.2)	—
Intercompany distributions	—	—	(315.0)	—	—	—	315.0	—
Net cash (used in) provided by investing activities	25.2	—	(37.5)	—	(329.3)	(0.3)	57.7	(284.2)
Cash flows from financing activities:								
Issuance of common stock	356.0	—	—	—	—	—	—	356.0
Stock issuance costs	(1.3)	—	—	—	—	—	—	(1.3)
Acquisition of operating partnership units	(355.9)	—	—	—	—	—	—	(355.9)

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Dividends paid	(24.0)	—	(50.9)	—	(50.9)	—	74.9	(50.9)
Intercompany borrowings	—	—	—	—	315.0	—	(315.0)	—
Intercompany payments	—	—	—	—	(180.2)	—	180.2	—
Borrowings from credit facility	—	—	315.0	—	—	—	—	315.0
Payments on credit facility	—	—	(30.0)	—	—	—	—	(30.0)
Payments on senior notes	—	—	(150.2)	—	—	—	—	(150.2)
Payments on capital leases obligations	—	—	—	—	(2.4)	(0.6)	—	(3.0)
Payments on financing arrangements	—	—	—	—	(0.7)	(0.2)	—	(0.9)
Payment of debt extinguishment costs	—	—	(12.8)	—	—	—	—	(12.8)
Contributions from/(distributions to) parent, net	—	—	1.3	—	(6.5)	5.2	—	—
Debt issuance costs	—	—	(5.2)	—	—	—	—	(5.2)
Net cash provided by (used in) financing activities	(25.2)	—	67.2	—	74.3	4.4	(59.9)	60.8
Net (decrease) increase in cash and cash equivalents	—	—	—	—	(113.3)	1.0	—	(112.3)
Cash and cash equivalents at beginning of period	—	—	—	—	146.8	2.0	—	148.8
Cash and cash equivalents at end of period	\$—	\$—	\$—	\$—	\$ 33.5	\$ 3.0	\$ —	\$36.5

CYRUSONE INC.

Notes to Consolidated and Combined Financial Statements - (continued)

IN MILLIONS	Period Ended December 31, 2013							Totals
	Parent Guarantor	General Partner	LP Co-issuer	Finance Co-issuer	Guarantor Subsidiaries	Non-Guarantors	Eliminations/Consolidations	
Net (loss) income	\$(5.3)	\$(0.2)	\$(15.6)	\$—	\$ 20.9	\$(4.5)	\$(10.9)	\$(15.6)
Equity loss related to investment in subsidiaries	5.3	0.2	(20.9)	—	4.5	—	10.9	—
Adjustments to reconcile net (loss) income to net cash provided by operating activities:								
Depreciation and amortization	—	—	—	—	87.1	2.8	—	89.9
Stock-based compensation expense	—	—	—	—	6.0	—	—	6.0
Non-cash interest expense	—	—	4.0	—	—	—	—	4.0
Provision for bad debt write off	—	—	—	—	0.4	—	—	0.4
Loss on extinguishment of debt	—	—	—	—	1.3	—	—	1.3